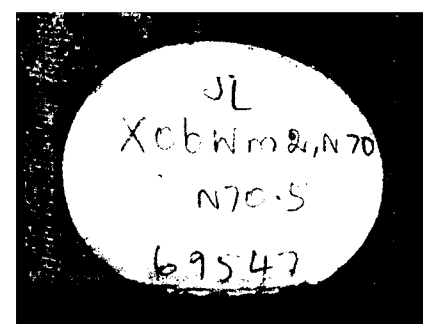




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ECONOMIC AND POLITICAL WEEKLY

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Much Buried Corpse

UP, though the largest single component of our federal system, is not a particularly credible testing-ground for the proprieties of parliamentary politics. Principles and programmes distinguish one party from another there even less perhaps than elsewhere in the country. Commitment and loyalty are at a discount among members of all parties. Promises of office or straightforward pecuniary inducements have been, as a result, an accepted instrument of politics — not, of course, that they are unknown elsewhere. None of the parties is organised enough to be impervious to the threat of defection and few party members are committed enough to ignore its potential benefits.

None of this can, of course, obscure the fact that the events of the last fortnight in the State represent yet another instance of use of brute force by the Prime Minister to achieve her political ends. From the withdrawal of Congress(R) support to the Chief Minister, Charan Singh, to the despatch of a special messenger to President Giri in the Soviet Union to get his formal assent to the imposition of President's rule, every move was deliberate and intended to make sure that Charan Singh did not continue in power with the support of Congress(O) and Jan Sangh. Every instrument — the Governor, the Attorney-General and the President himself — was bent to this purpose.

As soon as Congress(R) informed him that it was withdrawing its support to Charan Singh, Governor Gopala Reddy obligingly concluded that the Chief Minister had lost his majority in the Assembly and, further, that there was no likelihood of an alternative stable Government being formed. Without waiting for the State Advocate-General's advice that he had himself asked for, he decided with some handy support from the Attorney-General that there had been a constitutional break-down. Similarly, he accepted the fact of Congress(R)'s withdrawal of support to Charan Singh even though none of the Congress(R) ministers had resigned. Most important, though the State Assembly had been convened to meet on October 6 — and Charan Singh was prepared to have the date advanced further — the Governor would not wait till a trial of strength in the Assembly had established whether or not Charan Singh continued to command a majority.

By any canons of political fairplay, all this is reprehensible. But this is a corpse that we have buried often enough in the past. In Kerala, West Bengal, Madhya Pradesh and elsewhere Governors have intervened in the political process in similar manner and to similar purpose. At some point, therefore, the question has to be faced whether it is not some infirmity of the system itself which lays itself open to this kind of manipulation. The Central Government is quite clearly using its authority to influence political trends in the States; but, at the same time, it is difficult not to believe that if, instead of Indira Gandhi and Congress(R), someone else and some other party were in power at the Centre they would not do the same.

Where political parties are as indistinguishable from one another in programmatic terms as BKD and Jan Sangh or BKD, Congress(R) and Congress(O) in UP, party loyalties are bound to be fluid and there will always be room for manoeuvres to secure defections from one party to another. The Prime Minister's calculation in UP is obviously that given time enough MLAs can be persuaded to cross over to her party to make it possible for it to form a government. There is perhaps an element of contradiction in the system here. Experience seems to suggest that the process of parties contending for power through the election process in a parliamentary system works smoothly when the effective choice is restricted to parties with substantially similar programmes. It is doubtful if the system could survive the stresses of a party of the extreme Left and another of the extreme Right alternating in power. But the less dissimilar the parties in terms of programmes, the looser the party loyalties and the greater the scope for extra-electoral manipulation.

The extent of popular involvement in the political system is another material factor. It is significant in this context that, unlike in West Bengal when the first Ajoy Mukherjee ministry was dismissed, in UP no one has raised the question of the popular reaction to the Centre's manoeuvres and the Prime Minister has been able to go through with her moves without having to bother whether they might have any repercussions on popular feelings and, through them, on the next elections. But, once again, while politicisation of the masses and their involvement in the political processes are more effective safeguards against subversion of the political system than the finely-worded criticism of constitutional pundits and newspaper commentators, popular involvement in politics is clearly discouraged by the limited range of effective choice — more often than not between tweedledum and tweedledee — that the system seems inherently capable of offering.

An Epoch in History

WHEN eminent statesmen like Nasser pass away and the well-meant but inaccurate eulogies have been written one is always left with the question, after all is said and done, of whether individuals, whoever they be, are naught but creatures of the social and economic circumstances which gave them birth and the forces that moulded them. The doctrine of the individual will, single-mindedly and single-handedly, changing the course of history is too simplistic to argue about. Yet rear-guard social forces have been known to throw up men who have made it their life's work to struggle against the tide of history—the potentially dynamic streams of change—and usually fail, although a few might even succeed temporarily.

Nasser was clearly a man who far from stemming the tide of history rode on its crest during the earlier period of his rule but seemed to be sliding into the trough during the last decade of power as he began to be left behind by the very forces of social change which he had helped to unleash in Egypt and the Arab world by staging the bloodless *coup d'état* in 1952 against the feudal conservative classes epitomised by King Farouk. The extent of change from 1952 to 1956 was impressive, and even breathtaking, considering the non-violent manner in which it was all carried out. The big absentee landlords who had lived off the backs of the *fellahin* were permanently disinherited, the bigger monopolies were nationalised, the Greek, Armenian and Egyptian Coptic middlemen who controlled most of the retail trade and the service industries were sent packing. The nationalisation of banks and insurance companies was to follow.

These measures of nationalisation and expropriation were rightly considered to be inadequate, if the economic condition of the ordinary Egyptian were to be improved. The revitalisation and expansion of the fertility of the sacred valley of the Nile was seen as a primary goal. The High Dam at Aswan was visualised and the determination to build it can be seen as the starting point of Nasser's emergence as a figure in international diplomacy. The long, sorry tale of Western ineptitude and faithlessness is well known. If the West would not help to build it, Egypt would tap its own resources—the revenues from the Suez Canal. It must be noted that Nasser

did not turn at once to the then monolithic Communist bloc for all aid. The pathetic retailers of gunboats and nostalgia were still alive and kicking in London and Paris and together with the adventurers in Tel Aviv they hatched the Suez Conspiracy. Nasser was instrumental in turning total military defeat into a great diplomatic triumph, helped by such totally disparate allies as John Foster Dulles and Nikita Khrushchev. November 1956 was the moment of his greatest triumph.

Although the Americans had helped him, his already pre-existing anti-imperialist sentiments were strengthened by the Suez episode. His diagnosis that the Big Powers would always be able to interfere in Egypt while it remained alone and weak was correct. His remedy, that the Arab nations must unite in their aims and objectives *vis-a-vis* the Big Powers was also eminently correct. But here his analytical powers seemed to become cloudy. He failed to see that the consolidation of Egypt and the Arab world in defiance of foreign interests could only take place if a genuine mass political movement was built upwards from the ordinary *fellah* in Egypt and his exploited counterparts in the rest of the Arab world. This would have to be a slow, painstaking process. Instead short-cuts were instituted, *Palace coups* by progressive cliques of young army officers who would revolutionise Arab societies from the top downwards were encouraged. Apart from the inevitable happening, namely that a number of opportunist megalomaniacs—Abdul Karim Kassem of Iraq, being the archetypal rogue—took power in the name of progress, palace revolts and revolutionaries did not have the motivation to carry out substantial changes in the socio-economic structures of the Arab countries. In Egypt and elsewhere a new lower middle-class elite of military and civilian technocrats had become the establishment with its own needs and desires. Among its desires, was a strong nation, symbolised by a well-armed military force.

The presence of the praetorian state of Israel was a real threat but it was also an excuse. The Egyptian Army was to be strengthened, not by internal vitalisation but by external aid from a Big Power. The Russians were to provide the virility substitute. Nasser, with a considerable measure of success, managed to prevent the Russians from interfering in the in-

ternal politics of Egypt, but he became more and more dependent on them in the sense that he began to be persuaded that *status quo* stability was necessary in Egypt and most of the Arab world, particularly after his gambles to change other Arab societies, by unification of Egypt and Syria (1958-61) and by military means in Yemen in the early sixties, had failed. His final gamble, the precipitation of the 1967 War with Israel and consequent failure, also led to a desire for stability. In the meanwhile, the seeds of a genuine social revolutionary movement had already been sown by the birth of the *fedayeen*—the men of sacrifice. To them Nasser could only adopt an ambivalent attitude. The Revolution had begun to overtake him when he died. But he will always retain a place in the hearts of men who seek freedom from alien oppression, in spite of his failure to fully carry out the compulsions of his initial ideals.

Showing the Flag

Our Madras Correspondent writes:

WHETHER DMK has emerged stronger and more cohesive after the recent purge, it is too early to say. But it is certain that not many, either in the party or outside, shed any tears for the Ministers who were given the sack. Mathialagan, the most senior of them, reminisced before pressmen after laying down office that it was in his room, when he was a Law College student, that the preamble to the DMK party constitution had been first drafted by founder Annadurai on a page torn from his note-book. In fact, just a week before his 'removal', he had asked the Chief Minister to give an ultimatum to the Prime Minister on the question of a separate standard and, after the expiry of the ultimatum, to go ahead with the decision to use the flag on Minis-

A Correction

In "Victory by Proxy" by Ottuketkal (September 19, p 1554), it was stated that the Kapadias own an advertising agency, Three Brothers and Fils. This is incorrect. Three Brothers and Fils is owned by the Parikh family and the Kapadias, we understand, have no financial interest in it. The error is regretted.

Ed

ters' residences and cars. It was ironic that so soon thereafter this haughty champion of a separate flag should have been deprived of his ministerial residence and car.

The ousted Ministers have sensed popular feelings and have refrained from saying or doing things which would damage their image further. But while nursing their wounds, they are waiting for an opportunity to strike back. This vigil the warring groups keep over each other's activities might go some way to keep the administration less partisan. The Chief Minister will himself have to devote more time to party work to salvage the party's, and his own, fortunes. In this, the going is bound to be tough what with Congress(O)'s strong comeback after the Panchayat elections.

DMK has only one firm ally left now — Muslim League. Swatantra which, despite several provocations, had not dared to say a single harsh word against DMK, is now gathering courage, much of it borrowed from Congress(O). The recent dialogue between Karunanidhi and Rajaji seemed intended to work out the details of how to snap the ties between the two parties.

Thus the internecine quarrels inside DMK have surfaced at a time when all the major parties are ranged against it. And if the response of the masses to the agitation for a separate flag and for state autonomy is any indication, Karunanidhi is not going to find it easy to cover up all this by the simple device of whipping up mass sentiment over some parochial issue. Provided the Centre does not oblige DMK by giving it an opening for yet another anti-Hindi agitation, the party will face the polls in 1972 virtually without any programme.

In the meanwhile, DMK has followed a policy of taking credit for the Government's limited successes and laying the blames for its failures on the Centre. The failure to attract more industries to the State, which is to a great extent due to the prevailing high electricity tariff, is attributed to the concentration of power in the hands of the Central Government in regard to supply of raw materials, marketing facilities, allocation of foreign exchange and arrangements for foreign collaboration. The State Government has been, however, fairly successful in pushing its programme to exploit groundwater resources with financial assistance from IDA, routed through Agricultural Refinance Corporation.

A World Bank team which recently

toured certain districts of the State and held discussions with State officials and representatives of the ARC and the commercial banks, seems to be keen on the groundwater exploitation scheme. The State Government, on the other hand, is not at all keen that they should. The State Minister of Co-operation, taking the cue from earlier governments, has been busy converting co-operative institutions into areas of vested interests by injecting partymen into their managements.

There are over 100 primary land development banks in the State, at the rate of one for each taluka, and the boards of these banks had been filled largely by nominees of the undivided Congress. In an effort to neutralise their influence, the DMK Government has registered 60 more primary banks on the plea that there should be a lead development bank for each block. A bank at the block level can hardly be a viable proposition, but that does not matter.

Naturally, the State Government is keen that the expected assistance from IDA, which will be in the region of Rs 30 crores, should be given to the State Land Development Bank through the Agricultural Refinance Corporation. The World Bank team, however, is insisting on participation by commercial banks also which will reduce somewhat the size of the political cake available for distribution among party loyalists.

The Monetary Drift

THIS year the Reserve Bank has combined its customary annual report on its own working with the Report on the Trend and Progress of Banking. The reason given is that this eliminates duplication and overlap between the two reports. The part of the report dealing with production and price trends in industry and agriculture, budgetary performance, trends in foreign trade and international monetary developments summarises data already fairly well known. It adds little to the overall economic picture. More significant is the discussion of trends in banking and monetary policy which are, after all, the Reserve Bank's central concern.

It was evident that there were during the period covered by the report underlying factors making for inflationary pressures in the economy: agricultural production (particularly cash crops other than sugarcane) had not showed the required rise in 1969-70; the for-

eign trade balance continued to improve; and the budget had provided for a substantial deficit.

As it turned out, some developments in banking also showed an inflationary bias. First, the pace of deposit mobilisation slackened considerably, indicating a proportionately lower availability of deposits to finance credit needs. Second, the demand for credit turned out to be much larger than in the past and also much larger than had been anticipated.

It is evident that at some point Reserve Bank rather lost control over credit supply, making possible a runaway increase in credit supply financed mostly by Reserve Bank money. Apparently, almost the whole increase in finance by commercial banks to the neglected sectors has been financed out of Reserve Bank credit. In fact, considering how the Government's budgetary position actually turned out, Reserve Bank's performance in 1969-70 must be considered even more questionable. And with the poor return of banking funds, Reserve Bank remained a large supplier of credit to banks even during the slack season.

The consequences on the price front are obvious. The price gap as compared to the previous year began to widen from about January and reached plus 7 per cent by March 1970. After narrowing in the next three months to about plus 3 per cent, it has again begun to grow to reach plus 5 per cent. It is evident that Reserve Bank has still not found an efficient monetary policy mix: fair weather or foul, prices continue to rise and it has little control over credit supply or the price situation. It is time for a realistic appraisal of monetary policy in the light of credit requirements and credit use.

Not So Weary, After All?

A Correspondent writes:

SUDDENLY, it would appear, the perspective for aid has changed radically. After fears of aid weariness and consequent tightening of purse strings, there has been a rapid change in attitudes. The change was heralded by the Pearson Commission which sought to make an objective assessment of the experience so far with development aid. Its membership, essentially liberal-conservative in outlook so as to provide the necessary reassurance to aid-givers, gave it the necessary status to enable its recommendations to get a respect-

able hearing. Its assessment of aid was comforting to aid-givers and its recommendations were liberal enough to appeal to aid-receivers.

The Pearson Commission recommended an increase in the quantum of aid so that it reached 1 per cent of the aid-givers' GNP by 1974; it also suggested that a substantial part of this (70 per cent) be provided as official aid. Countries like Japan, which include a large part of their commercial credits to inflate their aid figures, have found themselves suddenly exposed to the real aid commitment.

A parallel study had been going on by a task force set up by the US President under an ex-president of the Bank of America. Here again the conservative credentials were impeccable. Surprisingly, the task force's recommendations were such that they could hardly be faulted even by liberals. It suggested separating of economic aid from mili-

tary assistance, an agency to keep under constant review aid trends, and a development bank to provide aid on a continuing basis, insulating it from Congressional politics.

The Pearson recommendations have been followed up by the DAC which met recently in Japan. And President Nixon has now endorsed the recommendations of the Peterson Task Force on US aid and has recommended untying of aid. Significantly, many OECD countries seemed to be dragging their feet on the Pearson recommendations, particularly regarding increasing aid and untying it. The latter issue has now been put off for a year. The main consequence of the whole exercise has been to make aid more respectable again. This is also evident in the replenishment of IDA funds for three years.

What lessons should India draw from this? It would be tempting to think

that our aid problems, which had become acute in recent years, need no longer worry us. This would be a short-sighted conclusion. India has lost respect internationally directly in proportion to its dependence on aid — and its crying search for it. Moreover, as the direction of the World Bank's operations show, more global aid does not mean that more would necessarily come our way. It is evident where the new focus of aid lies — Latin America and, increasingly, Africa. Asia's golden age for aid seems to have ended with the sixties. However, foreign aid is no longer peripheral to our planning effort but forms the central core of it. We do not seem to have covered ourselves against adverse trends in aid by a contingency plan not relying on aid. It is interesting that only the Jan Sangh has made any effort in that direction — by producing a plan that is at least nominally labelled *swadeshi*.

Opportunity in Manganese

Magnus writes:

THE manganese trade has now gone the full circle and the rising market has apparently once again caught Indian mines and exporters on the 'wrong foot'. Almost exactly two years ago (see "Quality by Suspense", September 21, 1968, p 1426), producers were scrambling for customers in a market depressed by lack of demand from steel and ferromanganese plants, and by a drop in exports. Today demand has revived from all sides and the mines find it hard to meet it at short notice.

The steel industry is the main user of manganese ore and of ferromanganese. With steel production picking up, demand for both is rising. The ferromanganese plants are rather particular about the specifications (the manganese, silica and phosphorous content) of the ore that they buy. But as things stand, they hardly know from week to week what they are going to get. The tendency to have captive mines is, therefore, growing and at least two producers are thinking seriously in these terms. This trend will have two desirable effects: to stabilise prices and to allow the primary producers to concentrate on exports.

There is likely to be a world shortage of ferromanganese in the coming months, particularly in the US. The demand for steel in the US is likely to continue to rise at least till next August and the average imports of the alloy may be as high as 300,000 tons per month in the next twelve months. Norway, the leading supplier, has had to cut down on shipments for technical reasons for a few months and India has a good opportunity to win larger markets in the US. US imports of manganese ore were about 2 million tons in 1969. This year they have been slightly lower, with Gabon and Brazil as the main suppliers. India has lagged sadly in this market, and the current shortage of raw ore here will make it difficult to grasp this opportunity.

An issue which must be faced squarely is that of priorities in the distribution of available ore between the ore-export trade and the ferromanganese plants. If ore exports are given priority, under-utilisation of ferromanganese capacity will result;

output and prices will go up and, in turn, this will affect internal prices and exports unless subsidies are introduced in some form. It may also affect steel production and prices. On the other hand, if the ferromanganese plants' needs are fully met, export customers for ore are likely to be irretrievably lost to the very keen and able competitors in world markets. It would appear wise to starve the ferromanganese plants for a short time while steel production is still down and, in the meantime, set up or rejuvenate manganese mines. This process may take from four to twenty-four months, depending on whether it is a surface or underground mine.

Unless ore prices drop substantially, manganese mining appears to be an excellent investment opportunity just now. The margin between cost of production and market price is so wide that a payback in two or three years, with solid profits thereafter, appears feasible on medium-scale mines. The authorities who disburse mining leases and finance would do well to take a positive attitude in the matter, while guarding against very small operations which can ruin a deposit.

Development Banking in Action

JUDGING by its Fourth Annual Report for the year ending March 31, 1970, the State Industrial and Investment Corporation of Maharashtra (SICOM) continues to make the progress which one has come to associate with it. Total sanctions rose by 83 per cent from Rs 4.63 crores in 1968-69 to Rs 8.50 crores in 1969-70, and as at the end of March 1970 aggregated Rs 15.15 crores. Total disbursements amounted to Rs 2.25 crores against Rs 1.33 crores, showing a rise of 69 per cent, and aggregated Rs 4.39 crores at 1969-70 year-end. SICOM is gradually pruning its sanctions to developed areas. With a policy of raising funds as markets permit — Rs 3.3 crores were raised in 1969-70 — SICOM's liquidity position, with Rs 5.70 crores in banks, was strong. This should provide a strong base for further expansion of its activities.

But, more than in these financial results, SICOM's dynamism is to be seen essentially in the new schemes and in-

centives worked out by it and in its success in continuing to hold industrialists' interest in its operating regions. The year 1969-70 saw a fair number of new initiatives. A credit guarantee scheme for medium-scale industries was brought into operation and SICOM became the Maharashtra Government's agent for the Package Scheme of Incentives announced in April 1969. An industrial services section was started within the Corporation during the year. And, most important of all, SICOM set up its first subsidiary, the City and Industrial Development Corporation of Maharashtra, which will be responsible for the development of the proposed 'Twin City' across the Bombay harbour.

The fruits of these initiatives are reflected in the amount of investment that SICOM claims its efforts have "catalysed" (this particular innovation of SICOM's will make purists squirm!) which is placed at Rs 147.88 crores in 1969-70. Among other industries, SICOM is actively engaged in promoting a coal-based fertiliser unit in Vidarbha.

A measure of SICOM's achievement is its success in putting Nagpur, Nasik, Aurangabad and other places on the industrial map of Maharashtra and in bringing, and keeping, these places within the range of vision of industrialists. Not surprisingly, it has been repeatedly flattered by imitation by other State governments like those of West Bengal and Rajasthan. While the all-India financial institutions have recently demonstrated their concern for development of backward regions by announcing special 'soft' terms for financing investment in such areas, there is really no substitute for the efforts of a State-level organisation like SICOM and the range of practical, down-to-earth, but vital, services that only such an agency can provide.

Carried by the Boom

THE growth of Agricultural Refinance Corporation's operations is apparently being maintained, though the 4 per cent rise in commitments in 1969-70 (July-June) was definitely less impressive than the 20 per cent increase achieved in the previous year. Two further considerations need to be noted. First, the increase in ARC's operations since 1967-68 reflect the spurt in investment in agriculture, especially in small irrigation which continues to account for the major share of ARC's assistance.

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Second, the pace of utilisation of ARC's assistance continues to be poor and certainly does not bear out the statement by the Corporation's Chairman, P N Damry, that unlike in earlier years when ARC was constrained to point out defects in the policies and procedures of Government authorities and financing banks dealing with agricultural projects, "this year there is more to commend than to criticise". If the cumulative percentage of drawals to commitment rose to 64 per cent at the end of 1969-70, this was only because of successive "rephasing" of programmes to suit the low disbursement in each year. Even in 1969-70, against expected disbursement of Rs 62 crores actual drawals were only Rs 29 crores, or 46 per cent.

While this speaks for the quality of preparation of schemes and their implementation on the part of the agencies concerned, it is also a reflection on ARC's own project appraisal and follow-up efforts. In this context one is puzzled by the faint note of complaint that one senses in Damry's reference to the fact that routing of World Bank assistance for agricultural projects through ARC would involve for the Corporation "a greatly increased effort in supervision and direction necessitating considerable additions to our staff including our technical wing". Obviously, the same care and vigilance which ARC considers itself called upon to exercise in respect of World Bank funds should be exercised over the use of its other funds as well.

World Bank and IDA have so far agreed to finance three major agricultural projects in UP, Gujarat and Punjab. The UP project will be for use of improved seeds and farm development while the Gujarat one will be concerned mainly with minor irrigation and the Punjab one with mechanisation. The total cost of the project is estimated at about Rs 64 crores of which a major part will come from World Bank and IDA. The funnelling of World Bank and IDA assistance through it should enable ARC to show some impressive increase in business in the Fourth Plan since it is a condition of the World Bank assistance that the loan for the Punjab project has to be used up by the end of 1972 and those for the UP and Gujarat projects by the end of June 1974.

There are some glaring gaps in the geographical coverage of ARC's operations. Six States (Assam, Jammu and Kashmir, Kerala, Orissa, Rajasthan and West Bengal) together account for less than 8 per cent of all assistance committed since the Corporation's inception and less than 5 per cent of assistance disbursed. As a development bank — which is what it is — ARC cannot shift all the blame to State government departments and co-operative

banks. What have been its own efforts in these neglected States? Similarly, it is time ARC diversified its operations to take up projects other than in minor irrigation and land development which still accounted for almost 85 per cent of assistance committed last year.

Damry also refers to the problem of assuring short-term production credit to cultivators, particularly to small farmers, participating in ARC's development schemes — which just goes to show that while commercial banks may shout about their achievements in financing agriculture and in some States co-operative banks may cry themselves hoarse about encroachment by commercial banks the basic fact is that the operations of all available credit agencies taken together are both inadequate and selective. In this context, Damry reveals that by August this year 19 schemes for setting up Small Farmers' Development Agencies had been approved by the governments concerned and another six were under consideration. Since the Fourth Plan talks of setting up such agencies in 45 districts, this would seem to suggest that in the remaining 20 districts even paper schemes for setting them up have not been formulated. How this can be a matter for any satisfaction, as Damry seems to think, is not clear.

Cost of Pioneering

THE statement of S Narayanaswamy, Chairman, Aluminium Industries, to the shareholders of the company brings out the problems of electrical goods manufacturers. Aluminium Industries pioneered bare conductor production in India. However, success breeds imitation and while the number of producers of bare conductors increased, the State Electricity Boards almost discontinued placing new orders, particularly after 1965-66. As a result, Aluminium Industries found its turnover reduced by more than half to Rs 469 lakhs in 1968-69, from which level it recovered to Rs 684 lakhs in 1969-70.

Narayanaswamy refers to various criticisms ("your Board welcomes all such criticism from whatever quarter it emerges") and seeks to answer them. He refers, frankly and in detail, to the problems of the aluminium conductor industry. The industry has in the past suffered grievously from the vagaries of the ordering practices of State Electricity Boards which have upset its production schedules, inventory planning (causing "warehouse choking") and sales. And now that the industry is gradually coming out of these problems, it finds itself faced with shortages of aluminium and steel.

But Aluminium Industries has continued to take up new projects to diversify its base and to insulate itself from dependence upon a single market. Its wire-drawing machine project is completed and the switchgear project, still under implementation, "has an embarrassingly filled-up order-book position".

However, the company has still a long way to go to retrieve its position. It has made beginnings in exports, and its new projects should strengthen its position in the years to come. In the meanwhile, the shareholders have to go without a dividend: "I am aware that an enumeration of difficulties is not a substitute for the dividends so sorely missed". But, perhaps, like the management, the shareholders have also seen the worst of the bad times.

Whom Did Reserve Bank Squeeze?

A Correspondent writes:

AT the start of this year's cotton season in the first week of August, Reserve Bank instituted a credit squeeze on cotton by increasing the margin on unginned and ginned cotton from 25 per cent to 80 per cent. Due to the unsettled conditions, as the markets remaining closed for two weeks, the effects of the credit squeeze were not felt. Merchants had purchased their requirements in the first market and were busy ginning it while the markets were closed. After reopening, the markets remained unsettled and erratic with buyers purchasing only selected lots. However, prices in the Baramati and Phaltan markets remained firm at last season's level which was an all-time high.

Cotton has been bought but, due to the credit squeeze, weighments and payments have been delayed by four to six weeks. The Co-operative Marketing Federation has been as tardy in payment as the merchants. This is significant as the Federation is probably going to do monopoly buying of cotton from next year. The delay in payment has held up the farmers' repayment of loans taken for the crop from co-operative and commercial banks which in turn borrow from Reserve Bank. The farmer, in addition to being denied the cash which he probably badly needs, has to bear interest charges on his loan for the extra period. The real squeeze is thus on him.

Reserve Bank claims that the trade has enough money to make prompt payments. But, of course, it has no way of making sure that the payments are actually made. The net result of this policy has been to divert some of the farmers' profits to the merchants without touching the price of cotton.

The Election behind the Crisis

Romesh Thapar

THESE days, subjected to the expensive advertising of Kim Il-Sung's intellectually, the box-wallah ballyhoo of Hindustan Steel's attempt to bluff the public through the purchased columns of newspapers, the publicising of the factional battles of groups of shareholders in private sector companies notorious for their speculative base, the increasingly sharp battles of the tobacco tycoons and the competition in subliminal sex which now intrudes in the selling of underpants, pyjama suits, trousers, shirts and bed sheets, the Indian elite seems to be living in a fancy world of its own. Little notice is being taken of the maturing economic-political crisis.

The agitation of the government employees in anticipation of the Pay Commission's recommendations implies already an extra outlay of some Rs 400 crores during the Five-Year Plan period. The agitation of the bank employees which is sparked essentially by a series of unco-ordinated wage agreements in the State Bank, the nationalised banks and the Life Insurance Corporation has already done damage to the economy. Any day, the muddlings of Gulzarilal Nanda will encourage railwaymen to embark on their brand of agitation: after all, if the IA and Air-India can agitate, what's to prevent the Railways? The staff of the State Trading Corporation—officers included—are also developing a taste for agitation on recruitment and management training policies. Outsiders of dubious Left com-

mitment, and sponsored by the politically powerful in the Capital, are already dabbling in Indian Oil. If all this is put together with the messy muddle in Hindustan Steel—and now in Heavy Engineering, following the sudden and inexplicable removal of its Chairman! — it looks very much as if some hidden force is planning the ruination of the public sector.

We shouldn't dismiss this possibility. The trade union movement, particularly that which parades itself as the most militant, is foraging for funds to fight elections and is not averse to using the lever of strikes to make its pile. The corruption of trade union leaders is now the talk of workers: indeed, it is alleged in the Capital that even MPs who sport their championship of the working class take payment for services rendered. What's more, observers cannot run away from the fact that it is the public sector which is sought to be paralysed even though the workers in this sector never had it so good. The CPI and the CPM should be made to do a lot of explaining.

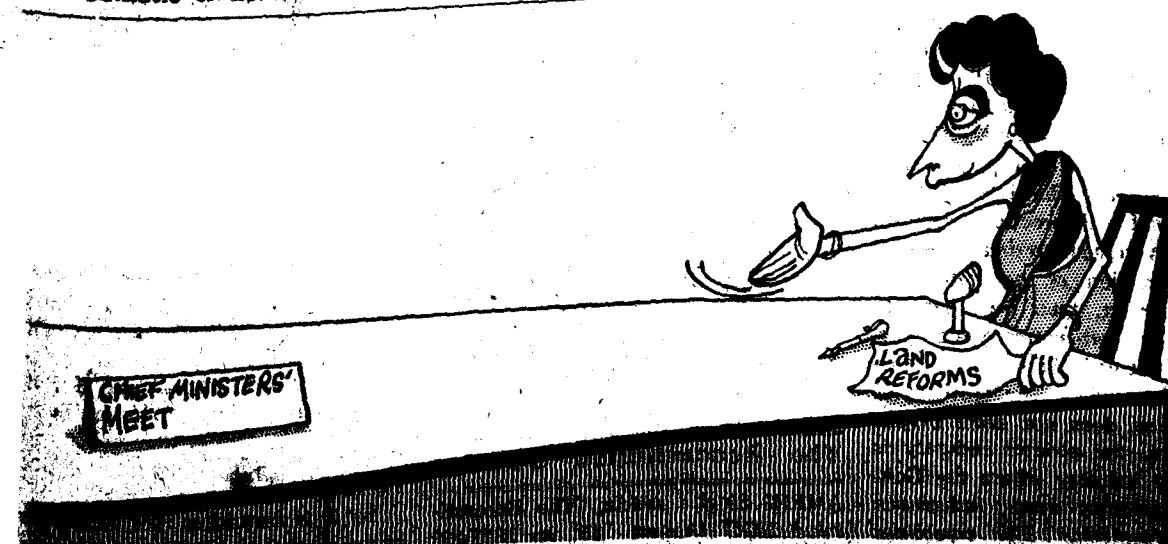
Of course, if you talk to the political operators, they are least concerned with what helps or damages the economy. They maintain that the ruling Congress Party is definitely planning a "snap election" some time in February or March 1971. No time will be given to the Opposition to mobilise resources for such an election, although the ruling Congress Party has been "collecting"—illegally,

of course!—the funds for such an eventuality. Astronomical figures are mentioned, including exact amounts which ministers and their henchmen are supposed to have salted away. The charge is that the most corrupt have been put in charge of sectors where money can be most easily "collected"—and the charge sticks!

The maturing crisis, it is believed, will not come to a head because political formations will soon be diverted to electioneering. There is, perhaps, some truth in this because the present strike wave is artificially excited; even pertinent and motivating slogans, together with careful steps to communicate demands, are absent. The atmosphere of these strikes is far removed from the committed, intense struggles of not so long ago. Not without reason do the unemployed millions look with contempt on the antics of the employed, undismissable 'proletariat' busy inflating its wage bill and unconcerned about performance upon which the expansion of the economy — and more jobs! — depends.

The argument about the crisis dissolving the moment electioneering begins does not stop there. It is projected into the post-election period and the thesis is advanced that the alliances which will crystallise will blunt—at least for a year!—the possibility of sharp collisions. Yes, the Indian elite seems to be living in a fancy world of its own. The sooner the "snap election" is launched, the better. At least we shall be able, then, to put the screws on the politicians and get them to think about the country's growth and future.

September 28



Obsolescence to Order?

GOVERNMENT OF INDIA has decided to set up a public sector unit capable of manufacturing 50,000 to 1,00,000 scooters annually with foreign collaboration because no indigenously developed design of a scooter was readily available. A new plant, it is said, is proposed to be set up because existing units in the private sector have been turning out obsolete models of scooters. Expansion of the production capacity of the scooter industry is likely to be welcomed by most people though its inclusion into the public sector may not be as welcome to the private sector. What, however, baffles one are the arguments advanced for foreign collaboration in the project.

The Government, it seems, has become tired of the old models of scooters and, as the benevolent guardian of the consumers in the country, is keen to give them the gift of a new model at the earliest. That is why it cannot afford to wait for another five to eight years within which period, we are told, an indigenous design can be developed and manufacturing can start on its basis. It is apparent that the idea of developing an indigenous design could not be worked out during the past decade. Had it been given any chance during this period we could contemplate drawing up our own designs by now. Such a possibility now recedes into the background because the large scale on which the project is being planned will preempt the possibility of any new units being installed in near future. It may be mentioned that the present rate of production of scooters by the four manufacturing units in the country is, only around 60,000 a year. There are some 45 applications for projects based on indigenous designs pending with the Ministry of Industrial Development. The fate of these is now sealed for all practical purposes.

If the government estimate of the period of fruition of an indigenous design is correct, then we have to wait at least another five years, provided it is decided right now to give a trial to the design. The prospect of this happening does not seem bright. As is known, the scooter industry is not the only industry where the Government's hesitancy over indigenous designs is manifest. The rumblings

over the design for Bokaro steel plant have scarcely died down. The prospect of an atomic power plant of Indian design is still a matter of speculation. Failure to take decisive steps in such matters have not only caused serious drain of foreign exchange, it has also cost the buoyancy the country could achieve both economically and morally.

One wonders if the government could not allow the existing scooter units to expand their capacity as an interim measure and in the meantime initiate some move for manufacture with an indigenous design. A technical committee which examined the different possibilities observed that expansion of two of the existing plants would reduce the present cost of production by Rs 300. The Government project also is expected to reduce cost by Rs 300 to Rs 400. It might be argued that the Government is keen to install a new unit in the public sector in preference to the existing units in the private sector. The argument flies in the face of the following fact. The Government, it is learnt, has nearly agreed to an automobile firm in the private sector introducing a new model of private car in collaboration with foreign firms. Till the other day we were told that the industry could not expand its scale of production and thus bring down costs because of lack of market. The market issue has apparently lost significance in respect of a new model. The argument here again is obsolescence of the old models. Nobody would, of course, suggest consideration of an indigenous design for motor cars in a country where designs for scooters are so difficult to work out. We are, however, left with one thought. What does one mean by obsolescence of transport equipment in a country where bullock carts, handcarts and rickshaws persist and will continue to persist for yet more time along with vintage motor cars and omnibuses in plenty?

Calcutta
September 29

D K BOSE

The Reconstituted UGC

AMRIK Singh's article, 'The Reconstituted UGC' (August 15, pp 1377-82)

raises a number of fundamental issues in relation to the functions of the UGC in the planned development of India. Its functions can only be understood in the context of Entry 66 of Schedule VII of our Constitution which states that "co-ordination and determination of standard in institutions of higher education or research and scientific and technical institutions" are the responsibility of the Union Government.

With the increasing adoption of regional languages as media of instruction for higher education, this constitutional obligation has assumed unprecedented social and economic significance as the task of training cadres for various branches of national activities cannot be left to the whims of State Governments. If India is to survive as a nation there must be a minimum national educational level. Above this there may be variations. For ensuring this minimum the UGC is the only fit agency.

Amrik Singh quotes the opinion of the Attorney-General regarding the powers vested in the Government of India vide Entry 66 quoted above. Accordingly, the UGC has powers: (i) for laying down "minimum standards of fitness for admission to universities or to technical and professional institutions including medical, engineering and agricultural institutions", (ii) issuing general directions in relation to maintenance of standards, (iii) directing inspection in order to ensure that proper standards are maintained. Surely, the UGC has not discharged these functions.

Amrik Singh should have mentioned the famous Supreme Court (AIR, 1963, pp 703 ff) judgment on Gujarat University under which the decision to make Gujarati a compulsory medium of instruction without concurrence of the Union was set aside. The implication of the judgment is that the UGC *vis-a-vis* education has powers tantamount to that of planning education. Therefore, the logical follow-up is to ask what items are relevant to the planning of higher education. It is difficult to comprehend as to how without identical syllabi and text-books and without teachers having standardised qualifications, salaries and conditions of service, a minimum standard can be ensured. Therefore, by implication, the mode of selecting teachers, etc, are also covered by Entry 66.

So it is surprising that Amrik Singh argues that if the UGC operates beyond

the limits prescribed by the Attorney-General it would "be politically risky and constitutionally untenable". If there are local, regional and State pressures to lower the standards of higher education, the way out for educationists is not to surrender before such pressures but to stand up and oppose them. In this direction there is urgent need for an All-India University Teachers' Association. As reported in your journal ('To Make a Good Teacher', April 11, p 630) preparations for this are being made and let us hope that it will come into being soon and be strong enough to influence the national policies on higher education. To start with a para on higher education in the election manifestoes of 1972 should be campaigned for.

V B SINGH

Lucknow
September 10

Agricultural Growth with Social Justice

THERE is a logically consistent system of growth evolved by history—the path of capitalist development. In the present context of the over-populated countries of South-East Asia, it probably now means growth without social justice. As against this, a logically well-conceived alternative of growth with social justice, as pointed out by V M Dandekar ('Agricultural Growth with Social Justice in Over-populated Countries', Special Number, July 1970, p 1231-38) has been evolved by communism which can break through the vicious circle of poverty in the region. However, as the Government in India is a 'soft' government, it cannot implement this alternative. Hence, it became necessary for Dandekar to evolve his own logically consistent solution, of some growth and some social justice, within the institutional framework of private property in land.

The alternative suggested in the end, as a last resort, is "to let agricultural development proceed on capitalist lines without restraints". "The capitalist sector in agriculture must be regulated to protect the interest of the labour hired in this sector" and "the capitalist sector in agriculture, as in industry, must be taxed sufficiently to enable all the residual landless labour to be gainfully employed".

To begin with, the solution turned out to be rather hard for the 'soft' government and hence the threat that in case even this is not carried out the people will opt for the real solution. Secondly, it is vaguely formulated in terms of safeguarding the in-

terest of labour, taxing sufficiently the capitalist sector in agriculture and providing gainful employment to residual landless labour. Thirdly, it is dual because the country's government is expected to safeguard properly the interest of labour despite over-population and to tax the capitalist sector sufficiently despite its softness. Finally, it is logically inconsistent. Suppose the Government did succeed in safeguarding the interest of hired labour and in taxing sufficiently the capitalist sector in agriculture. The point is, will these cuts from both the ends leave behind adequate profits—the motive force of the system—in the microscopic capitalist sector in our agriculture?

In view of the above inconsistency, Dandekar at this stage suddenly decided to scatter the burden of such taxation over the capitalist sector in industry as well. But then surely he would also extend the same element of social justice to the labourers em-

ployed in that sector and especially to the unemployed already existing as well as forthcoming from the villages due to unrestrained capitalist development in the countryside. In that case, it will not be surprising if the profits in this underdeveloped capitalist sector, too, are not found quite adequate for serving the twin objectives of providing incentive to the industrialists and of meeting the requirements of social justice in both the sectors.

This is the only inconsistency still left to be removed from the otherwise very logical alternative offered by Dandekar. Perhaps, it is assumed that the profits will anyway remain adequate or that their inadequacy will be overcompensated by the spiritual satisfaction our capitalist will derive from serving the cause of social justice.

ABDUL MAJID

Delhi
September 24

Government of India

4 1/2 PER CENT LOAN 1977 TO BE ISSUED AT Rs. 100.00 PER CENT AND REPAYABLE AT PAR ON 15TH OF OCTOBER, 1977.

5 1/2 PER CENT LOAN 2000 (REISSUE) TO BE ISSUED AT Rs. 100.00 PER CENT AND REPAYABLE AT PAR ON 11TH OF APRIL, 2000.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 125 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 3 per cent First Development Loan, 1970-75, which will be accepted for conversion at par. Government reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

If the total subscriptions received for the new loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

Interest at the rate of 3 per cent per annum on the securities of 3 per cent First Development Loan, 1970-75 tendered for conversion will be paid upto and inclusive of 14th October, 1970 at the time of issue of the new securities.

The new loans will bear interest from the 15th October, 1970. In respect of 5 1/2 per cent Loan, 2000 (Reissue) interest for the period 15th of October, 1970 to 10th of April, 1971 inclusive will be paid on 11th April, 1971 and thereafter payment of interest will be made half-yearly on the 11th of April & 11th of October. Interest on the 4 1/2 per cent Loan, 1977 will be paid half-yearly on the 15th April and 15th October and will be liable to tax under the Income-tax Act, 1961. Under Section 80L of Income-tax Act, 1961, interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from income tax subject to a limit of Rs. 3,000 per annum.

Subscription lists will open on the 15th of October, 1970 and close on 17th of October, 1970 or earlier without notice.

Applications for the new loans will be received at—

- offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at the branch of the State Bank of Hyderabad, Gunfoundry, Hyderabad and
- branches of the State Bank of India at other places in India.

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

Conglomerate in Clover

Hansavivek

DELHI CLOTH AND GENERAL MILLS has produced substantially better results for the year ended June 1970, with gross profit expanding from Rs 7.71 crores to Rs 14.25 crores following increase in turnover from Rs 95.95 crores to Rs 116.01 crores. Depreciation absorbed considerably more, but with no tax liability as before, net profit was Rs 8.52 crores (Rs 3.60 crores) and covered the dividend stepped up four points to 16 per cent 5.4 times. Net return on total funds employed in business came to a little over 10 per cent.

These good results were achieved owing to satisfactory working of almost all the units. The textile mills worked at a high level of efficiency in spite of unsatisfactory cotton supply position and rising costs. DCM has plans to replace about 35,000 spindles and 400 looms. Shriram Rayons showed good performance, notwithstanding allround rise in costs. Efforts are afoot to export a part of its production. General operations of the chemicals sections were satisfactory, though imports of large quantities of phosphatic fertilisers rendered idle the indigenous manufacturing capacity. The vinyls plant of Shriram Chemicals at Kota achieved substantially higher operational levels. Its results in the current year are expected to be better than last year's. The fertilisers plant, which had its full year of production, operated up to expectations. While most fertiliser factories had problems of excess stocks and marketing owing to substantial carryover of stocks of imported fertilisers, the company could operate on nominal stocks throughout the year. The current year's operations are expected to be still better. Working results of the sugar factories have also been satisfactory, with sugar output reaching the highest level so far. And on account of the increased availability of molasses there was a record production in the company's distillery. The only section that fared badly was the vanaspati works due to change of the fortnightly price review formula by Government. The management has been suggesting to Government that oil prices be stabilised by building up adequate and timely buffer stocks of vegetable oils at consuming centres. Such a step, says the directors' report, will ensure steady prices

and discourage speculation in this essential food product.

BANK OF INDIA LTD is proposed to be amalgamated with Calico Mills. According to the scheme approved by boards of both companies, every holder of 20 shares of the Bank will get 1.2 equity shares of Calico, one convertible bond of Rs 500, and 20 redeemable bonds of Rs 116 each. Both classes of bonds will carry interest at 8 per cent per annum. The convertibles will be converted into Calico shares at the end of 5 years from the date the scheme comes into force at the option of the holder, who would otherwise be entitled to repayment of full value at maturity between 9-12 years at company's option. The redeemables would be redeemed after 10 years from the date the scheme comes into force. Commending the scheme to shareholders of Bank of India Ltd at the annual meeting in Bombay recently, K M D Thackersey, chairman, stated that a holder of 20 Bank shares would get securities of an aggregate value of Rs 3,390 yielding an annual income of Rs 247.20, subject to tax, at the present level of Calico's dividend. This would work out at around Rs 170 and Rs 12.36, respectively, per share of the Bank. He took the value of Calico shares at Rs 475 each, though these were quoting substantially higher in the market. Those who do not wish to participate in the scheme may get cash payment at Rs 135 per share from Calico. If approved by members of the two companies, the scheme will come into force from April 1 next and will also be subject to such approval of Government as may be required. Meanwhile, the Bank will declare and pay a further dividend of Rs 2 per share before the end of March next.

TRAVANCORE-COCHIN CHEMICALS, the largest industrial unit run by Kerala Government, earned a net profit of Rs 39.41 lakhs in 1969-70 as against Rs 16.87 lakhs in the previous year. Sales turnover rose to Rs 405.90 lakhs from Rs 301.08 lakhs, thus registering a growth of 35 per cent. Production of the main items increased substantially. Inadequate supply of sulphur dioxide, however, ham-

pered production of sodium hydrosulphite to a great extent. In view of the continuing difficulties in getting the full requirement of sulphur dioxide from outside, the Company has applied for a licence to instal a 25 tonnes per day sulphur dioxide plant. The application is pending with Central Government.

A plant to fuse caustic soda lye with a rated capacity of 60 tonnes per day is under erection and is expected to start commercial production by the end of October. In addition, the Company has received letters of intent for the following projects:

- (1) A 100 tonnes per day caustic soda-chlorine plant with necessary hydrochloric acid and chlorine liquefaction plants.
- (2) Expansion of production of sodium hydrosulphite from 10 tonnes to 14 tonnes per day.
- (3) Expansion of capacity of the present sodium sulphide plant from 4 tonnes to 7 tonnes per day.

Preliminary work on these projects is in progress and the Company hopes to complete them by 1972-73.

The Company is also actively engaged in feasibility studies for establishment of a chlorine utilisation plant, a plant for conversion of zinc hydroxide to zinc and the construction of a few salt pans of its own.

NAGPAL AMBADI PETRO-CHEM REFINING is making encouraging progress in implementing its project. It expects to receive imported equipment in respect of the main plant and oleum plant by the year-end. Meanwhile, first stage arrangements have been finalised to commission part of the plant to produce transformer oil. Import of items for sludge plant has been cleared by DGTD. Since some of the equipment is on long delivery, the plant may be ready after next June. Soon thereafter, the company will start production of specialities. The plant as a whole will attain the rated capacity shortly afterwards. An additional piece of land, admeasuring about 10 hectares, contiguous to the first plot has been taken over for the project. More than Rs 12 lakhs have been spent on development of a portion of the land. The public issue of shares, made in April last, met with good response, and the equity shares command a premium of more than Rs 3 per share on the Bombay stock exchange.

NEW DELHI

Chief Ministers' 'No' to Land Reform

THE two-day conference of Chief Ministers last weekend highlighted the total inability of the existing political set-up to carry through anything like a radical land reform. The stiff resistance put up by all the Chief Ministers to any such programme and the final outcome of the conference were revealing. Even the enhanced political stature of the Prime Minister and the manifest swing of popular opinion in the country at large in favour of radical policies failed to make any impact on the Chief Ministers in the crucial matter of land reform.

The Prime Minister made a forceful plea for land reform, including lowering of the ceiling on holdings, so that more surplus land became available for distribution among the landless. She also called for effective implementation of land laws already passed. The arguments she advanced have been familiar for quite some time — that the so-called green revolution was widening the gap between the rural rich and the rural poor, that progress of agricultural production would itself be in danger unless land reforms were carried out with utmost urgency, and so on. These arguments were not perhaps expected to make much impression on the Chief Ministers anyway. But even the Prime Minister's explicit warning about the threat that the present situation in the rural areas presented to the existing political power-structure went unheeded.

CYNICAL RESPONSE

In her opening address to the Chief Ministers the Prime Minister pointed out that in recent times the growth and prosperity of nations like Mexico, Japan and Iran had started off with land reform. Similar reforms had been essential to the growth of modern industrial Europe. On the other hand, the Austro-Hungarian Empire and Tsarist Russia and failed to heed the need for land reform and both regimes had perished. Speaking about the situation in the country, she said that "political parties may organise, even exploit, rural discontent but they do not create it. The time has now come to face the facts". She pointedly

asked the Chief Ministers: Why is social discontent in the countryside on the increase? Why is it erupting in violence with greater frequency?

The response of the Chief Ministers to these warnings was almost cynical. Typical was the retort of the Maharashtra Chief Minister, V P Naik, that the land problem should not be sought to be tackled "on the basis of slogan shouting and political considerations". The Prime Minister and the Chief Ministers differed sharply not only in their appreciation of the economic arguments for land reform, but also, and even more, in their response to the political situation in the country. To the Prime Minister the recent land grab movement, which she had herself earlier condemned strongly, was a portent of rural unrest. To the Chief Ministers it was merely the work of "professional agitators" which should not be allowed to influence Government's approach and policy.

TWO VOICES

Even more noteworthy than the divergence between the Prime Minister's approach and that of the Chief Ministers was the outcome of the Conference which was typical of the manner in which the problem of land reform has been dealt with or rather evaded so often in the past after the initial phase of abolition of statutory landlordism. The Conference decided that "all aspects" of land ceilings, including the question of non-implementation of existing ceiling legislation, should be gone into by the recently formed Central Land Reforms Committee headed by the Union Minister for Agriculture and Food. Evidently, the suggestion to lower the ceiling had been successfully shot down by the Chief Ministers.

In sharp contrast to the critical speech of the Prime Minister on the opening day of the Conference, the closing speech of the Food and Agriculture Minister, Fakhruddin Ali Ahmed, was extremely conciliatory. Indira Gandhi had strongly deplored the State Governments' failure to effectively implement or even enact land reform legislation. She had thought it "astonishing" that the ceil-

ing laws in all the States taken together had yielded a surplus of only 2.36 million acres of land not all of which had even been distributed. It was obvious from this, she said, that there had been considerable evasion of even existing ceiling laws. Matters were made worse by the unfettered right of resumption given to landlords, the absence of upto-date land records and inadequate supervision of the progress of implementation of land reform legislation. Fakhruddin Ali Ahmed, on the other hand, closed the Conference by congratulating the Chief Ministers for the "considerable progress" made by them in implementing land reforms and distributing land to the landless.

END OF THE MATTER?

Some of the Chief Ministers made claims about the progress of land reform in their States. In Andhra Pradesh nearly one lakh acres had recently been distributed in one month. Mysore had distributed about 1.5 lakh acres and Madhya Pradesh 2 lakh acres. Maharashtra had acquired 70,000 acres for distribution and Rajasthan had declared an additional 45,000 acres as surplus. But the main stress of the Chief Ministers was on the earlier abolition of intermediaries which had resulted in about 20 million tenants coming into direct contact with the State. Evidently that was regarded by the Chief Ministers as the end of land reform so that nothing further needed be done. In their view, attention should now shift towards giving adequate support to farmers and landowners by way of credit and other inputs to increase production. Here the Chief Ministers were taking their stand on the basic assumption underlying the new agricultural strategy at the time when it was launched — that there should be no further disturbance of land relations. The upshot was that the representative of the Central Government at the Conference was obliged to express "satisfaction" over the performance of State Governments on land reform and to offer to study jointly with them the financial and constitutional aspects of implementation of land reforms. The Chief Ministers then graciously agreed that the Central Land Reforms Committee may "look into the problems relating to financing of land reforms measures". This,

in the view of the Chief Ministers, concerns mainly bringing land records up-to-date and streamlining legal procedures for which the States could expect some additional financial help from the Centre.

The other decisions of the Chief Ministers' Conference conformed to expectations. The Chief Ministers reluctantly accepted the procurement target of 5.5 million tonnes for the kharif crop recommended by the Agricultural Prices Commission. As the Commission, wiser after its repeated experience on this issue in the past, had not recommended any significant change in the procurement prices for rice, there was no difficulty on this count. But the Chief Ministers managed to press for a higher procurement price for coarse grains which are now required to be procured on a bigger scale than in the past. Unlike in the past, neither the Agricultural Prices Commission nor the Chief Ministers' Conference gave any thought to the problem of procurement prices in their relation to the general price level. To the extent Government is serious about ending concessional import of foodgrains in 1971, this will present a difficult problem. If the public distribution system has to depend entirely on internally procured foodgrains purchased at their present high scarcity prices, there can be no hope of bringing down foodgrain prices, and hence prices in general. But the Chief Ministers, who represent the interests of the large farmers, will not countenance any adjustment in foodgrains prices which will in any way effect the "incentive prices" for their constituents.

PROBLEM EVADED

As regards sugar, which was an important item on the agenda, the problem was not faced at all and only a minor adjustment was made when it was decided that the levy portion of the sugar released, to be distributed through the public distribution system, should be reduced to 60 per cent from the present 70 per cent. Exactly what Government has in view is not clear. The decision amounts to Government merely reacting to the declining trend of offtake of sugar through the public distribution system.

The fact to be noted is that the public distribution system in sugar at present caters mainly to urban centres or to relatively high income areas. The problem of maintaining the level of

sugar prices so that cane cultivation and sugar production are not adversely affected can be best tackled if the area of public distribution is widened and demand stimulated. Instead of doing that Government has opted for the easier course of reducing its responsibility and leaving it to private trade to find markets for larger quantities of sugar available for consumption.

*

The Deputy Chairman of the Planning Commission, D R Gadgil, has publicly expressed his concern at the rather haphazard expansion of bank credit which has created inflationary pressures in the economy. He is of the view that this situation has arisen after nationalisation of banks because in the present set-up there is no system of "internal guidance" within each bank and policy is controlled and guided entirely from the top by the Banking Department of the Finance Ministry and the Reserve Bank. He has called for "rationalisation" of procedures and of the manner of guiding the banks to implement an appro-

priate credit policy.

The present top-heavy, hierarchical approach to management of banks is to be seen not only in the formulation and operation of credit policies, but also in the matter of employer-employee relations. The bank employees' agitation which affected the working of banks for days could not be tackled by the bank custodians who had to lean on higher authorities in the Finance Ministry. After Finance Ministry officials and representatives of the Indian Banks Association and of the employees' unions had floundered helplessly for days, the problem was settled promptly the moment the Finance Minister returned from abroad.

How does all this fit in with the earlier idea that nationalisation should not result in the creation of a single monolithic structure to the detriment of efficiency and initiative. If even relatively minor matters must await the intervention and sanction of the Finance Minister, bank managements are surely not going to become models of dynamism and initiative.

MARGIN

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Economic Fashion Show

(From a Special Correspondent)

THE National Council of Applied Economic Research uses the occasion of its annual day to organise a discussion on the state of the economy. For this purpose it brings out a special mid-term review of the economy which forms the basis of the discussion.*

With the promise of a fourth good harvest being fulfilled, the review this year was more than usually optimistic. It expected that the agricultural target would be fulfilled, but saw difficulties in raising industrial output. It referred to the increasing number of mandays lost in industrial disputes; it feared shortages emerging in the economy and, after referring to shortages in steel, asked for import liberalisation.

GADGIL ON AID

Some gaps in the review were pointed out by participants in the discussion. C D Deshmukh referred to the absence of any reference to public administration. B R Bhagat mentioned that the review had also not dealt with economic policy. P S Lokanathan mentioned that the wage situation had not been dealt with and, displaying the dictatorial tendencies which appear to be inherent in economists, accused labour of lacking a sense of discipline and responsibility. This provoked B R Bhagat to point out that real wages had fallen recently (but not "for the first time", as Bhagat argued, since they had declined also in the 1965-67 period) and employment had actually declined in West Bengal. From this, Bhagat went on to enunciate a new strategy of providing employment, amounting (as Deshmukh said) almost to the drawing up of a new Plan. Not to be outdone, Manubhai Shah wanted future plans to be built around irrigation and transport development.

D R Gadgil, the main speaker, seemed to agree with the general thesis of the review. He exhorted Government not to slacken its efforts in agriculture. On money and prices, he argued that while deficit financing had been lower than anticipated, prices had risen, mainly because, with bank nationalisation, the internal (to the banks) restraint on credit expansion had been removed. He concurred with the review on the need

The mid-term review for 1970-71 is published in the October 1970 issue of *Margin*, the journal published by the Council.

to increase imports. The Planning Commission he said, had never been an active protagonist of a policy of reducing reliance on aid: the target of halving aid by the end of the Fourth Plan represented a "realistic appreciation" of aid availability!

DUTT COMMITTEE, AGAIN!

Unfortunately, at this time, the discussion was shunted off to the wrong tracks. H V R Iengar referred to the considerable progress made by the country in the last 20 years (with which Manubhai Shah concurred, stating that India, unlike Africa, had all the wherewithal for progress), but mentioned that there was a general atmosphere of suspicion and distrust of private sector (and, H P Nanda added, also of public sector managers) within the administration, as evidenced by the new licensing policy. These suspicions led to delays in decisions on licence applications — even of those outside the large houses, as the treatment of applications for scooter manufacture proved. The Dutt Committee Report was dubbed a "misfortune" by Lokanathan and a "gutter report" by Manubhai Shah. This provoked H K Paranjape (who was a member of the Committee) to explain the oft-repeated rationale of the Committee's recommendations.

It was argued by Iengar, Nanda and Manubhai Shah, that the new licensing policy was inhibiting development. Deshmukh chimed in to say that a quick decision (within "six months") by an official would surely lead to an inquiry back nostalgically to the times when they were in power and quick decisions were taken, to which Paranjape replied that his investigations had shown that the quick decision-making in those days had been a very selective process and Bhagat countered that the past emphasis on growth had led to present problems of concentration of power. Iengar retorted that concentration of power was a bogey and that no less a person than J R D Tata had told him that he (Tata) had no power; Nanda confirmed that he too did not have any economic power.

Fortunately, the participants in the discussion did not start off on a search for the missing economic power. But a good part of the time was lost in per-

rations on the evils of the new licensing policy and the meeting was almost converted into a seminar on the Dutt Committee Report which, Paranjape alleged, none of the speakers had read. Most speakers said they had come to the meeting to hear and not to speak. This was borne out by the quality of much of what they said.

SILENCE ON DISTRIBUTION

Yet the meeting provided an interesting insight into official assessment of, and thinking on, economic policy. First, there is apparently considerable satisfaction with the progress of agriculture. And yet it is a fact that per capita availability of foodgrains in 1970-71 has not increased above the level reached in 1964-65. Moreover, there is complete official silence on equitable distribution of foodgrains among different classes. As the sugar glut this year shows, increased production does not automatically get distributed to the lower strata of society. A price-production policy has still to be evolved to provide for the minimum consumption needs of all classes of people. This involves generation of the required incomes among the lower strata of people or, alternatively, a subsidy-cum-free-distribution system has to be set up.

Secondly, the recent behaviour of prices calls into question the money-creation policy of the authorities. With the preponderance of officials in commercial banks, no distinction remains between decision-making at the level of the central banking authority and at the level of the commercial banks. But it has to be recognised that the credit used by the commercial banks has been provided and supported by the Reserve Bank, as the large volume of outstandings of the Reserve Bank from commercial banks during the slack season (almost 40 per cent of the busy season peak) shows. Credit creation, given the absence of deficit financing and the high credit-deposit ratios of the commercial banks, emanates from the central banking authority and remains in its exclusive realm! It is no use blaming commercial banks — whether nationalised or not — for it.

BACK TO BEGGING

Thirdly, since the traumatic experience of stoppage of foreign aid in 1965-66 and brave resolutions about self-reliance, our planning policy has come the full circle back to the begging-bowl stage. Since today's "realistic appreciation" of aid availability is more optimistic than that in the dark 1965-66

days, shall we plan for more aid? The aid figure has remained at one billion dollars per annum. However, it is the use of this aid which needs to be questioned. During the past four years, the level of investment in the economy (despite four good harvests) has been kept low and the economy still carries considerable idle capacity. Foreign aid has been used to meet repayment obliga-

tions, to increase foreign exchange reserves and for consumption. Are these the legitimate uses of foreign aid? Foreign aid has made it easier for us to put off the required structural changes in the economy and it has enabled the planners to plump for the easier option of doing nothing to raise the level of investment in the economy. Must we now plan for history to repeat itself?

up then pertains to size. If the steel plant is constructed on the necessarily small site that would be available, future expansion prospects for the plant would have to be given up. Neither the State Government, nor anyone else may be prepared for this. For, though they are reconciled to the fact that, initially, the Visakhapatnam plant will have a capacity of 1.5 million tonnes, expectations are that it could be subsequently enlarged to four million tonnes — expectations that have not been belied by the statements made by the Central Ministers.

As for the water requirements for the plant and the township, the State Government's proposal is that a major canal should be dug from the Godavari to the plant site to ensure a perennial and adequate supply of water. This would also serve the navigational and irrigational needs of the area through which it would pass. An apparently easy solution, it is not so practical, as the construction of such a canal would cost a prohibitive Rs 100 crores. Moreover, the utilisation of the Godavari waters for any new scheme in Andhra Pradesh would have to await, and be subject to, adjudication by the tribunal which is now considering the dispute over allocation of Godavari waters between Maharashtra and Andhra Pradesh. What is possible and desirable, however, is what K L Rao has suggested — viz, construction of a contour canal from the Godavari in deep-cutting and closed pipeline, transporting the water needed for the steel plant.

CO-ORDINATION NEEDED

The cloud of uncertainty and vagueness which currently envelops the prospective Visakhapatnam plant is by no means helped by the fact that, to be dispelled, it calls for co-ordination between the Central Government's Ministries — Defence, Steel, and Irrigation and Power — on the one hand, and the State Government on the other. K L Rao, on his side, is concerned mainly with the problems of water and power supply to the plant. The problem of site, and the other aspects of the steel plant, fall within the province of the Union Steel Ministry which is still groping in the dark. The State Government, for its part, has to resort to prodding and pressures to induce the Centre to speed ahead with the preliminary work. It has also to assume responsibility for eliminating the bottlenecks that have developed. Has it the economic data and arguments it needs for the purpose?

ANDHRA

To Acquire a Steel Plant

THE Visakhapatnam steel plant project is encountering a series of hurdles which indicate just how firm were the economic considerations on which the steel plant was originally conceded to the State. Today's ditherings may lead, first, to considerable delay in the completion of the preliminary work including selection of a site and completion of a feasibility study, and secondly, to considerable delay in the plant's construction and commissioning. The prospect is disconcerting to many who have been expecting that the feasibility report would be available in 1972. Disappointment is again likely to generate indignation, especially since the foundation of the Salem steel plant in Tamil Nadu has been laid this month. Who or what is responsible for the emerging situation?

STATE GOVERNMENT RESPONSIBLE

One view is that the State Government should be held responsible, because it had not taken any initiative on the essential steps in the setting up of a major project like the steel plant. It seems to have been so preoccupied with lobbying for a steel plant that it failed to formulate any clear perception of which site would be the more suitable one for the steel plant's location. It seems to have been content with agreeing to lease out 50,000 acres of land near Visakhapatnam and with expressing a vague preference for its location at Balacheruvu creek. It had not even begun to process the acquisition of the land for the plant, or to contemplate provision of the water requirements of the plant and the attached township that would come up with the establishment of the plant. Nor has it been evident whether, and for how long, the power required for the plant and the township would become available from the Balimela power pro-

ject which is presently under execution — though it has been stressed that the power project would have to be completed on a priority basis.

The expert committee, commissioned by the Union Steel Ministry, visited the area in June and held discussions with the Chief Minister and with State Government officials in Hyderabad, but could not arrive at any definite conclusion as to the site suitable for the plant. It even failed to express a considered opinion on the subject.

A DIFFICULT BOTTLENECK

The range and nature of the problems that are riddling the preliminary work on the steel plant have assumed recognisable shape during the visit of K L Rao, Union Minister for Power and Irrigation, to the area in the first week of September. Site fixation is evidently a difficult bottleneck. If Balacheruvu is selected, it would need the construction of a new harbour at the creek, the cost of which is estimated at around Rs 37 crores. Besides, the naval authorities are considering construction of a transmitting station at Balacheruvu and they, therefore, have a serious objection to any other construction in the station's neighbourhood. On the other hand, if an inland site is selected, the primary advantage of a coast-based steel plant will be lost with the high transport costs of coking coal and iron ore for the steel plant, and the production costs of steel would thus go up considerably.

An alternative suggested is that the steel project should be located within the present Visakhapatnam port area, that is, within the municipal limits of Visakhapatnam city. The port authorities are apparently willing to part with the requisite extent of land for the purpose. But a problem which would crop

HONG KONG

Asia's New Gendarme

T J S George

SOUTH-EAST Asian countries have lately been growing visibly resentful of Japan as an economic power. It is typical of the ironies with which Asia lives that, just at this time, Japan is under tremendous pressure to become first a political and then a military power. Most South-East Asian leaders are frankly suspicious of such a role being foisted upon Japan, but at the same time they seem to feel that the changing situation in the region leaves them no choice but to accept Japan in such a role. In time the emerging Japanese role may well become a source of friction all by itself.

The world has been impressed by the sheer spectacle of Japan's economic growth. But in South-East Asia the worst side of this growth is seen in the nature of Japanese investments, the style of business, the stranglehold Japan has already achieved on the economies of several countries and the apparent thick-skinnedness with which Japan is ignoring all protests against its economic selfishness.

ECONOMIC STRANGLEHOLD

The stranglehold is most prominent in those countries which are under the American umbrella. They are dependent on Japan for most of their current imports: Taiwan for 52 per cent of its total imports; South Vietnam for 43 per cent; South Korea for 41 per cent; Philippines for 32 per cent and Thailand for 31 per cent. Hong Kong and Singapore get 23 per cent and 21 per cent, respectively, of their total imports from Japan.

By itself this might not have generated much resentment had Japan been interested in buying material from other countries in the region. But Thailand has shown how reluctant Japan is to do anything to improve the balance of payments position between it and its "dependencies". Immense pressure by the Thai government has left the Japanese unmoved, so that Thailand has been forced to go out of its way to encourage other countries like India to come in as a trader and investor. This does not seem to have produced the required results, either because of lack of initiative by countries such as India or because of Japan's cleverness in over-

coming obstacles.

Today Thailand is in a mood to do anything to curb Japan. Singapore and Malaysia were once reported to be planning joint efforts to check the aggressive Japanese. Indonesia has become highly sensitive to the fact that Japanese investments in the country amount to exploitation of her natural resources with no benefit whatever to the native economy. In the Philippines anti-American popular demonstrations have invariably had anti-Japanese overtones.

US INSTIGATION

If, in spite of this frequently expressed South-East Asian sentiment, Japan is steadily emerging as a political and military force, it is mainly because of instigation from the United States. Afflicted by Asian Fatigue and desperately anxious to shed its self-appointed role as policeman in the region, the US wants Japan to take on the brunt of future responsibilities for Asian security. Washington sees Japan as the only Asian power with the economic strength to assume this responsibility. Having decided on that, the Washington policy-line is to soften the impact on other Asian countries and reassure them that Japan is not such a bad number after all.

As for the Japanese themselves, it is true that the pacifist paranoia is still deep. A vociferous segment of opinion is still against anything that remotely resembles a military build-up. But it would be unrealistic to imagine that this segment is influential any longer. The government as a whole is American-oriented which means it would go along with the American policy for Asia. The

minister in charge of defence is a dynamic doer who talks in terms of Japanese defence industries reaching a glorious stage in the next ten years.

Innate Japanese character may not have changed since the end of the Second World War. The qualities that explained the Japan of the 30s and the 40s may still be there. But even if they were not, Japan's modern economic needs make it imperative for her to progressively assume a military character. One point is enough to dramatise this: Japan's dependence on raw materials imports. If she cannot import these, she will quickly die. How completely Japan relies on raw material imports for its sustenance will be seen from the accompanying Table.

This means that sources of raw materials and the trade routes through which they can reach Japan are things to preserve which Japan could conceivably go to war. Responsible Japanese leaders have already spoken out about the importance of keeping the South-East Asian trade routes open. Japan is already engaged in all kinds of activities in the Malacca straits. It would also have a stake in preserving the security of countries like Indonesia and Malaysia from where it gets some of its major raw materials. In other words, the ability to become a military power is there; a powerful motive is there; the will needs only an excuse to come alive — and the US is providing that.

CHINA'S OPPORTUNITY

Last year both Lee Kuan Yew and Carlos Romulo warned about the prospects of Japan emerging as a military power. The Indonesian Foreign Minister, with his penchant for striking statesmanly postures, uttered the same warning but tried to entice Japan into a different kind of role. According to Adam Malik, Japan's 20th century destiny is to project and sustain a kind of Marshall Plan for Asia. He said that

JAPAN'S IMPORTS OF MAJOR RAW MATERIALS

(per cent of total consumption)

	1966	1967	1968
Barley	38.6	47.3	49.8
Wheat	79.3	80.6	80.1
Sugar	84.1	83.6	82.6
Coal	27.5	34.9	41.0
Crude oil	99.1	99.3	99.4
Iron ore	97.6	98.1	98.5
Salt	82.0	82.0	84.6
Phosphate			
Bauxite			
Steel scrap	100.0	100.0	100.0
Cotton			
Wool			
Crude rubber			

Japan should not simply look upon South-East Asia as a source of raw materials and a market for its goods, but think in terms of long-term arrangements which would benefit the countries of the region.

On such specific points Japan is characteristically vague. There has been some talk of Japanese aid to South-East Asia reaching \$4,000 million by 1975. But, as Japanese commentators themselves have pointed out, aid is also a business activity as far as the

SIKKIM

A Party for Every Season

SIKKIM to the polls recently went, for the fourth time since 1953, to elect 18 representatives to the 24-member Sikkim Council. In the last three elections the Chogyal had managed to turn the tables in favour of candidates supporting his policies. This time the effort did not succeed too well.

To divert the attention of the people from real issues like the Sikkim National Congress's demand for a Constitution and for fundamental rights, the Chogyal had, on the eve of the election, encouraged the formation of a new political party called Janata Party led by an ex-employee of the Sikkim Government with pronounced pro-China leanings. But this new party could not get a single one of its candidates elected to the Council. Soon after the formation of a composite Executive Council, which included Kazi Lhendup Dorji Khangsarpa of Chakung, leader of the Sikkim National Congress, the president of the Janata Party resigned not only from the party's presidency but from politics itself.

But the Chogyal is not disheartened. With the active co-operation of the so-called Young Turks, the members of the Sikkim Youth Study Forum, very soon a new political party, the Sikkim United Front, is to be born under the leadership of Krishna Chandra Pradhan, former secretary of the Janata Party. The party's main objective will be to fight "Indian Imperialists" and to "drive out Indians from Sikkim".

It is not for the first time that a United Front is being formed in Sikkim. A United Front was formed as early as in 1957, under the leadership of Namgyal Tsering, a dedicated disciple of Ram Manohar Lohia, with the objective of bringing Sikkim closer to India. With its headquarters at Sing-

Japanese are concerned. And there is little likelihood of a Marshall Plan coming out of Tokyo. The political danger is that Japan's emerging role will be identified with America's past role in the region and therefore resented by large numbers of people. On the other hand, it will give a chance to China to cash in on anti-Japanese feelings. From any angle, it appears that a brand new powder-keg will be contributed by Japan in the 1970s to a region already living from crisis to crisis.

tam, the Front soon secured the support of most of the political parties, except Chogyal's National Party. Encouraged by the people's support, the leaders of the United Front gave an ultimatum to the Sikkim Government that if its demands were not fulfilled it would launch a satyagraha. But following intervention by the Indian External Affairs Ministry, a vague promise was given to the leaders of the Front and the whole agitation was dropped.

The New United Front has no link with the earlier one. While the aim of the first United Front was to bring Sikkim nearer to India the new one has exactly the opposite objective. Why has the political atmosphere in Sikkim changed so radically? The answer has to be sought, on the one hand, in the sea-change sweeping the entire Himalayan belt and, on the other, in the static Indian position.

After the NEFA debacle of 1962, India is no longer a power in the Himalayas. In Sikkim, from an anti-Chinese position the Chogyal has moved to one which can be termed almost pro-Chinese. This is true of all members of the Youth Study Forum. If the Forum could have its way, it would like to see the Indian army withdrawn from Sikkim, the Indo-Sikkimese treaty reviewed and a sovereign independent status wrested for Sikkim with no links with India. It was during the summer of 1967 that the Chogyal himself had raised, for the first time, the question of revision of the treaty with India. Since the Government of India did not take kindly to such a public statement by the Chogyal, he has not repeated the demand, but time and again he has tried to drum up public support for it in Sikkim.

Despite his efforts, aided by those of

clever Hope Cooke, his Gyalmo, and members of the Youth Study Forum, the Chogyal has not succeeded in mobilising public opinion in Sikkim in favour of the demand. Out of the three political parties — Sikkim National Party, Sikkim State Congress and Sikkim National Congress — only the Sikkim National Party, which is believed to have been started by the Chogyal himself when he was the Maharaj Kumar of Sikkim, has lent support to it. On the eve of last general election there was a split in the National Party, following which while one group wanted economic reforms to benefit the poorer sections of the Sikkimese, another wanted closer relations with India, reform of the administration, a written constitution and introduction of democratic parliamentary institutions on socialistic lines.

It was because of this split in his party that the Chogyal had encouraged the formation of the Janata Party. But that tactic too did not work. Following the unexpected verdict of the elections, the Chogyal was forced to include Kazi Lhendup Dorji Khangsarpa in his Executive Council against his wish. It is because of this that a new party, which will support his line and advocate it publicly, is now being given its final shape.

Electro-Equipments Corporation

ELECTRO-EQUIPMENTS Corporation's management changed hands in March 18 last, when all the six directors on its board resigned and five new directors were appointed. They are: Pradip Harkisondass, S K Thirani, S K Mohta, L B Rungta, and K R Dalal. The company had been facing financial difficulties for some time. It could not pay some instalments against the loan of Rs 7 lakhs from the Maharashtra State Financial Corporation, which adopted proceedings against it for attachment and sale of the property to recover the amount. About Rs 2 lakhs were paid to MSFC, and a compromise was arrived at for payment of the balance under a revised schedule. During its ninth year, ended December last, EEC added another loss of Rs 9 lakhs (Rs 5 lakhs) that lifted the accumulated deficit to Rs 41 lakhs, to stand against the share capital of Rs 34 lakhs. The report says that the meter market has been showing signs of picking up and that 'good' orders have been pouring in from various State electricity boards since last June.

LONDON

The Malle Melodrama

Jehangir Dhondy

A CARTOON in the *New Statesman* has a panel showing Kenneth Tynan with a prurient smile peeling the curtain away from the delights of nakedness in his "Oh! Calcutta!". The other panel of the same cartoon shows a Nehru-shirted Indian, whose eyes look out of a face mummified with guilt, trying desperately to draw the curtain on the nakedness and squalor of Calcutta. One is sure our older political literati, whose subscriptions have presumably lasted longer than their various piques, will see the cartoon. One is equally sure that while it is remotely possible that "Oh! Calcutta!" will turn up to tickle Bombay it is inconceivable that Louis Malle's documentary of Calcutta or the others to which the Government of India took exception will ever be seen by the Indian public. The *New Statesman* cartoon was only one sling in a hail of pointed outrage against India's expulsion of the BBC, but it was the most piercing, because it forced one to see that the ban itself extends the definition of obscenity and confirms the shame and inexcusability of poverty.

It was ironically just, that the punishment for exposure should fall on the impressarios (the BBC men) and not on the untouchable Louis Malle because he and the Indian Government agree on more particulars than either party would care to acknowledge. The films, especially the ones on Calcutta and Bombay, portray our inability at present to see ourselves as a society and the Government by its displeasure seems to disown that part of the Indian society which Malle chooses to show. "This isn't India", say the letters in the newspapers in support of the ban on the BBC, "why didn't he take pictures of us, we have prospered?" Again, Malle shares with the Government of India the ability, if not the conscious desire, to obfuscate the reasons for the poverty his cameras so doggedly and truthfully pick out. "India though not a capitalist country..." he starts, and strengthens any objections to this statement by adding the irrational pathos of "Man's inhumanity to man...". This is the more surprising, as throughout the films one feels in the presence of a mind with Marxist leanings — this conviction being kept alive

by the deliberate stray comment, sometimes patronising in the manner that only remarks made by French reformers of the world can be: "They need a Mao to help them find their own brand of communism...".

The series as a whole was perplexing, as the self-confessed Marxist carried around the assumption of 'journalistic impartiality' in his baggage and while he looked with full eyes at the hunger, the disease, the human waste in these cities, he also tried to focus on the 'spiritual' India — and this, not with the ahistorical naivete of the hippies. Part of the achievement of the series was indeed the incidental light that was thrown on the connection between the two foci, between the suffering and the 'spirituality', between the disease and the filthy waters of purification.

Discussion of the films themselves has been drowned by the clamour that followed the news of the BBC's expulsion, the British public joining in a chorus of "shame!", even a faint pre-echo of which was not heard after the films themselves had been shown in Britain. In this minimal respect, our Government is to be congratulated on its tactics and on the realisation that the West, though morbidly attracted by distant squalor, is not really concerned about poverty, but is obsessed with tangential issues like the *mystique* of censorship. The British public's idol of India (which reminds me to ask what the effigy of the BBC, which was reportedly burnt in the streets of Delhi, actually looked like), a two-headed monster of hunger and transcendentalism, undoubtedly grew fatter after the films, but the ban put a new head on it. Discussion centred around this new-found fetish — intolerance.

The expulsion has been welcomed by many in India and by a number of England's Indians. "At last", we say, "we are flexing our muscles, showing the world that the kind of nationalism our Government wants to foster is not to be trifled with". Perhaps we do need a less anaemic image but surely there are better ways to show annoyance, more constructive ways for a country to assert its independence. Is not the poverty that was shown our economic

skeleton, hitherto hanging lightly in the flashy wardrobe of Louis Malle's mind, shoved back into the nastier closet of vulgar nationalism by the controversy that followed? There was the faint danger that Malle's cameras would prise open the lock, pull the skeleton out and send it rattling through the commentary. In the BBC programme that followed Malle's films, a group of Indians was assembled to confront Malle but missed their chance to ask him about this near miss. Predictably, they trotted out the usual clichés about 'image' and even how it was apparent that Malle loved the country. When "Calcutta" was first shown however, one heard the story that the film ended without titles, abruptly, because Malle was so disgusted by what his cameras had fed on that he packed them and fled to new pastures. He had had enough of that scene, of telling it like it was. Yet he dwelt on other cities, other scenes, with affection. Why then was there nothing in the films to indicate where the resolution of this particular and perplexing love-hate paradox lay?

The films made minor gaffes, the sort of misunderstanding, one supposes, that goes with 'love'. At a Parsi wedding in Bombay, Malle obviously mistakes an allusion to *Zend Avesta* and breezily asserts that the ceremony progresses partly in Sanskrit and partly "in Zen". Less forgivable is the way in which the sound-track leaves out the question he asks the persons in front of his cameras. It was in the nature of the films that the interviewees were not allowed to come to their own unprompted conclusions. Again, disturbingly, Bal Thackeray's anti-minority remarks in Marathi to a Shiv Sena audience were not translated and so could not give the lie to what he asserted in the interview in English which followed.

New City of Bombay

NEW City of Bombay's gross profit expanded from Rs 20 lakhs to Rs 28 lakhs in 1969 despite decline in sales from Rs 4.48 crores to Rs 4.24 crores. With no tax liability as before, net profit was Rs 16 lakhs (Rs 9 lakhs) to cover the distribution stepped up a point to 6 per cent on the capital enlarged by a one-for-eight bonus issue 44 times. Since 1961, Rs 1.52 crores have been spent on modernisation and replacement of machinery and in 1969 Rs 22 lakhs were spent on this account.

Back to the Old Theme

Nireekshak

WHEN Inder Gujral drops a brick, as he often does, it usually falls, not with a dull thud, but with a deafening crash. As Minister of State for Information he has antagonised more publishers and editors than any minister before him, without however necessarily raising any new applause from those whom he obviously likes to befriend: the working journalist. Gujral's recent peroration at the 21st annual meeting of the All-India Newspaper Editors' Conference (AINEC), for example, seems to have stirred a hornet's nest. His theme was that newspapers cannot claim advertisement as a fundamental right.

The Union Government's annual advertising budget was a mere Rs 1.20 crores, and that of all State Governments put together not more than Rs 60 to Rs 70 lakhs. As against this, the private sector was spending some Rs 30 crores on advertising and no one had complained to Government about the release of these advertisements. Gujral concluded from all this that Government had no obligation to give advertisements to any particular newspaper.

This brought forth a stinging rejoinder from *Tribune*. It wrote: "Mr Gujral says that newspapers cannot claim Government advertisements as a fundamental right. As if any newspaper ever did!" The Chandigarh daily which had made no comment on its own complaint to the Press Council against the Haryana Government's withdrawal of advertisements from it, then answered Gujral's second point on private advertising. Why didn't anyone complain against private advertising? "As if newspapers have a fundamental right to demand private advertising!" Since "from the Press Commission to the Press Council there has been no question of advertisement as a fundamental right . . . what is the point of Mr Gujral throwing the burden on others of proving something that nobody has maintained?"

The paper then went on to say that "rights are not only legal but also moral", that if anyone claimed "there were no rights save those which the State creates" it would be "scarcely less preposterous than Louis XIV's celebrated utterance: I am the State". *Tribune* asked politicians "dressed in brief authority" and who act "as if it is their birthright to tell newspapers what to do and what not to do" to re-

member that "a responsible government in a democracy lives always in the shadow of coming defeat". Also, "insecurity breeds intolerance" and intolerance is incompatible with freedom. "Authority lives not by its power to command but by its power to convince, and revolutions fail because those who make them deny freedom to their opponents".

Commenting on Gujral's frequent remarks about private sector advertising *Hindustan Times* had written earlier (September 6) that any charge of discrimination in dispensing advertisements "could apply equally to both (private and public) sectors". However was there no "rational answer to the unfair exercise of the power of advertising"? There is, said the paper, "provided everybody concerned agrees to abide by certain principles. These, indeed, would seem already very largely to be observed in practice today, but they could usefully be codified".

Gujral's observations at the AINEC meeting were not confined to advertising policy; he also reminded editors that their "prime responsibilities were towards the nation and not towards owners" of newspapers. No one seems to have made any comment on this observation, not even at the conference whose proceedings had been adequately reported, but then this was not the first time that the Information Minister had sought to educate editors in their national responsibilities. When he made a similar observation last month, *Statesman* had been quick to pounce upon it. "Mr Gujral's theme . . . that a newspaper's policy is the preoccupation solely of the editor", *Statesman* had said, is a "simplicism" based on "glamorous notions" of how a newspaper is run. "Even more bewildering is the implication that where an editor's views coincide with those of the owner there is a violation of journalistic ethics . . . Evidently an editor to be acceptable is obliged to cultivate differences with the proprietor to the wild applause of Mr Gujral and his associates . . . The Minister clearly needs to be invited to think out the implications of his sillier statements in the hope that this might persuade him to keep his mouth shut on this particular topic." (Since this was written on August 27 and Gujral addressed the editors' conference on September 11, it is clear he ignored the

hint!) "Finally", *Statesman* asked, is it the business of Ministers of Information to instigate editors against owners and deliberately create strife where none has any reason to exist? Apparently it is, in Mr Gujral's opinion".

On the deliberations of the editors' conference itself, only *Indian Nation* seems to have had any comments to offer. Referring to the Lok Sabha Speaker's address to the conference in which he had asked editors to avoid publishing "unwholesome happenings", *Nation* asked what exactly this meant? "Whatever meaning of the expression he may have in mind, from top to bottom only unwholesome things are happening in the country and if a newspaper decides to eliminate (this) it will have to go blank or fill its space with articles on abstract subjects such as 'truth and honesty'. It should be realised that no small contribution is made by the politicians to the unwholesomisation (!) of newspapers." *Nation* said it was becoming "increasingly difficult for a newspaper to maintain impartiality" as "pressures are being put on newspapers to toe the Government line or to go out of existence".

The editors' conference, in its final resolution, urged presiding officers of legislatures to ensure that no question of legislators' privileges came into conflict with the journalist's own responsibilities and this, in my view, was probably its main contribution. What AINEC has asked for falls short of a demand for the codification of MPs' privileges, which has long been considered desirable. Yet the point made by the conference that there is a wide divergence in the procedures adopted by Parliament and State legislatures for safeguarding members' privileges is very pertinent, as these procedures are not only anomalous but have, not unoften, imposed additional restraints on the free functioning of the Press. Whether the Press is the "only forum open to citizens to ventilate their grievances against the executive and other forces", as AINEC has argued, or not, recent instances of what it calls "unwarranted harassment" of editors and attacks on newspaper establishments certainly pose a "threat to the free functioning of the Press". And it is right that editors should draw attention to this threat. But has any threat been warded off merely by the prospective victim giving expression to his fears? The Press needs more active leadership, and this seems not to be forthcoming.

Jatavs of Agra: Study in Social Mobility

J S Yadava

The Politics of Untouchability by Owen M Lynch; Columbia University Press, New York, 1969; pp xiv+251; \$10.

THIS book, which is a revised version of the author's Ph D thesis, is a valuable addition to the ever swelling stock of sociological literature on the Indian caste system. It is not, however, just another book on caste. Lynch has made a valuable contribution by providing an extensive case study of the impact of Independence on an untouchable caste group of Jatavs living in the city of Agra, Uttar Pradesh. His study will also serve as a major step towards the understanding of the urban scene in India; he has extended the scope of anthropological research methods and techniques to the city ward.

Lynch puts forward three major hypotheses:

(i) Caste is an "adaptive" structure through which its members can relate and re-relate themselves to members of other caste in terms of the potentialities provided to them by the socio-political environment in which they interact.

(ii) "Political participation" provides a functional alternative to Sanskritisation and Westernisation in modern India.

(iii) Sanskritisation can be defined in terms of social structure as to be fitted into a larger frame of reference that is, both cross-cultural and cross-temporal (diachronic).

Lynch has traced the social history of the Jatavs in Agra to the later part of the nineteenth century when most of the Jatavs were labourers or leather workers. He points out that even during those days some Jatavs had achieved economic prosperity by playing the role of labour contractors (middlemen) for their own caste members. These rich Jatavs used the honorific of Seth (richman) before their names and two of them even succeeded in entering non-traditional occupations and established a large number of cotton mills before their death in 1890s.

With the beginning of the present century the shoe industry in Agra began expanding. The Jatavs increasingly participated in the expanding shoe industry as they did not face much competition from other castes for whom working with leather was defiling. The Jatavs had a near monopoly in the shoe industry and they were either owners

of the shoe factories or worked as craftsmen. The Mohammedans, due to their better economic position, functioned as middlemen in the shoe industry of Agra. The ever expanding shoe industry provided increasing economic opportunities to the Jatavs to earn their livelihood and to some of them it provided an avenue to become "rich". Two economic classes emerged among Jatavs, one of rich factory owners (*bare-admi*) and the other of poor craftsmen (*karigars*). However, the norms of division of property between sons after the death of the father resulted in circulation of wealth and thus came in the way of the emergence of these two economic classes on any permanent basis.

THE PUNJABI THRUST

Independence brought many changes in the shoe industry of Agra. The industry expanded further and it was linked with national and international shoe markets. Shoes from Agra are exported to Russia and many other East European countries. The refugees from West Pakistan, the Punjabis, replaced the Mohammedans as factors. Punjabis with their economic resources, mercantile acumen and entrepreneurial skills made a success of their new occupation as factors in the shoe industry of Agra. They are now also taking up a new role of factory owners.

This thrust of the Punjabis into the erstwhile exclusive domain of the Jatavs is posing a threat to the Jatavs' source of bread and economic advancement. The Jatavs are incapable of functioning as factors because they lack the necessary economic resources and mercantile skills. As such, the Jatavs resent the Punjabis.

In addition to these changes in the shoe industry there have been other changes of great magnitude in the socio-political environment of the Jatavs. The Constitution of free India assumes the equality of all irrespective of caste, creed and religion. "Untouchability" has been abolished. On the other hand, the Constitution has provisions for "protective discrimination" favouring the erstwhile untouchables now included in the category of Scheduled Castes. Thus

the Jatavs have come to acquire new status sets such as those of voters, "privileged persons" (being one of the Scheduled Castes), and equal citizens with no restrictions (formerly imposed upon them by their status of "untouchables"). These "revolutionary" developments have enormous sociological implications for the Jatavs of Agra. Lynch has systematically discussed the effects of these changes for the Jatavs in Chapter IV, "The Politics of Untouchability". He discusses the history of Jatav "politics of untouchability" under three phases: The pre-Independence period, the transitional period and the post-Independence period. The pre-Independent period (upto 1930s) was marked by attempts on the part of Jatavs to achieve higher social status and a place in the Kshatriya *varna*. The Arya Samaj played an important role in this direction. The Jatavs claimed to be Kshatriyas and traced their ancestry to the Yadu or Yadav race. Through a book ("*Yaduvansh Ka Itihas*") they told other castes that the Jatav race was one of the sacred and highest races and was not untouchable. In short, this period was marked by "Sanskritisation" of the Jatavs.

During the transitional period of the 1940s the Jatavs of Agra played an active part in getting themselves recognised as a Scheduled Caste and so began enjoying the benefits of "protective discrimination". As such, they readily accepted their untouchable low caste status which they had been decrying for quite some time.

In post-Independent India, the Jatavs have changed from mobility through Sanskritisation to mobility through active and separate political participation. Jatavs have switched from acceptance of caste through Sanskritic behaviour to rejection of caste through political participation. Political participation through the Republican Party has become the dominant or overriding technique of the Jatavs to get what they want, and Buddhist identity has replaced Sanskritic Kshatriya identity.

Previously Jatavs had a manifest goal of higher ritual rank through Sanskritisation, while their latent goals were legitimization of the economic success already achieved and legitimate access to upper caste statuses which controlled other strategic resources of power, opportunity and wealth. Now these latent goals have become manifest because there is little need to seek ritual validation from the Brahmin before.

mate access to strategic resources can be obtained. Jatavs seek their ends directly through the political tactic of pressuring the government and other castes to enforce the principles of equality, secularism and freedom set down in the Constitution (p 206).

The Jatavs are highly politicised and now they realise that active political participation is a sure way to achieve what they want. In case the Jatavs fail to achieve their objectives of access to strategic resources — economic political power — by political participation through the Republican Party, they may lose faith in the efficacy of the democratic system and may not hesitate to embrace communism. Alternatively, they may co-operate with Congress Party.

It emerges from Lynch's study of the Jatavs of Agra that caste is "adaptive" to its changing socio-economic and political environments. The caste system has been weakened in certain aspects and has gained strength in certain other spheres, but it would be wrong to say that caste is irrelevant to the individual in India today.

Lynch has thrown into sharp relief the "links" between the Jatavs and the outside world — how the economic, social and political life of the Jatavs overflows the boundary of their local environment of Agra and how the outside world enters and affects the life of the Jatavs. In the chapter "The Sociology of Market", he has brought out the links of the shoe industry in Agra with the national and international shoe markets. Similarly, in the following chapter "The Politics of Untouchability", he shows how political developments in the society outside affect power relations locally. In his discussion of Buddhism and the Bodhisatva, he demonstrates the intimate relationships between local Jatav-Buddhists and Buddhists living in other parts of the country and even in other countries. The argument moves back and forth from the local scene to the outside society bringing out the essence of the processes involved in the social mobility of the Jatavs.

The generalised picture of the Jatavs' social mobility emerges nicely from the account given in the book. However, one would have expected more ethnographic information from an anthropologist. Essential information like the demography of the Jatavs in Agra, the number of shoe factories, the number of Jatav neighbourhoods, etc is conspicuous by their absence. It is understandable that collection of such infor-

mation in a city may present difficulties but certainly it should not be an impossible task. Such information, even when it is an approximation, would have provided a good background to the excellent analysis of developments presented in the book. Further, the generalisations and conclusions of the present study would have been more impressive and conclusive if they were supported with more of quantified data. For example, the average monthly wages have been assessed from a sample of 15 and 10 workers respectively. Would it not have been more reasonable to take a larger sample? "The Sociology of Market" is an excellent discussion of the operation of the shoe industry in Agra but the quantified information is either very scanty or altogether lacking to support the insights presented by the author. Similarly one would expect more information about Jatav "politicians" (*neta log*) and other leaders. Incidentally, the leading Jatav families of 1890s, which established a number of large cotton mills and used the honorific of Seth, do not figure in present day accounts of Jatav politicians or big men. Have the descendants of Seth Sita Ram and Seth Man Singh become poor or have they migrated out or dissociated themselves completely from the Jatav community and succeeded in getting themselves accepted as Seths or higher caste people through Sanskritisation. I should think this case study would have been very illuminating.

The account of the social life in Bhim Nagar, a Jatav neighbourhood, is very informative and tells in detail the story of day-to-day life in a low caste neglected ward in an Indian city. The

discussion forcefully brings out the point that in the present context the dichotomy between rural and urban ways of life may not be very meaningful.

In addition to providing a lucid account of social mobility among the Jatavs of Agra, Lynch has made a valuable contribution to the general theories of social mobility, social and cultural change, and modernisation in developing countries like India. Using reference group and status-role theories (as developed by Merton 1957, Model 1957 and others) he has attempted to give a structural definition of Sanskritisation — a concept formulated and popularised by M N Srinivas. He has made an attempt to show the other side of the Sanskritic coin, that is, the social-structural side as opposed to the cultural side. In the process he has added a new sharpness and provided some extension to the reference group and status-role theories. However, it would also be wrong to forget or neglect the cultural side of the Sanskritic coin. The development of theories of general applicability and cross-cultural, cross-national comparison is a laudable aim of social anthropology, but understanding of the national scene is an equally important objective of social scientists. As such, if concepts like Sanskritisation are useful in understanding social mobility in India, maybe in a cultural sense, it would be wrong to discard the concept. It is true that in modern India political participation is providing a functional alternative to Sanskritisation, but certainly it is not eliminating Sanskritisation as a supportive mechanism, maybe of secondary importance, in attempts aimed at social mobility.

SUBSCRIPTION RATES

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Six months	Rs 32	
One year	Rs 60	Rs 75, \$ 10.00, £ 4 4s
Two years	Rs 110	Rs 140, \$ 18.75, £ 7 15s
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Six months	Rs 13	One year	Rs 25
Two years	Rs 45	Three years	Rs 65

Concessional Rates Are Not Applicable to Institutions

Lead Banks: Action-Oriented Approach

V V Bhatt

The major action that lead banks have taken so far is to prepare Lead Bank Surveys of some of the Districts allotted to them. Quite a number of such surveys have been prepared by putting together available information about the concerned district. These surveys are indeed useful, but not much purpose would be served by designing and carrying out additional detailed surveys. The time taken would be considerable and even when the surveys are completed, they are unlikely to be action-oriented.

Data-gathering should not be treated as an isolated function. In an action-oriented programme, relevant data for policy purposes should be collected as a by-product of active policies.

The initial policy-frame should be prepared on the basis of available data and a personal feel for local problems and development potential. Additional information should be generated in the process of implementation of policies; otherwise data-collection would have no relevance to policies.

This article is concerned with the areas of policy action that seem to be obvious on the basis of current information and analysis. The lead banks should evolve machinery for implementing these policies; in the process, new data should emerge to which policies should be adapted. Data-gathering and policies should evolve via such a process of interaction if both are to be relevant to the basic purpose of district development.

FOR the wider diffusion of the impulses of economic development, it has been realised for quite some time that a district should be treated as the unit for intensive development of agriculture, small industry (including all non-agricultural small industry) and other services. This is essential for balanced regional development, creating employment opportunities at places where unemployment/underemployment exists and improving the standard of living of the vulnerable sections of the population. It was believed so far that for the purposes of such development the co-operative agencies would be able to perform the functions of meeting the necessary credit needs and mobilising saving. For a variety of reasons, the co-operative agencies have by and large failed to perform these functions adequately. On the other hand, the commercial banks were not equipped so far to perform these functions because of their urban trade and industry bias.

I

This problem is now being tackled by giving a new radical orientation to the commercial banking structure. With this purpose, the social control experiment was initiated in 1967 and in July 1969 14 major banks were nationalised. To provide the agriculture-small industry orientation to the banks' policies, a new and potentially fruitful concept of

a lead bank in a district has been evolved.*

A bank with nation-wide branches is unlikely to develop the intimate knowledge and feel of the local situation in a district, so necessary for district development. A small district bank would probably be much more effective for the purpose. However, given the structure and evolution of commercial banking, it is hardly practical to develop such small district banks. To meet this situation, the function of district development has been assigned to a commercial bank which has been prominent in the concerned district or region. Some districts are thus assigned to a lead bank and it would be the function of the lead bank to co-ordinate the policies of other banks and financial institutions operating in those districts. The lead bank scheme is likely to be more effective than a new district bank scheme; for, the lead bank would be much more viable financially because of its nation-wide operation and further, for the same reason, it would have at its disposal much larger resources than a small district bank.

* See Savya Sachi, "Role of Financial Institutions in Planning", *Economic and Political Weekly*, March 21, 1970 and Report of a Study Group of the National Credit Council, "Organisational Framework for the Implementation of Social Objectives", Bombay, October 1969.

II

The main functions of a lead bank would be: (a) to identify places in a district for branch expansion; (b) to prepare a phased programme for branch expansion in the district so as to bring banking services within the reach of the entire area; (c) to estimate the current requirement of credit and prepare a phased programme to meet it by supplanting the non-institutional money-lender type of credit purveyors; (d) to identify the potential areas of agricultural and small industry development and to induce local entrepreneurs to undertake such development; (e) to identify the major bottlenecks in the development of the district and induce the appropriate agencies to take remedial action; (f) to goad the local entrepreneur in agriculture and small industry to progressively improve his productive efficiency; and (g) to devise such schemes of deposits and financial investments as would prove attractive to the local people and effective for the purpose of mobilising as well as raising the rate of saving in the district.

The lead bank obviously cannot perform these functions in isolation; it would have to solicit the active support of other banks in the district (including co-operative agencies) and other State-level financial institutions as also of the various official and non-official agencies. The role expected of a

lead bank is not merely that of purveying credit and deposit mobilisation; it has to provide entrepreneurial and managerial guidance to agriculture and small industry. For the purpose, the lead bank, itself, has to play an active entrepreneurial role; this has relevance with regard to the recruitment and training of branch managers.

III

The initial step that lead banks have taken so far is that of preparing Lead Bank Surveys of the Districts allotted to them. Quite a number of such surveys have been prepared by putting together available information about the concerned district. These surveys are indeed useful but not much purpose would be served by designing and carrying out additional detailed surveys. The time taken would be considerable and even when the surveys are completed, they are unlikely to be action-oriented. Data-gathering should not be treated as an isolated function. In an action-oriented programme, relevant data for policy purpose should be collected as a by-product of active policies. The initial policy-frame should be prepared on the basis of available data and personal feel and touch of local problems and potentialities. Additional information should be generated in the process of implementation of policies; otherwise data collection would have no relevance to policies.

This article is concerned with the areas of policy action that seem to be obvious on the basis of current information and analysis. The lead banks should evolve machinery for implementing these policies; in the process, new data would emerge to which policies should be adapted. Data-gathering and policies should evolve *via* such a process of interaction if both are to be relevant for the primary purpose of district development.

IV

The obvious fields of action by commercial banks in the lead districts are: (a) agriculture, dairy farming, poultry farming, piggeries and fisheries; (b) marketing and transport activities related to these fields; (c) small industries processing the products of these fields like food-processing industries, fruit canning, milk products, industries using the by-products of fisheries, processing of forest products, etc; (d) small-scale industries related to local non-agricultural natural resources and those that are market-oriented; (e) workshop type of industries that specialise in repairing

and maintenance of machinery and implements as well as consumer durables like watches, radios, bicycles, jeeps, trucks, etc; (f) industries which provide special type of services like tractor use, spraying, soil testing, technical assistance relating to agriculture and small industry, vocational and technical training institutes, etc; (g) institutes/agencies providing medical and health services and educational opportunities; and (h) various professions in the fields of construction, technical consultancy services, medicine, law, etc.

There is likely to be potential for development in a number of these fields in every lead district and for tapping this potential, action would have to be initiated by the lead bank with the assistance of other banks and credit agencies and the relevant official and non-official agencies. It would not be possible for a bank to initiate action in all the lead districts at the same time, given its resources of management and technical personnel, and given its capacity to initiate organised action. It would be much better to concentrate on two lead districts to begin with; after two years' experience in two districts, each bank should work out a phased programme of action in the other lead districts. In about ten years, it should be possible to cover all the districts.

How the lead bank can start implementing a programme of action can be illustrated with reference to agriculture. The initial step would be to induce an agency to do soil-testing and after that recommend an appropriate cropping pattern, water management techniques, and optimum dosage of fertiliser-mix in the light of the dependability of monsoon and available irrigation facilities. The next step would be to ensure that appropriate seeds and fertilisers become available to the farmers through the development of reliable trade agencies, official as well as private. Tractor, power-tiller and spraying services should also be ensured. In cases where farmers are capable of purchasing tractors, power-tillers, pump-sets, etc, some guidance with regard to such purchases should be provided. Similarly, farmers should be in a position to purchase other agricultural implements from reliable sources; for this, again, some guidance would be necessary.

Apart from such technical guidance, the banks would have to provide short-term and medium-term and long-term credit facilities for agricultural production and purchase of fixed assets. This credit will have to be adequately super-

vised to ensure its end-use. The credit for working capital requirement should include credit for financing wage-payments as well as the subsistence of self-employed farmer families; if such consumption is not financed by credit, a very significant part of working capital requirement would not be met and the farmers would be compelled to approach moneylender type of credit purveyors. It has to be realised that this is not a pure consumption loan. If repayment ability is ascertained, there is no reason why even pure consumption loans cannot be given say for the purchase of some consumer durable goods.

At the harvesting season, it would be necessary to provide guidance with regard to marketing. If the farmers have to be enabled to realise normal prices of their products, they would have to be provided with some staying power; that is, marketing loans would become essential. To ensure that such loans are not used for speculative purposes, adequate godowns and warehousing facilities would become necessary so that loans can be made against warehouse receipts. Some agencies would have to be induced to build these facilities. Via such agencies, it should be possible to induce the farmer to receive payments by way of credits to his account with the bank. At this stage, loan recovery from farmers should be ensured and by means of various attractive deposit schemes the farmer should be induced to keep his surplus balances as bank deposits.

In cases, where potential exists for the development of minor irrigation schemes, projects could be worked out with the assistance of Agricultural Finance Corporation or Agricultural Refinance Corporation or through any other official or non-official agencies. For viable projects, credit should be ensured to farmers. In cases where a feeder canal has to be dug, a group of farmers who would derive benefit from the scheme should be provided with credit to pay for the scheme and relevant agencies should be induced to undertake the task.

In some cases, the major bottlenecks may be in the fields of power or transport or agricultural extension. These bottlenecks should be brought to the notice of State Government authorities so that such areas can be covered in the State Plan for electrification, road building and agricultural extension services.

For the repairs of agricultural implements, power tillers, tractors, pump sets,

etc, it would become necessary to induce some people to start workshop type of industries with the assistance, if possible, of dealers/manufacturers. Some short-term training for the purpose may be necessary for potential workshop technicians; the bank could give guidance in the matter and wherever possible, a district institution can be set up with government assistance or with the assistance of dealers/manufacturers.

In the process of helping the farmers with required credit, the bank could collect relevant information relating to the cost-structure, rates of return, employment and output associated with various operational land holdings, various crops and cropping patterns. Such information when properly analysed would help the bank in judging a credit proposal as well as in advising the farmer with regard to his production techniques, cropping pattern, etc.

Such in brief outline is the type of task a lead bank has to undertake in the field of agriculture. Similar functions for other fields would have to be identified and action initiated. Much would depend on the entrepreneurial vigour of the district lead bank, the ease with which it is able to secure the assistance of other banks, commercial and co-operative, financial institutions and various official and non-official agencies and the confidence it inspires among the local people.

V

For providing a nucleus for the various technical services and marketing activities, the lead bank can undertake on its own the design and construction of a Department Store. Such a store should be located at two or three strategic places, preferably marketing centres, in a district. The advantage of such a store would be that the farmer/small industrialist would be in a position to obtain the various services he requires from one place through dependable agencies. Further, such a store would facilitate all his purchases and sales. Such a centre would enable the bank to induce receipts/payments to be made via his bank account and thus could ensure recovery of loans and mobilisation of deposits as well.

At this Store, there should be the office of the lead bank. Then there should be the offices/showrooms of dealers/manufacturers of various agricultural implements, power tillers, tractors, pumpsets, fertilisers, high-yielding seeds and some consumer durables like watches, radios, bicycles, jeeps, etc. All these dealers/manufacturers should be approved by the bank. Further, there

should be offices of Food Corporation of India and other dealers, official and un-official, in agricultural and industrial commodities. These dealers/manufacturers, and the farmers/small industrialists should have bank accounts with the lead bank so that payments/receipts could be facilitated via debit/credit to their accounts.

The Store should have godown/warehousing facilities for keeping stocks of agricultural and other commodities by various agencies.

The offices of various agencies providing technical assistance, like agricultural extension, small-scale service institutes, etc, should also be located at the Store. It should also have the office of one or two transport agencies and some workshops for repairs of agricultural and other machinery.

Such a multipurpose Department Store would meet the diverse needs of the entrepreneurs in the district. It could be a Centre from where development impulse could be radiated in the surrounding area. The action to build such a store could be initiated by the lead bank by starting a joint stock

company whose shares can be purchased by the people of the district as well as by the other banks and the LIC. The rent income would be adequate and the return on money invested could be in the neighbourhood of 15-20 per cent. This then could be a viable proposition.

It could become a flourishing marketing centre and could also become a centre for cultural and other educational activities. The very existence of such a store would have considerable educative impact. Further, a part of the profits of this concern could be set aside for promoting technical and vocational institutes. Each district should be able to support one such institute. This also could be a centre for organising brief refresher courses in new efficient techniques of agriculture as well as small industry. Seminars for agriculturists and small industrialists can be organised at the Centre with a view to bringing them together to exchange their experiences. The Centre could have a small library of relevant literature on agriculture and small industry as well as on other cultural subjects. It could in fact become a modern temple.

Surat Electricity

SURAT Electricity revised its tariffs for certain classes of supply, from January 1 last, to cover additional bulk charges consequent to the State Electricity Board's revision of its own tariffs. R P Aiyer, chairman, points out that it has been the practice of most Electricity Boards to weight adversely their grid tariffs to licensees compared with to their own consumers, with the result that, licensees are obliged to charge certain classes of consumers higher rates than are applicable in the State Electricity Boards' own areas of supply. Aiyer says that attempts at resolving this difficulty at the industry's level with the Central Electricity Authority have so far proved fruitless, because State Electricity Boards justify their higher tariffs to licensees on grounds of density of loads and diversity in the licensees' areas of supply. These factors, he says, have their own limitations and, even in the best of circumstances, leave a large gap to be filled in by enhanced charges on at least certain classes of consumers. Commenting on the trading relations between his company and the Gujarat Electricity Board, Aiyer explains that they are further governed by a special agreement whereby the grid tariff is so balanced as to impose an obligation on the company to charge its high tension consumers at

the same rate that is applicable to similar consumers in the Board's area of supply. In addition, it is obligatory for the company to introduce a new tariff, at 16 p per kilowatt hour, for agricultural consumption. The tariff for the LT motive power consumers is also to be adjusted to result in an average rate of 20.5 p per unit, the State Electricity Board agreeing to grant to the company a rebate of Rs 28,000 per month on this account. Surat Electricity is also adding additional storeys to a number of sub-stations with a view to shifting equipment from the ground floor to the floor above to improve continuity of supply in case Surat is again subject to floods. In spite of restrictions in power usage during earlier part of the year ended March 1970, the increase in kilowatt hour sales was of the order of 12.49 per cent. Net earnings from sale of energy were up from Rs 1.98 crores to Rs 2.26 crores and gross profit increased from Rs 34 lakhs to Rs 35 lakhs. Net profit was Rs 19 lakhs (Rs 18 lakhs). Out of this, the usual distribution on preference capital and 12 per cent on equity (including one per cent by way of golden jubilee bonus) will together absorb Rs 10 lakhs. The chairman hints at the possibility of the company shortly going in for further long term capital.

Fusion and Fission of Castes in Elections

A Case Study of Chhata, UP

H R Chaturvedi

Ghanshyam Shah

Politics is often viewed as a mirror of social problems, reflecting social cleavages, grievances and aspirations. It is treated as a sort of a clearing house, having no potentiality of its own. In interpreting politics within this frame, some scholars attribute to caste the quality of "resilience" or the capability to adjust itself to political circumstances without losing its own identity.

In doing so, these scholars miss an important point—that politics is also an independent variable, having the potentiality to influence the social system. Politics generates conflicts over interests, power, distribution of benefits and so on, which disrupt caste-cohesiveness because a caste-group is heterogeneous with differences within it of status and economic interests. Politics also cuts across primordial loyalties and gives rise to new groups.

However, the role of politics should not be overemphasised. Caste has its own dynamics. What has to be emphasised is the interaction process between caste and politics, each influencing the other.

The Chhata constituency in Uttar Pradesh highlights this process from one election to another. The following case study focuses on changes in group-alliances and their role in elections. This is not a study of 'voting behaviour' concerned with intentions and actual voting at the individual level.

[The authors are grateful to Rajni Kothari, D L Sheth and Ramashray Roy for their valuable comments on an earlier draft of this paper.]

I

CHHATA Assembly Constituency of Mathura district in Uttar Pradesh is a rural constituency. There is hardly any industry worth the name and 78 per cent of the working population is engaged in agriculture either as cultivators or labourers. There are two small sized towns — Chhata and Kosikalan. The latter is a known market for grains and for some other agricultural products. All the big and small farmers of the area visit this town for selling their products and buying their day-to-day requirements. Chhata has acquired importance, being the tehsil headquarters, although it is still devoid of certain basic amenities such as running water, electricity, sanitation and facilities for higher education. Kosikalan is far ahead in these respects. It has electricity, running water supply, a degree college, etc. Some of the government offices are also located there.

Electoral politics of Chhata have remained instable since Independence. The voters have shifted their support to different parties starting with Congress and moving to Socialist and to Jan Sangh from one election to another. So much so that a party which had lost in one election with a big margin, succeeded in the next election but met with the same fate in the one after that. No political party enjoys the dominant position, as none has stable voters' support. Four political parties,

namely, Congress, Samyukta Socialist Party (SSP), Jan Sangh and Bharatiya Kranti Dal (BKD) have thus far emerged as strong parties in Chhata. Congress which won the first two elections, in 1952 and 1957, lost the subsequent two elections, in 1962 and 1967. But, again, it won the mid-term elections in 1969 defeating the BKD candidate, although by a narrow margin of 1.62 per cent of the votes. The seat was won in the 1962 elections by the SSP candidate and by Jan Sangh in 1967. Table 1 presents election-wise results.

All the political parties have their office bearers, either elected or nominated, at the tehsil level. But no party has a tehsil office for recruiting members and maintaining contact with the masses. The parties seldom organise rallies or flag salutation functions on days of national importance like Independence Day or Republic Day. The parties are constituted only of the office-bearers. As the party organisation is not articulate in Chhata, the leaders are hardly involved in the party work. Occasionally they enroll members to achieve the required quota. They are active only in elections. For the rest of the time, whatever "public work" they do as link-men — carrying problems of the people to government offices, giving voice to their grievances or distributing benefits — is done on an individual basis. They build groups around themselves and develop personal rather than the party loyalties. Their main concern centres on gaining politi-

cal power for themselves.

Whenever they find an opportunity to obtain power outside their party they do not hesitate to change their party affiliation. They have hardly any party loyalty. Almost all political leaders of some standing in the area have changed their party affiliation during the last two decades. Sometimes they do not openly cross party-lines but sabotage their party candidature. This is evident from Table 2.

It may be noted here that change in party loyalty does not necessarily imply change in membership. In some cases it only indicates shift in support during the elections. For instance, Ram Het Singh is still a member of Congress but it was said that he supported BKD in the 1969 elections. Similarly, Tejpal Singh joined Congress in 1953 and he continues to be its member till today, but in 1962 and 1967 he supported SSP and Jan Sangh candidates respectively. Interestingly enough, there have been shifts from Socialist to Swatantra parties which are ideologically so different. For instance, Lekh Raj Singh who had contested the election in 1952 as a Socialist nominee came to the scene again as the Swatantra candidate in 1962. Apart from these temporary shifts in loyalties in the elections, it is striking that some political leaders of long standing in a party have even changed their membership. For instance, Lakhi Singh who had left Congress soon after Independence and

TABLE 1 : ELECTION RESULTS, PARTY-WISE AND CASTE-WISE

Year	Candidate	Caste	Party	Percentage of Votes
1952	(1) Ram Het Singh	Thakur	Congress	26.99
	(2) Karan Singh	Thakur	Independent	20.34
	(3) Tejpal Singh	Jat	Independent	16.54
	(4) Lekh Raj Singh	Gujar	Socialist	13.88
1957	(1) Ram Het Singh	Thakur	Congress	40.97
	(2) Tikam Singh	Thakur	Independent	31.10
	(3) Mohar Singh	Thakur	Praja Socialist Party	18.73
	(4) Lakhi Singh	Thakur	Independent	9.20
1962	(1) Lakhi Singh	Thakur	Socialist	32.90
	(2) Tikam Singh	Thakur	Jan Sangh	19.42
	(3) Ram Het Singh	Thakur	Congress	17.32
	(4) Lekh Raj Singh	Gujar	Swatantra	15.79
1967	(1) Tikam Singh	Thakur	Jan Sangh	21.80
	(2) Vijay Singh	Jat	Independent	20.78
	(3) Ram Het Singh	Thakur	Congress	17.05
	(4) Karan Singh	Thakur	Independent	12.27

Note : The Table gives the results for the first four candidates in different elections.

race for power. In the process they got divided into various political parties. In order to get votes in elections, they not only divided their own jati, but also divided other jatis. They in fact stood against each other. Thus the process of fission of the Thakurs began from the first elections, in which four Thakurs contested against each other. Thakurs have thus not functioned as a single cohesive political group in Chhata.

RISE OF JATS: FISSION AND FUSION

Numerically, Jats rank next to Thakurs. They are petty land-holders. They were inactive during the Independence movement mainly for two reasons. First, a large number of them were engaged in military and government services; therefore, they owed their loyalty to Britishers. Secondly, their leader, the Raja of Bharatpur (the State of Bharatpur touched the border of Mathura district) was pro-British. Their inactiveness in or, to be more exact, their indifference to

politics continued for some time in post-Independent India. Till the mid-sixties, Jats were not united beyond village boundaries. Each Jat group, based either on village or clan, functioned as the nucleus to factions of Thakurs. However, recently they have emerged as a significant political force in UP as well as in Chhata politics. In Chhata, they posed a threat to Thakur dominance in 1967 and excelled them in the 1969 mid-term polls. In 1957 and 1962 elections, no Jat candidate even contested the election.

Tejpal Singh, who was exposed to the outside world as a student as well as an employee, was the first Jat to contest the elections in 1952. But being new to politics and having no idea of electoral engineering, he was defeated. This could be mainly attributed to his lack of contacts with the voters as he had stayed away from the area for the larger part of his early career. In 1952, when he made his first appearance in an election meeting

TABLE 2 : SHIFTS IN LOYALTIES OF POLITICAL LEADERS IN DIFFERENT ELECTIONS

Identification of Leaders	Years of Elections and Their Parties				
	1952	1957	1962	1967	1969
Ram Het Singh	Congress	Congress	Congress	Congress	BKD
Tejpal Singh	Ind	Congress	SSP	Jan Sangh	Congress
Lekh Raj Singh	Socialist	Congress	Swatantra	—	—
Lakhi Singh	Ind	Ind	Socialist	SSP	SSP
Tikam Singh	Congress	Ind	Jan Sangh	Jan Sangh	Congress

TABLE 8 : RESULTS OF MID-TERM POLLS

Party	Votes Secured	Percentage of Valid Votes Polled
(1) Congress	15,594	23.55
(2) BKD	14,523	21.93
(3) SSP	10,139	15.31
(4) Jan Sangh	10,137	15.31

ral elections since 1957, he had a support base among Jats. This time particularly, as Tikam Singh knew Tejpal's disappointment with Congress, he successfully pursued the latter to lend his support. Thus Tejpal Singh and his close caste-mates as well as Tikam Singh's own Jat supporters worked for the Jan Sangh candidate. He won against the Congress and the Independent Jat candidate.

However, it should be noted that despite the division among the Jats Vijay Singh gave a tough fight to Tikam Singh. He lost only by six hundred votes. Thus he succeeded in mustering support from his caste-mates. The fission and fusion of Jats and Thakurs in the mid-term elections in 1969 will be examined further.

II

In the 1969 mid-term polls, eleven candidates were in the race. Of these six were Independents and the remaining five belonged to various political parties like Congress, Bharatiya Kranti Dal, Samyukta Socialist Party, Jan Sangh and Republican Party of India. The close contest, however, was between the Congress and the BKD candidates.

SELECTION OF CANDIDATES

Congress and BKD adopted two opposite strategies but with same calculation, in the selection of their candidates. In order to counteract BKD, which was considered to be a party of Jats and which had acquired prominence in State politics, Congress gave its ticket to Tejpal Singh — a prominent Jat leader. For the first time it put aside its traditional candidate Ram Het Singh, a Thakur. The party had already recognised the political significance of Jats. In fact, the Jats had demonstrated their political force in the 1967 elections when a non-political Jat held the second rank

for the first time, even though he had contested as an Independent candidate. However, Congress knew that no one could secure the votes of one caste *en bloc* and certainly not of Jats who were politically divided. At the same time it was suicidal for any political party to ignore the Thakurs who were numerically the largest group. Chakleswar Singh, the Chairman of the Jila Parishad, himself a Thakur, took the responsibility for mobilising the Thakur votes in favour of the party. Besides him, the Congress candidate won over Tikam Singh, a Thakur, the sitting Jan Sangh candidate, who had already fallen out with the party. Tejpal Singh reminded Tikam Singh that he had backed him in the last elections and that now it was his turn. Moreover, Tikam Singh himself realised that he had bleak chances of success as the Jat votes which he had managed to get in 1967 would go in favour of Tejpal Singh. He therefore decided to withdraw in favour of Tejpal Singh and made an announcement to that effect in one of the election meetings organised by the supporters of Tejpal Singh. This had a double advantage for Congress. Not only was an important Thakur leader won over but also the position of Jan Sangh was weakened.

As against a Jat nominee of Congress, BKD nominated a Thakur as its candidate. On this decision BKD was mainly guided by two considerations. First, it was difficult to find a candidate from amongst the Jats of the status of Tejpal Singh who had made a place for himself in the community after concerted work for 15 years. Secondly, BKD knew that despite Tejpal's dominant position among Jats, he would not get all of their votes. The Jats were divided as he had antagonised some of the Jat leaders by refusing to abide by their decision that he should contest as an Independent candidate in the 1967 elections. The BKD leaders were sure to get votes from a section of Jats on account of the charismatic personality of Charan Singh, the State BKD leader. In fact BKD was identified as the party of Jats in Uttar Pradesh.

Compared to Congress and BKD, Jan Sangh was in a soup. The sitting MLA of the party was not on good terms with the district party bosses and had fallen out with the party. On the other hand, Govind Saran Shastri whose claim was press-

ed by the Kosikalan unit of the party was turned down as he was not in a position to finance his election. The party was in search of a person who had his own resources to defray the election expenses. The party thus nominated Mool Chand Sharma as its candidate. Sharma, a Brahmin by caste, though belonging to the tehsil had stayed in Mathura as he was a legal practitioner there. Unlike Tikam Singh he was a new entrant to politics and had no contacts with the rural masses. As far as SSP was concerned, it did not have to bother about any strategy in its choice of the party candidate. The party was a one-man show of Lakhi Singh and there was no other aspirant.

ELECTION CAMPAIGN

In order to win the favour of their voters, the candidates of Chhata used various techniques. These included distribution of party literature — covering the party manifesto, the party's performance in the area, criticism of rival parties, etc. and pamphlets abusing rival candidates, exposing their private lives, making personal allegations and so forth. However, it was found that not only the people but even the leaders did not care to read the parties' programmes and their criticism of other parties. The circulation of these pamphlets, etc. was limited. The candidates used printed party literature which they had received from the district or State party offices. It could hardly evoke any interest among the people as it was unintelligible to them. The leaders took interest in publishing pamphlets highlighting personal allegations against rival candidates. Such leaflets had a sensational appeal and provided material for gossip. For instance, the SSP nominee, Lakhi Singh, had made Radha Charan Singh the BKD candidate, his main target in a pamphlet. A handbill under the title "Chaudhary Charan Singh should reply to the following questions" was published by him. It contained several charges against Radha Charan Singh, mainly reflecting on his personal character. The Congress candidate got this handbill reprinted and lavishly distributed it. It is very difficult to ascertain the impact of such handbills on voting behaviour. But the leaders of all the parties felt that this sort of propaganda did a lot of damage to BKD.

All political parties had organised

public meetings to appeal to their voters. They were either for a village or at times for a group of villages. Besides local leaders, the party sometimes invited State and national level leaders to address these meetings. Charan Singh, addressed one meeting for the BKD, and similarly Mohanlal Sukhadia, Chief Minister of Rajasthan, addressed several meetings for Congress. The meetings of such personalities often attracted large crowds. People were generally drawn to such meetings not for the speeches but to see the dignitaries. The organisers of the meetings were sceptical about the influence of such meetings, excepting that they helped in raising or maintaining the tempo of electioneering. The public gatherings were considered election rituals. Party workers organised such gatherings as it had become customary and also because other parties did the same. Loudspeakers were effective instruments for attracting people, particularly teenagers. They provided fun and a change from their routine lives. But if such meetings were not held by a candidate or he did not meet voters individually which was an impossible proposition, people complained that "we have not even seen the candidate". In fact, such complaints did not mean much. It was observed that people did not necessarily vote for a candidate whom they had met.

Besides routine functions, the candidates used public gatherings for building personal contacts. They did it so that they were not branded 'big men'. Apart from personal contacts with the villagers, these meetings were also used for building rapport with the village leaders and to activate them for mobilising support for party candidates. This also provided an opportunity to the villagers to express their problems and grievances to the political leaders. They were heard with concern and assured redressal of their grievances. Sometimes monetary transactions were also made for "promised votes".

In order to strengthen these contacts, candidates used family and caste ties. Sometimes friends, party workers, or relatives were called in to assist in the elections. For instance, Congress and BKD leaders had summoned many such persons from Rajasthan, Punjab and Haryana to work for their parties.

Besides personal contacts and meetings in the villages, voters were also approached through their caste and community leaders. Congress invited several Thakurs from outside to per-

suaude Thakurs, so did BKD for mobilising Jats. As against BKD, Congress won over several Backward Caste and Muslim leaders who played a decisive role in its victory. For example, Tejpal Singh sought help from Ashraf Ali Khan, the District Congress leader, for mobilising Muslim votes. Ashraf Ali Khan camped in Chhata for several days and met local Muslim leaders and won their votes for Tejpal Singh.

Some of these strategies, as they were based on meticulous calculations, facilitated mobilisation of the electorate in favour of particular parties. For instance, Congress got sizeable votes in Kosikalan, which was a stronghold of Jan Singh and SSP, as it had rightly selected its candidate from there. This is evident from Table 3. Congress had a lead over its nearest rival, the BKD candidate, in these 15 booths by a margin of 2,800 votes.

Similarly, Congress and BKD managed to get sizeable Thakur and Jat votes, respectively, as per their calculations. The Congress candidate tried to maintain Jat unity in his favour and called meetings of his caste-mates to secure that end. His supporters tried to bring home to the Jats that Tejpal's victory would put an end to "Thakur dominance". But nothing could prevent a faction of Jats from going over to BKD. A faction of Jats which was opposed to Tejpal tried to bring him into disrepute in the caste by stressing the fact that he had worked against a caste-mate in 1967 election. In the same way Radha Charan could not ensure all Thakur votes since they had already had a split. Chakleswar Singh and Tikam Singh could attract Thakur votes to Congress.

Nevertheless, one thing is certain: more Jats voted in favour of Tejpal Singh and so did more Thakurs for Radha Charan. This is evident from Tables 4 to 7. It should be noted here that BKD was in a slightly advantageous position in this situation compared to Congress as it had put up a Thakur as its candidate and Jats were divided. Moreover, some Thakurs who had had their allegiance to the Congress for long, worked in favour of BKD. For instance, it was said that Ram Het Singh who had been the party candidate for the past four elections from this seat did not work for the party candidate as he was personally not on good terms with Tejpal Singh. Not only was he inactive in the election campaign but he even failed to mobilise

support in the polling booths covering his own village Ajha and the surrounding areas where he was supposed to be most influential. In these polling stations SSP and BKD candidates succeeded in mobilising maximum support. It may be seen that in polling booths 105 and 106 and around these, i.e. in booths 101 to 104 and 107, the majority of the votes went in favour of SSP and BKD, respectively. It was further maintained that Tejpal Singh worked in favour of the BKD candidate by mobilising his vote pockets in his favour.

In this neck-to-neck race, Congress won with a narrow margin of 1.62 per cent against BKD. SSP and Jan Sangh, which had won the seat in the previous elections in 1962 and 1967, respectively, obtained only 15 per cent of the vote each. The rest of the candidates got insignificant proportion of the votes.

III

Some of the salient points regarding interaction between politics and the social structure can now be summarised as follows:

(1) Chhata constituency was dominated by the Thakurs for over fifteen years since Independence. But in the wake of politicisation they became competitive and aspired for political positions and got divided which resulted in the decline of their dominance. In the process of the Thakur split, Jats emerged as a balancing force and only those Thakurs succeeded who could manage Jat support. Gradually as Jats got mobilised they eroded Thakur dominance and succeeded in taking their position. But as they got into power positions they too got divided. Thus the political process cuts across caste groups. These groups which had got organised around caste sentiments lost their cohesiveness in the wake of their interaction with politics. They emerged as political groups and the members of these groups, more often than not, undermined caste dictates in the face of demands from politics.

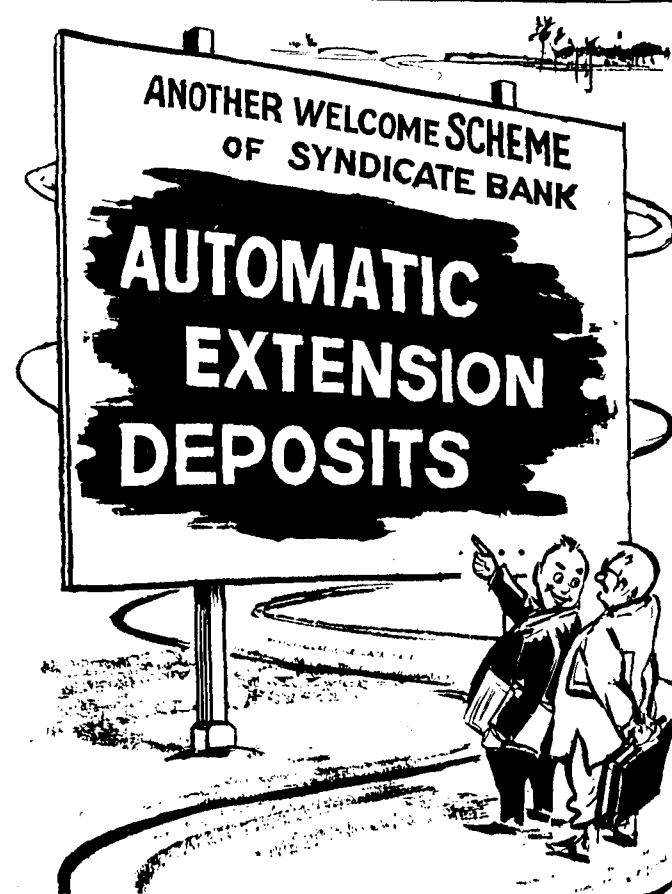
(2) In a political situation where major caste-groups get divided, minority groups like Scheduled Castes and Muslims acquire importance. In the mid-term election in 1969 they played an important role and if the trend is in the same direction they will continue to do so even in future. Thus with the decline of one-caste dominance, several castes emerged as equals in politics and the locus of power

has shifted from a few traditional groups to many which were relatively backward.

(3) We also find in this constituency that the political leaders have not been committed to a party. Most of them have been under strong pressure of group ascendancy and personal power and have had to shift their loyalties from one party to another. The foregoing analysis clearly brings out that political leaders engaged in the power game keep shifting from one party to another in their efforts to acquire or retain power positions.

(4) Apart from not having the loyalties of political leaders the parties also do not have a firm base in the area. Lack of institutionalised politics offers scope to local groups and linkmen for manipulation. They pressurise parties for selecting candidates belonging to their factions. The parties, with shaky foundations, have no alternative but to abide by the dictates of a few individuals and in the process get weakened further as organisations. Besides, some of the parties recruit persons with local influence in leadership positions during the elections, by giving party ticket or party support to them in order to win the Assembly seat. But such action creates imbalances in the party as it disturbs local party leaders who aspire for the party ticket. The local leaders feel ignored and bypassed and they withdraw their support to the party candidate or even actively work against him. Furthermore they turn the rank and file of the party against the candidates selected, rendering their assimilation in the party difficult and at times even impossible. On the other hand, the local influentials join a political party on their terms as they have a support base in the area. Even after they have joined the party they are not weaned away from their primordial, caste and local loyalties and above all from their personal interests. Thus they do not get integrated with the party and in the process the party gets weakened. This accounts for the defections and political instability that we witness in the country today.

(5) On the other hand, this very process of accommodating social pressures in the constituency also seems to affect the erstwhile balance of influence and power in the local society.



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India's 'Surplus' Cattle

Reply

C H Hanumantha Rao

IN his article "Sacred Cattle and More Sacred Production Functions" [1] V M Dandekar raises two important questions. First, he observes that for a test as to whether there exists surplus cattle in relation to the given resources, what is relevant are not output elasticities for an animal with respect to resource inputs as formulated by me [2] but marginal productivities of inputs. Secondly, he argues that the choice of the Cobb-Douglas production function is inappropriate for this purpose.

Let me start with the first point which, I think, is more important than the second one. It would be useful at this stage to spell out the issue under discussion before I proceed to examine the relevance of output elasticities in resolving the issue. K N Raj asked the question "whether, given the amount of feed 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" and suggested that "a firm answer to this question cannot be offered without much deeper investigation into the relevant production functions." [3] Dandekar raised the same issue as is evident from the following: "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." [4] That this is exactly the issue under discussion is reiterated by Dandekar in his criticism [1] of my article by quoting the above passages from Raj and himself.

I thought that the issue raised by Raj and Dandekar is a relevant one but since there is hardly any empirical evidence bearing on the range of the production function at which the cattle are actually maintained in rural India, I proceeded to make an attempt in this direction by translating the Raj-Dandekar formulation into the following testable proposition: "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." [2] Dandekar says that "this is not a correct formulation; for what is relevant here are not elasticities but marginal productivities." [1]

Dandekar does not demonstrate how output elasticities are irrelevant or how marginal productivities are in fact relevant for answering the question raised by Raj and himself. If Dandekar wanted to disprove my proposition he should have demonstrated how output from the given resources is not maximised when the output elasticity for an animal is unity. He should have specified his marginal conditions corresponding to maximum output from the given resources, and should have demonstrated how the output elasticities specified by me fail to correspond with his marginal conditions when output is maximum.

I shall now try to demonstrate with the help of the Diagram how output elasticities are relevant to answering the question under discussion. OX axis in the Diagram represents input per animal in rupees and OY axis measures the output per animal in rupees. The total product curve (TP) for an animal represents an initial range of increasing returns where the output elasticity is more than unity ($e > 1$), then the point where the output elasticity is unity ($e = 1$) followed by a range of decreasing returns with output elasticity less than unity ($e < 1$) before the elasticity falls off to zero. The slope of the line OC is unity, i.e., for a rupee increase in input per animal output per animal increases by a rupee. Line O_1C_1 being parallel to OC has the same slope. At y_2 the slope of the TP curve is equal to the slope of O_1C_1 , that is, marginal productivity is unity at this point. The line OC_2 is tangent to the TP curve at y_2 , so that when the TP curve reaches this point, average product curve (AP) would reach its maximum point (m) at which it would intersect

with the marginal product curve (MP). Thus output elasticity would be equal to unity ($e = 1$) at point y_2 . The axis ON to the south represents the number of animals that can be maintained with the given total input at varying input levels per animal. Curve I_1 is the equal input curve relating input per animal with the number of animals that can be maintained with the given total input. For instance, when input per animal is OX_2 , the number of animals would be ON_1 . When the input per animal is OX_1 , the number of animals that can be maintained with the same total input would rise to ON_2 . The area of the rectangle OX_2ON_1 is thus equal to that of OX_1ON_1 .

Dandekar says that "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." [1] This means that Dandekar is in favour of extending the input per animal even beyond X_1 , though not beyond X_2 , as the marginal productivity of input would still be greater than unity in this range, even though output elasticity would be less than unity. Profit per animal would rise so long as the marginal productivity is more than unity. Since X_2P_2 would be equal to the input OX_2 , profit per animal at X_2 or the difference between X_2P_2 and X_2P_2 (i.e., y_2P_2) would be maximum.

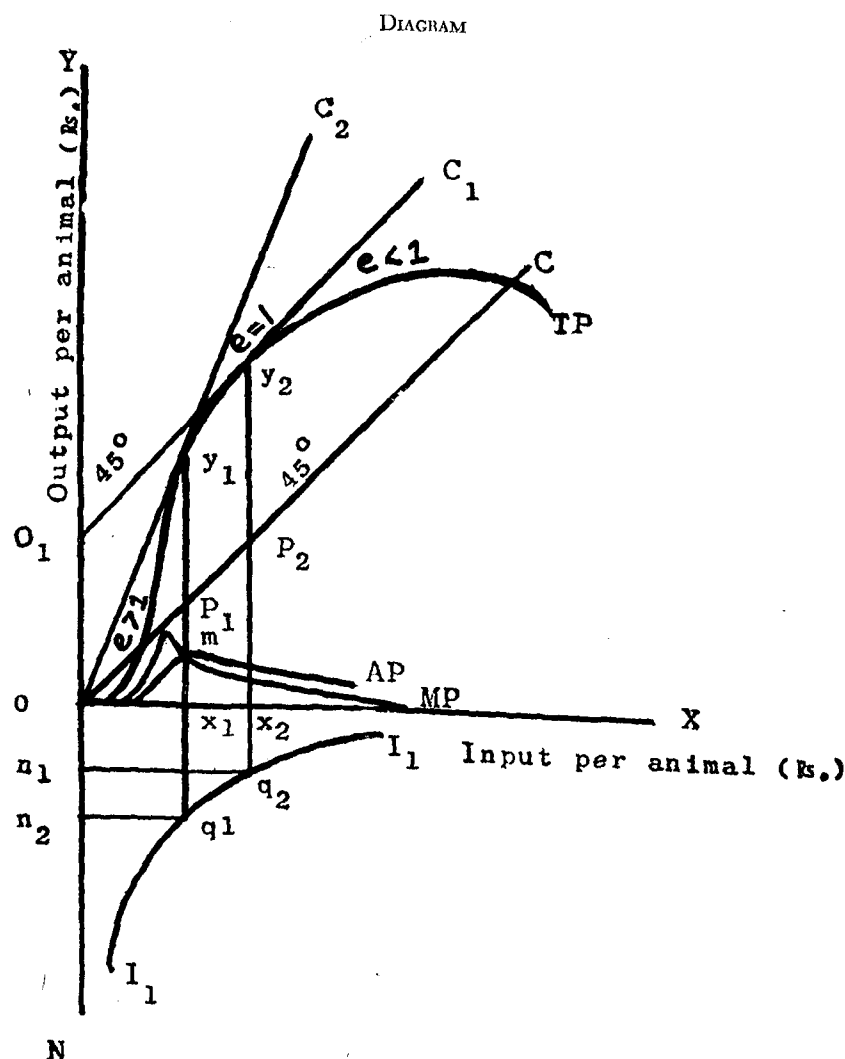
But maximum profit per animal will not yield maximum total output or maximum total profit from the available input resources. Given the input resources, whether for the individual farm or for the society as a whole, the input rate (per animal) that maximises total output will maximise total profit also. The maximisation of output per rupee of input will maximise total output as well as total profit. [5] This point (i.e., the point of maximum average productivity of input) is reached when the output elasticity is unity. This is the point where the average product curve intersects with the marginal product curve. As I have suggested, below the input level (per animal) where output elasticity is unity, the actual number of animals would be more than the desired number. Therefore, output can be increased by redu-

[The author is grateful to T N Srinivasan for the helpful comments and suggestions on an earlier version of this note. However, responsibility for the views expressed and for errors is entirely his.]

cing the number of animals (increasing the input per animal) upto the point where output elasticity equals unity. Beyond that, although marginal productivity would still be greater than unity (upto the point y_2 on the TP curve), the elasticity is less than unity and the average product would be declining so that total output from the given inputs would be declining indicating that the number of animals is less than the desired number on economic grounds. It is clear that Dandekar's position would result in a smaller number of animals (larger input per animal) than that implied in my argument. By allocating the available resources to a number that is less than optimum, Dandekar's prescription would fail to maximise output and profit.

It is thus evident that Dandekar's marginal productivity criterion is not consistent with his earlier proposition, viz, output from the available resources can be increased by reducing the number of animals and increasing the input per animal. In fact, my formulation that output elasticity needs to be more than unity for increasing output from the given resources is consistent with his earlier proposition.

On the second point, viz, the choice of the Cobb-Douglas production function, Dandekar raises three objections. Firstly, he says 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 co-efficient." [1] But I did not suggest that we should expect each single co-efficient to be more than unity if surplus cattle exists. My formulation, as quoted by Dandekar himself, says that "one should expect the elasticity of output response for an animal with respect to feed and other inputs to be more than unity." [2] Thus I am looking for the sum of elasticities and not the individual elasticities. This is evident from my conclusion that "in Andhra the actual number seems to have been close to the desired or optimal number" [2] because the sum of elasticities is not significantly different from unity, even though the individual elasticities are less than unity. The reason why I am looking for the sum of elasticities is that apart from fodder and feed, labour is an important input for cattle. As indicated in my article (Table 1[2]) small farmers who have limited feed resources seem to be using more labour for the maintenance of cattle when compared to



large farmers whose feed resources per animal could be higher and who have to hire labour. Since labour input cannot be considered costless especially for the large farmers, it would only be proper for an empirical test such as this to take account of feed as well as labour inputs when the sample observations include small as well as large farms.

Dandekar's second objection seems to be that since production functions presented by me are per animal "the sum of the elasticities in the Cobb-Douglas production function would not be close to unity", so that the scale co-efficient will not provide an efficient test. This can be dealt with along with his third objection to the use of the Cobb-Douglas production function, viz, "it assumes the elasticities to be constant". It is true that when sample observations or experimental data are clustered around the different ranges of production elasticity, the use of the Cobb-Douglas production function is not useful because, owing to its con-

stant elasticity property, it cannot yield the full story but only an average position. However, the scatter of observations we have used does not indicate varying ranges of elasticity. Besides, we are concerned here with a situation where it is contended that bulk of the cattle are under-fed at present and that, therefore, a smaller number of better-fed animals will contribute more output than at present. If this is true, one should expect bulk of the observations to lie around the range where the output elasticity is more than unity and there is no *a priori* reason why the Cobb-Douglas production function cannot reflect this situation and yield the sum of elasticities which is more than unity, even though the elasticity has to be constant within this range.

The above is meant only to suggest that the Cobb-Douglas production function cannot be dismissed entirely for dealing with the issue under discussion. However, there is no sanctity about this particular type of the function and I am one with Dandekar on

the need to experiment with other and more appropriate types of functions. This would require better data and much larger number of observations than I was able to use. In fact, I had suggested at the end of my article that "more intensive investigations and with better data for different regions of the country are needed before firm conclusions can be drawn." [2]

Dandekar strikes the following pessimistic note so far as empirical work is concerned: "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." [1] However, despite these difficulties Dandekar feels that "... we know enough about the nature of the relevant production functions and the state of the 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".

But is this *a priori* knowledge on the nature of the production functions sufficient to warrant policy prescriptions on a vital question like this? I had suggested that the question under discussion "can be settled only by investigating the nature of the production functions underlying the Indian cattle economy". [2] Dandekar makes a similar suggestion: "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." [1] Thus what we need to know for this purpose is the evidence as to the points or the ranges on the production function at which Indian cattle are actually maintained. No policy prescriptions regarding the size of the cattle would seem permissible in the absence of such evidence.

Appendix

[The author is indebted to T N Srinivasan for this note]

Assume that cows are divisible. Let $f(x)$ be the output per cow when it is fed x . Let the total number of cows held by the peasant be $\bar{N}$ and total feed held by him be $\bar{X}$. Assume further

that the farmer cannot buy or sell feed nor can he buy cows. However, he can reduce the head to any size he likes costlessly. Then the two decision variables of the farmer are: N the size of the herd and x , the amount of feed to be given to the i th cow. Assuming that all cows are alike, it is clear that the same amount of feed will be given to each cow. Hence the decision variables reduce to N and x , the feed per cow. The constraints are $0 \leq N \leq \bar{N}$ and $0 \leq Nx \leq \bar{X}$. Let $f(x)$ be the output of a cow when it is fed x . The farmer wishes to maximise $Nf(x)$, i.e., the total output of his herd, subject to $0 \leq N \leq \bar{N}$ and $0 \leq Nx \leq \bar{X}$. In conformity with the received tradition let us assume that: $f(0)=0$, $f'(x) > 0$ for $0 < x < x^*$ and $f'(x^*)=0$. Let $f''(x) < 0$ for $0 < x < x^*$ and $f''(x) < 0$ for $x^* < x \leq \bar{X}$. Let $f''(x^*)=0$. Thus the relevant range of feed is $[0, x^*]$. Output per cow is maximised at x^* . Marginal product of feed is maximised at x^* . There is another value $\bar{x}$, where average product per unit of feed,

i.e., $\frac{f(x)}{x}$ is maximised. It is clear that

$$\text{at } \bar{x}, \frac{d}{dx} \left[\frac{f(x)}{x} \right] = 0, \text{ i.e.,}$$

$$\frac{\bar{x}f'(\bar{x}) - f(\bar{x})}{\bar{x}^2} = 0 \text{ or } \frac{\bar{x}f'(\bar{x})}{f(\bar{x})} = 1, \text{ i.e.,}$$

elasticity of output per cow with respect to feed is unity and $\frac{d^2}{dx^2} \left[\frac{f(x)}{x} \right] < 0$, i.e.,

$$\frac{f'(\bar{x})}{\bar{x}} < 0. \text{ This second order condition}$$

implies $\bar{x} > x^*$. The first order condition implies $f'(\bar{x}) > 0$ and hence

$\bar{x} < x^*$. Thus $x^* < \bar{x} < x^*$. Assume that $f(x)$ has a unique maximum at $\bar{x}$.

Let us turn now to the farmer's maximisation problem. It is obvious that it will never pay the farmer to feed each animal anything less than $\bar{x}$. To prove this, suppose the farmer has chosen the herd size $N (\leq \bar{N})$ and a feed level $X = \bar{X} < \bar{x}$. Consider the alternative

decision, $N' < N \leq \bar{N}$ and $\bar{x}$ where $N'\bar{x} = \bar{X}$. Now $\frac{f(\bar{x})}{\bar{x}} > \frac{f(x)}{x}$, i.e.,

$$\frac{f(\bar{x})}{\bar{x}} > \frac{f(x)}{x} \text{ i.e., } N'f(\bar{x}) >$$

$Nf(x)$, i.e., farmer gets a larger output by reducing the size of the herd to N' and increasing the feed to $\bar{x}$. Can it happen that the farmer feeds more than $\bar{x}$ to his herd? This can happen if he has enough feed $\bar{X}$ so that even distributing it over his entire herd, he gets an average feed $\frac{\bar{X}}{\bar{N}} > \bar{x}$. Of course the farmer will never choose to feed more than x^* per cow. Hence we can describe the farmer's decision as follows:

$$A: \frac{\bar{X}}{\bar{N}} < \bar{x}; \text{ decision } x = \bar{x};$$

$$N = \frac{\bar{X}}{\bar{x}} < \bar{N}.$$

Hence available feed is fully utilised and optimal herd size is below the available number $\bar{N}$. Output Q in this case is $\frac{\bar{X}}{\bar{x}} f(\bar{x})$

$$B: \frac{\bar{X}}{\bar{N}} = \bar{x}; \text{ decision } x = \bar{x} \text{ and}$$

$$N = \bar{N}; Q = \bar{N} f(\bar{x}) = \frac{\bar{X}}{\bar{x}} f(\bar{x})$$

$$C: x^* \geq \frac{\bar{X}}{\bar{N}} > \bar{x}; \text{ decision } x = \frac{\bar{X}}{\bar{N}}$$

$$\text{and } N = \bar{N}; Q = \bar{N} f \left[\frac{\bar{X}}{\bar{N}} \right]$$

$$D: \frac{\bar{X}}{\bar{N}} > x^*; \text{ decision } x = x^* \text{ and}$$

$$N = \bar{N}; Q = \bar{N} f(x^*)$$

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- [2] C H Hanumantha Rao, "India's 'Surplus' Cattle: Some Empirical Results", *Economic and Political Weekly*, December 27, 1969.
- [3] K N Raj, "Investment in Livestock in Agrarian Economics: An Analysis of Some Issues Concerning 'Sacred Cows' and 'Surplus Cattle'", Delhi School of Economics, 1969.
- [4] V M Dandekar, "India's Sacred Cattle and Cultural Ecology", *Economic and Political Weekly*, September 27, 1969.
- [5] Earl O Heady, "Economics of Agricultural Production and Resource Use", Prentice-Hall, 1952: See especially pages 77, 78, 116, 118, 127 and 128.

The Indian Iron and Steel Co Ltd

Statement of the Chairman, Sir Biren Mookerjee

THE following statement by Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company Ltd, dealing with the Company's working for the year ended 31st March 1970 has been issued to shareholders. The Annual General Meeting of the Company was held on Tuesday the 29th September, 1970, at 3 pm at the Registered Office of the Company, 12, Mission Row, Calcutta 1.

LADIES AND GENTLEMEN,

The year that ended in March this year has been the worst for your Company since it commenced operating as an integrated steel producer.

Some of you may elect to contest this statement on the grounds that the available profits relative to the Company's installed capacity have been lower in the year 1967-68. It should not be forgotten, however, that in a controlled economy, and especially in a controlled industry within that controlled economy, available profits are not always a reliable criterion for measuring successful operation. There are many factors which contribute to available profits, the most important of which are obviously output and prices. Unfortunately, during the last few years your Company's management have had little or no control over these two primary elements which eventually determine the level of profits. Within the confines of the prevailing economic system applicable to the steel industry, output is a more correct index for the purpose of comparison. On this basis the results of your Company last year have never been worse. Statistics in regard to output have been included in your Directors' Report and therefore I do not wish to repeat them here.

LABOUR THE SOLE ARBITER

As regards output, labour have become the sole arbiters as to what production is to be achieved. Various officials of your Company make and are required to make periodical financial projections, variance analyses, cash flow statements and sales budgets for the purpose of efficient management and to enable the management to take correct management decisions as occasions arise. In recent years I have often felt that all the energy and expertise which they devote on their studies are entirely a waste of time and effort. It is utterly

useless to ask a Plant Manager what he proposes to make, what his plant is capable of producing and when he proposes to do so; it is, similarly futile to ask Marketing Managers how much they expect to sell and when. Since labour have taken upon themselves the onerous duties of basic management, namely, production and planning, it seems to me a simpler exercise merely to ask them what they intend to produce and when, and utilise their answers for the purpose of financial projections!

As regards prices which, after all, determine the margin a productive unit makes on its sales, the Government is continuing with its arbitrary policy of insufficient ad hoc price increases at indefinite intervals. These prices, regulated as they are by Government, have no empirical basis whatsoever. If any rationale can be attributed to this pricing policy, it can only be that of expediency. Shareholders will agree that for a basic industry, total uncertainty and instability cannot lead to consolidation and the attainment of desired targets. While the Government can be congratulated for its desire to curtail inflation and a general rise in prices, the results achieved so far have not been impressive. Not being a professional economist, it seems to me a simple thesis that if the price line must be held, it must be held at all levels.

COST STRUCTURE OF STEEL INDUSTRY

I will take the specific case of the steel industry. While I am one with the Government in its desire to stabilise the selling price of steel within the country as a general means of controlling the prices of multifarious products which are made out of steel or in which the price of steel plays an indirect part, I cannot understand why the various elements of cost which go into the making of steel itself are not similarly controlled by Government.

The important and substantial elements of cost in the making of steel are, coal which is converted into coke, iron ore and limestone all of which are raw materials, and labour and railway freight which are not. The cost of the basic raw materials continue to rise from year to year and the steel producer has no control over the price at

which he must buy. A thorough scrutiny of the reasons for such increase in the price of raw materials reveals that it is due to the increase in labour costs imposed on the suppliers of the raw materials. I have not made a close study of the Railway Budget or the reasons for the rise in operating costs of the Railways which induce annual increases in freight charges — again to be borne by the steel producer. But it is fairly obvious that there are two important elements which go into the cost of operating the Railways and these are fuel costs and labour costs, but not necessarily in that order. I am sure the Railway administration is faced with the same problems of cost faced by the steel industry, but fortunately for them they are able to secure annual and adequate price increases to enable them to continue to operate. The steel industry, despite the fact that it is largely Government-owned, (or because of the fact that it is not wholly Government-owned) is not so fortunate. I have heard the argument that the Railways, which is the largest Public Sector Undertaking, is required to contribute to the General Revenues of the State; by the same token the immense investment of public funds in the steel industry should also be permitted to earn surpluses for the national coffers.

It is therefore clear that the rising cost of labour has a snow-balling effect on the cost of steel. In the case of your Company, (and discounting the incidence of labour cost in the purchase price of goods and services which your Company buys for the purpose of production) salaries, wages and other employee benefits have, during the year under review, emerged as the largest single element in costs, higher even than the cost of raw materials!

It is obvious that if a Prices and Incomes Policy is to be evolved and adhered to in the national interest, prices alone cannot be controlled while wages are allowed the luxury of constant expansion without a corresponding increase in productivity. But, for that section of the community whose income consists of salaries or dividends, there is already in existence an effective Incomes Policy through penal rates of tax which result in a ceiling on income.

LABOUR BENEFITS

The Government has instituted a Wage Negotiating Committee for the Steel Industry in order to determine the wages and other benefits payable to employees in that industry. Many of you will recall the table which was incorporated in my Statement to you of last year in which the average emoluments of workers in your Company in different categories were listed. After the publication of the Statement, I received numerous communications, including some humorous ones from shareholders expressing a fervent desire to be employed as unskilled workmen in your Company in view of prospective emoluments! It is in this context of the prevailing emoluments paid to your labour that I must inform you that I have been told that the industry will be saddled with an additional burden of about Rs 20 crores per annum in respect of labour benefits which are now being negotiated. This in effect means an average increase of Rs 1,000 for each of the 200,000 workers in the industry. With such an example before them, will not the workers in other industries, including those which feed the steel industry, make similar demands on their employers? I would request you to ponder over not only the dimensions of the problem now faced by all the units in the steel industry but also the dimensions of this additional financial burden to which I have just referred. Your Directors in their Report have touched on this aspect in the following terms:—

"A five-year embargo on price increases while costs continue to rise daily, can mean that all the Main Producers, both in the Private and Public Sectors, may soon be operating at a loss."

Unless wages bear a direct relationship to output and productivity, no realistic Prices and Incomes Policy can be made to operate and therefore inflation will continue to mount.

BALANCING OF PLANT PROJECT

In 1966 your Company obtained a Loan from the World Bank to meet the foreign exchange element of its Balancing of Plant Project which had earlier received the approval of the Government of India. At that time, the total cost of the Project was estimated at about Rs 2114 lakhs consisting of foreign exchange amounting to Rs 739 lakhs and the balance of Rs 1375 lakhs of rupee expenditure to be financed out of the Company's own generation of resources. The last estimate prepar-

ed for this Project revealed a total cost of Rs 2776 lakhs consisting of a foreign exchange element of Rs 1007 lakhs and a rupee expenditure portion of Rs 1769 lakhs. Of course, the devaluation of the Indian rupee intervened during this period and to a great extent accounted for the increase in the estimated project cost. Your Directors, in their Report, have mentioned the reasons which have led to the World Bank suspending further withdrawals against this Loan which virtually means that all progress on the Project has come to a standstill as it would be infructuous to continue with rupee expenditure when the foreign exchange required to complete the Project is no longer available. I do not wish to elaborate on the reasons why the World Bank suspended its Loan and why the Project has therefore been aborted, because your Directors have already given you some particulars in this regard. But I must advise you, that since then, I have received a communication from the World Bank in which they have requested the Company to ask for a cancellation of the Loan as the World Bank would prefer not to cancel the Loan on their own, although they are entitled to do so. I cannot prognosticate with absolute certainty what action your Board will take on the World Bank's request; however, it seems to me to be a case of Hobson's choice.

Whatever might be the ultimate fate of the Loan and of your Company's expansion Project, I would like to take this opportunity of once again spelling out the consequences for the benefit of shareholders.

Steel, as shareholders are aware, is a capital-intensive industry. On present-day estimates, the cost of plants necessary to produce 1 tonne of steel per annum varies from Rs 2,500 to Rs 3,500 depending on the processes employed. It is for this reason, and the inability to raise adequate resources, that the steel industry in the Private Sector finds it almost impossible to expand its capacity. However, in the case of your Company, even on the basis of the latest estimates, the cost of expansion works out to only Rs 925 per tonne. The colossal saving in much needed national resources which would have obtained if the scheme had materialised will be obvious from the figures mentioned above. In addition, an annual recurring saving of about Rs 24 crores in foreign exchange would have accrued to the nation through a reduction in imports of steel. I will do no more than to let these figures speak for themselves.

There is however a faint ray of light glimmering through the gloom. I do not know whether it can be called a ray of hope or a will-o'-the-wisp. The World Bank have indicated that after the cancellation of the present Loan they are prepared to re-appraise the Project on the basis of current data and technological innovations and if it proves viable, negotiate a fresh Loan.

COLLIERIES DEVELOPMENT PROJECT

For the reasons I have just stated, this Project was vital not only for the nation's economy but particularly for your Company's future operation. A considerable part of the vast expenditure already incurred and to be incurred on your Collieries Development Project will become superfluous because the steel-making capacity necessary to optimise the benefits which will arise out of your Collieries Development Project will not be created. While on the subject of the Collieries Development Project I must say that after many initial impediments this Project is now proceeding very satisfactorily.

Shareholders will have noticed in the Press various statements regarding the conversion into equity shares of Loans granted by Government or Government Lending Agencies. The two Steel Companies in the Private Sector have also been recipients of such Loans from Government. Arising out of the Company's request for a re-scheduling of Government Loans in 1968, the Government has recently advised us that it is prepared to convert the balance outstanding into equity shares. Your Directors carefully considered the matter and feeling that it would not be in the best interests of shareholders to accept such a proposal, have informed the Government accordingly.

JOINT SECTOR VENTURE

I have mentioned earlier that many industries, and the steel industry in particular, are unable out of their own resources to raise sufficient funds for expansion due to the capital-intensive nature of the industry. In such circumstances and others, Government's intention to launch a Joint Sector is welcome. My only reservations in this regard are that both the participants in any Joint Sector venture should be fully aware of their mutual rights before the venture is undertaken, and that neither party should be permitted the privilege of being a fair-weather friend at moments of convenience.

15th September, 1970

India Steamship Company Limited

Address of the Chairman, Sir A Ramaswami Mudaliar

The following is the Address of Sir A Ramaswami Mudaliar, KCSI, DCL (Oxon), Chairman, India Steamship Company Limited, delivered at the Annual General Meeting of the Shareholders of the Company held on September 28, 1970:

Deutsche Mark has imposed a financial burden on the Company by way of increase in the cost of the ships, orders for which, as you are already aware, have been placed with a German Shipyard.

PORT LABOUR STRIKES

GENTLEMEN,

The Audited Accounts and the Directors' Report for the year ending 31st March, 1970, has been in your hand for sometime and with your permission I shall take them as read.

As the Directors' Report states, the freight earned during the year was Rs 12,63,44,486/- as against Rs 13,28,74,992/- in the previous year.

During the year 35.5 voyages were completed in the Liner service and 8 voyages in the Coastal services as against 33.5 in the Liner service and 2 voyages in the Coastal service during the preceding year.

After providing Rs 96,75,713/- for depreciation and meeting all other normal charges there remains a sum of Rs 81,89,490/-. As stated in the Directors' Report, a sum of Rs 34,00,000/- has been provided for Development Rebate Reserve. The balance of Rs 47,89,490/- has been transferred to General Reserve. The Directors recommended that out of the General Reserve a sum of Rs 26,37,500/- be distributed to the Shareholders as dividends — Rs 1,62,500/- to the Preference Shareholders being at 5 per cent grossed up and Rs 24,75,000/- to the Ordinary Shareholders being at 10 per cent subject to tax.

DIFFICULT YEAR

The year under review was a particularly difficult one, causing anxiety to various industries and particularly to shipping which compared to other industries is more sensitive to international conditions.

It was a period of unending trouble, strife and setbacks all of which have contributed to a serious recession in world trade. Unsettled condition in the political sphere has had its repercussions on economic field, with the resultant severe imbalance in trade between countries including highly developed countries. This has brought about refixation of the parity values of some of the currencies. The French Franc was devalued. The revaluation of

Deutsche Mark has imposed a financial burden on the Company by way of increase in the cost of the ships, orders for which, as you are already aware, have been placed with a German Shipyard.

There have also been numerous port labour strikes throughout the world, affecting the trading results of the Shipping Companies. Coming to the conditions in our own country, the picture presented is a dismal one particularly for shipping. There was a strike at the port of Madras this year followed by strikes in Bombay, Cochin and Calcutta ports. The consequences of these strikes are staggering. Not only does the action of a few misguided individuals affect the labour force in all industries but it also entails irreparable loss on the economic growth of the country owing to its severe adverse effect on the export and import trade.

TENSE ATMOSPHERE IN WEST BENGAL

A tense atmosphere prevails throughout the State of West Bengal and its inevitable impact on the labour condition and law and order situation is considerable. The near state of lawlessness prevailing in the country led to loss of production, loss of revenue for Government, lack of funds for developmental work in the State, retardation of expansion affecting stability of employment position and creating progressive unemployment. Such a situation in its turn must affect the economy of the entire country, in view of the prominent place that West Bengal still occupies in the economic activities of the country. It is a matter of great pity that this State which held such a high position in the country for its cultural and economic progress and attracted businessmen, professionals and intellectuals to the State for the economic prosperity of the region and well-being of the population has been brought to such anarchic condition.

I have been harping year after year on the delays suffered by the ships at the various ports. I am once again constrained to say that there has been no improvement and the berthing delays at the major ports have become a chronic problem. Last year, the situation was more acute. The congestion

in some ports has been very severe due to increase in traffic and failure in effecting requisite improvements in major ports. This inevitably had brought about additions to transport and handling costs which are reflected in increased freight rates and higher charter rates; these factors constitute a burden on Indian economy.

Apart from the increase in cost due to labour trouble, port delays and such other allied reasons, collective settlements have been recently concluded with the Unions representing different categories of employees, providing retrospective improvement in the wages and conditions of service. These financial burdens naturally constitute one of the main factors in freight rate structure.

While, on the one hand, the Shipping Companies find themselves burdened with progressive increases in the cost of operation without the normal freedom to cover them by increasing the freight rates, on the other hand, the additional handicap of an unhappy past and uncertain future has made the industry very much vulnerable with all its inevitable consequences.

FREIGHT RATE INCREASE

Recently there has been an increase in the freight rates both in the east-bound and westbound trades from India/UK Continent and this has given rise to some controversy. But it can be reasonably expected that other industries should be appreciative of the overall position and should fully realise the problems of Shipping Companies which form an integral part of the industrial and economic structure of the country. As I have indicated above, it is the Shipowners costs which are directly reflected in the freight rates.

It is not possible for the Conferences to promise that there will be no general increase in the level of freight rates. However, they take sympathetic view about the specific needs of the trade and have given concessions on a number of items for promoting exports. It should not be forgotten that shipping lines have their items of costs which are extremely rigid and some of them are statutorily enforced.

Sometime back, I mentioned to you that it would be the endeavour of your Directors to replace some of the ageing ships. I feel pleasure in stating that this programme has begun to take a

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concrete shape. Last year, I referred to the placing of order for two new ships in West Germany and also to the acquisition of a second-hand ship. I am happy to state that the said second-hand ship has been purchased. It is in excellent condition and is suitably equipped for the trades in which the Company is participating. The question of the acquisition of further vessels is under the active consideration of your Directors.

THANKS

The Secretary of the Ministry of Transport, the Joint Secretary and Di-

rector-General of Shipping and his Assistants with whom we have been closely in touch have helped us greatly by their advice and valuable guidance. We are specially thankful to the SDFC for the co-operation and assistance we received from them.

We are thankful to the staff both afloat and ashore for the care with which they have looked after the affairs of the Company during the year; to them I should like to express our thanks. I would like to thank all the Officers and the Staff of the Company in India and overseas for their interest

in the progress of the Company and for their diligence in carrying out their duties. I should like specially to thank the staff in our office in Calcutta whose devotion to duty under the most difficult conditions has been highly commendable. Our thanks are also due to our Agents both in India and abroad for the care with which they have attended to our ships' requirements both in respect of freight and in other directions. Thanks are also due to the shippers both in India and overseas who have extended their continued and firm support to us.

The Mysore Paper Mills Ltd, Bangalore 2

Speech of the Chairman and Managing Director, Sri I P Mallappa, IAS

THE following is the Speech delivered by Sri I P Mallappa, IAS, Chairman and Managing Director, The Mysore Paper Mills Limited, at the Thirty-fifth Annual General Meeting of the Company held at Bangalore on Monday, September 28, 1970:

LADIES AND GENTLEMEN,

I deem it a privilege to be in your midst today and to welcome you, as Chairman and Managing Director, to this the 35th Annual General Meeting of this Company. As some of you may know, I assumed this office just about 2½ months ago, and am still in the process of gathering the reins. It is indeed hard to succeed such officers as Shri M D Shivananjappa and Shri H G V Reddy, who have presided in succession, over the affairs of this Company before me. I may, however, claim with impunity to have a certain amount of experience in Industrial Management, and hope that, with this experience and with the advice and guidance of my esteemed colleagues on the Board of Directors, and with your understanding and co-operation, I will be able to maintain, if not improve, the tempo of development of this Company, and to raise its image in public esteem.

Let me take this opportunity of expressing, on behalf of you all, and on my own behalf, our deep sense of gratitude to Sri H G V Reddy, my predecessor in office, for the able manner in which he has conducted the affairs of the Company for about fifteen months preceding my taking over.

The report of the Directors and the Audited Balance Sheet for the year ended 31.3.1970 have already been in your hands for sometime now, and I propose, if you have no objection, to take them as read, and to confine myself to a few broad remarks.

PROMISING POSITION

As you might have noticed even from a cursory glance, the Balance Sheet and Profit and Loss Account of the Company reveal a progressive and promising position. The total production during the year has increased by more than 10 per cent over the previous year's, being 23,590 tonnes as against 21,284 last year. This increased production has naturally resulted in an increased turnover by an even larger percentage i.e., by about 15 per cent, the actual figures being Rs 452.18 lakhs as against Rs 390.98 lakhs. Thanks to the handsome profit earned, we have been able to clear the arrears of depreciation for the years 1967-68 and 1968-69 amounting to Rs 74.67 lakhs, and to provide for a substantial portion of that for 1969-70, leaving just about Rs 14.00 lakhs to be provided in the current year's accounts.

DIVIDEND

I am grateful to you, Ladies and Gentlemen, for having borne with us for the last three years without dividends. I quite understand that some of you might have expected that with the increased turnover and profits during 1969-70 the Company might, have

been able to declare some dividend. But, as you all know, no dividends can be declared so long as depreciation is not fully provided for, and now that we have practically cleared all arrears of depreciation, we are confident that the Company will be in a position to declare dividends from this year onwards. In point of fact, the current year's operations have so far been quite satisfactory, and I am sure that the working results of the remaining period also will be equally successful, and that the present rate of profitability will be maintained.

LOANS REPAYED ON SCHEDULE

Reverting to the financial results for 1969-70, the figures furnished in the Balance Sheet and Profit and Loss Account give further evidence of our anxiety to present a clean picture and to bring down our commitments. You will kindly notice that we have paid instalments towards all secured loans strictly in accordance with the agreed repayment schedules. Out of the total borrowings of Rs 336 lakhs we have so far repaid Rs 124 lakhs (including Rs 38 lakhs during 1969-70 and Rs 16 lakhs subsequent to 1.4.70) and the balance remaining is Rs 212 lakhs. With the payment of two more instalments falling due in November 70, and May 1971, the first loan of Rs 104 lakhs from the Industrial Credit and Investment Corporation of India, will have been fully cleared. There have been substantial reductions in current liabilities also.

Against the limit of Rs 80 lakhs in

the Cash Credit Account with the State Bank of Mysore, the actual amount availed of as on 31.3.1970 was Rs 19.66 lakhs as compared to Rs 60.36 lakhs at the end of the previous year. It is Rs 5 lakhs as on this day. The Cash Credit Account with the Canara Banking Corporation, Bhadravati, which stood at Rs 27.24 lakhs at the end of the previous year has been completely liquidated during the year under review. These large reductions have naturally brought down the incidence of interest charges.

While our liabilities and interest charges are thus being reduced, steps have been taken at the same time to improve the Factory's operational efficiency and effect economies. Though the production has increased by about 10.9 per cent, the operational expenses have been kept at a minimum. There has been practically no increase in consumption of stores and spares, despite the increased production. The only noticeable increase in expenditure was on Power and Fuel which have cost us about Rs 9.00 lakhs more than in the previous year. This was partly due to increase in production and partly due to the fact that the price of coal and the tax on electric power were enhanced during the year and, despite all economies, the increased expenditure became inevitable.

RELATIONS CORDIAL

I am happy to say, that our relations with our employees continue to be cordial. The agreement entered into with the Labourers' Association expired on the 8th August 1969, and the Association has put forward some fresh demands. These are receiving consideration, and I am sure that with the mutual understanding that has all along existed between the Labourers' Association and the Management, we will be able to evolve a formula which will be acceptable to both, and will at the same time be conducive to the further development and stability of the Industry. We have provided for, and paid, the Bonus of 4 per cent admissible to the employees for the year 1969-70. In addition to this the Management has also sanctioned an ex-gratia payment equivalent to seven days basic wage to each of the employees, as a gesture of appreciation of the increased production achieved.

Paper, as you all know, plays a vital role in all developed and developing countries, and the demand for this essential commodity has been rapidly increasing in our own country, in which the production has not been catching

up with the demand. It is of utmost importance, in such a situation, that great care should be taken to ensure the most equitable distribution of the available stocks. Steps are no doubt being taken to ensure this. It is inevitable, however, that when the supply of any commodity falls short of the demand for it, — particularly of a commodity like paper, which is so widely used, — there should be some complaints about its distribution. The only remedy for this is increased production. I am happy to say that the Government of India are alive to this problem, and have recently set up a Paper Corporation in the public sector to tackle it. As I have said earlier, we too have been taking every step to meet the country's needs by increasing our production with the existing plant to the utmost extent possible, as the figures for the past few years will testify. But there is, of course, a limit to the extent to which production can be intensified with the existing plant, and I feel we have nearly reached this limit. The Management has, therefore, been thinking of formulating schemes for further expansion. The trend of thinking today is that the most economic units for production of paper are those of a capacity of 150 to 200 tonnes per day, and most of the new plants that are being set up in the country are of this capacity. In formulating our expansion programme, this fact will be given due consideration.

RAW MATERIAL

Another important factor to be considered seriously is the supply position of the required raw materials. Our factory has so far been dependent largely on bamboo. But the sources of supply of this material have gradually been receding farther and farther from the Factory site, involving increasing transport expenses. Ultimately, perhaps, as forest areas get progressively reduced, and as other demands arise for bamboo and soft woods from industries like Rayon, Artificial fibres, etc, we would have to explore the possibilities of alternative sources of raw material. This matter has also to be seriously considered before any expansion programme can be formulated.

THANKS

Meanwhile, Ladies and Gentlemen, let us all feel happy that the Company has done fairly well during the year 1969-70. We are grateful to all those who have co-operated with and assisted us in our operations, particularly to the Government of India and the Gov-

ernment of Mysore who have not only evinced abiding interest in our progress, but have also assisted us in various ways. In point of fact, the Forest Department of the Government of Mysore is the supplier of our main raw material, on which indeed depends our very existence. I take this opportunity therefore, of giving expression to our deep sense of gratitude to these two Governments and to the officers of the Forest Department.

We are thankful also to the various credit Agencies and the Bankers who have advanced credit to us and have enabled us to carry on and expand our operations.

The good results that have been achieved are largely due to the devotion and industry of the Company's officers and workers at every level. I take this opportunity of recording our appreciation of the very good work done by them during the year.

My association with the Directors of this Company has been of a relatively short duration. But I have fortunately had opportunities of knowing many of them even before I became its Chairman and Managing Director, and I know that the Company's prosperity is largely due to their wide experience and wise counsel. On behalf of you all and on my own behalf, I take this opportunity of expressing my profound sense of gratitude to them for the valuable assistance they have given to my predecessors and myself in guiding the affairs of the Company.

With these words, Ladies and Gentlemen, I have great pleasure, in moving, for your approval and adoption, the Directors' report and Balance Sheet and Profit and Loss Account of this Company for the year ended 31st March 1970.

Note: This does not purport to be a report of the proceedings of the Shareholders' meeting, a copy of which shall be sent to the Shareholders separately.

Pilsner Breweries

PILSNER Breweries India commenced production towards the end of April last and bottled the first brew about a month later. The product has met with a 'fair' response in the market and the directors expect 'satisfactory' sales this year. Accounting year has been changed, and accounts for the nine months ended March last show a deficit of about Rs two lakhs.

Dempo Steamships Limited

Statement of the Chairman, Shri Vasant Rao S Dempo

THE following is the Chairman's Statement to the Members delivered by Shri Vasant Rao S Dempo, Chairman, at the Annual General Meeting held on September 26, 1970:

LADIES AND GENTLEMEN,

I have great pleasure in welcoming you to this fifth Annual General Meeting of the Company. The audited accounts and Directors' Report for the year just ended have been in your hands for sometime now and with your permission I shall take them as read.

Since we met last, the Fourth Five-Year Plan involving an outlay of Rs 15,902 crores in the public sector and Rs 8,980 crores in the private sector has been finalised. It aims at achieving an annual average growth of five per cent in 1969-74, accompanied by price stability and social justice. The policies in support of these objectives are being initiated and appropriate institutions are being strengthened. The Green Revolution has been progressing; but industrial production has not picked up as anticipated by the Plan and consequently, tensions have worsened. The economy is, however, in an expectant mood as is to be noted from the strong tone of the stock market and I hope that the Government will take appropriate steps in order to ensure that the industrial growth does not falter and exports rise annually on an average by seven per cent as expected in the Plan.

Of direct interest to us in the provision in the Fourth Plan for stepping up the Indian tonnage by 1.15 million grt to 3.5 million grt with an outlay of Rs 135 crores. The Annual Plan for 1969-70 had hoped that orders for about 6.50 lakh tonnage would be placed; but hardly half the orders could be arranged. Our effort has met with difficulties on account of the world-wide boom in new ships, the rise in their prices and the harsh terms of payment. We must learn to live with this problem for the next few years and hope that our Government, aware as it is, of the magnitude of the difficulties, will take effective measures to ensure that the Plan target is achieved. Until the Indian Shipyards are expanded to deliver more and bigger ships, the Indian Shipping industry has got to place orders abroad. This is possible only if the Government releases liberal foreign exchange for making initial payment.

Incidentally, the problem of port

development has assumed a new dimension in the context of the rising cost of operation of ships and the desirability of arresting the pace of rise in freights. I am afraid that although the provision for central assistance being linked with the self-help of the Port Trusts is a laudable move, it might slow down the pace of port development. I am particularly worried about the inordinate delay in the execution of the programme for the modernisation of the Mormugao Port which holds the key to our export effort.

RESULTS

The shareholders will have seen from the Directors' Report and the statement of Accounts that during the year under review there has been progress in the development of business and that Gross freight and charter hire earnings amounted to Rs 3.06 crores as against Rs 1.98 crores during the previous year. This increase was mainly on account of addition of two ships, m.v. JAGAT MOHINI and m.v. JAGAT PADMINI which were taken delivery of on 26th February, 1969 and 15th March, 1969, respectively.

Freight rates from the beginning of the financial year, namely, April 1969 showed a downward tendency and generally were at unremunerative levels but in November/December there was a slight upward tendency and from January 1970 a fairly steep rise. It was, however, not possible to take advantage of this increase during the year under review, but the benefit is expected to be reflected in the current year's account.

Other factors, which affected the Company's earnings substantially, were the Bargemen's strike in Goa, from February 1969 till mid-July 1969 as a result of which ships had to be diverted to other ports at very short notice at even unremunerative freight rates, and an increase in operating expenses due to inflationary tendency all round the world. To give an instance, bunker prices during the year under review rose by 40 per cent in different parts of the world and during the current year have already gone up by further 40/50 per cent.

In December 1969, a three year wage agreement, effective from 1st January 1969, covering Merchant Navy Officers and Petty Officers was concluded with the Maritime Union of India, which has resulted in substan-

tial increase in wage bill. In spite of these factors the gross profit before depreciation and development rebate amounted to Rs 1.01 crores as against Rs 69.27 lakhs during the previous year. The percentage of net profits to the paid up capital increased from 30.19 per cent to 33.23 per cent, which is a gratifying achievement and reflects credit for the Company's Management. Your Directors have recommended a dividend of 10 per cent, same as last year, and as a Certificate from the Income Tax Officer exempting from Income Tax the whole of the proposed dividend has been received, no deduction of tax at source will be made.

DEVELOPMENT

Your company shares the nation's aspiration to build up its Mercantile Marine and I am glad to say that during the next month we are taking over one more second-hand ship m.v. OTTO SPRINGORUM to be re-named m.v. JAGAT SWAMINI of 16,486 DWT which is identical in all respects with the Company's present two ships m.v. JAGAT MOHINI and m.v. JAGAT PADMINI purchased last year. We have also in hand permission from the Government of India to purchase two large ships of about 60,000 DWT each. However, at present Ship Building yards are going through an unprecedented boom as large orders have been placed by leading maritime countries and many yards are full upto 1975. Prices of new ships have risen and shipyards in Europe and Japan are offering unduly long period of delivery. Shareholders will appreciate that for Indian Shipowners this rising trend in the prices of Ships and rise in interest rates makes it difficult to obtain reasonable foreign credit facilities including facility for down payment. As mentioned by me earlier, I would again say that if expansion programme of Indian Shipping Industry were to be pushed through speedily, Government must release free foreign exchange at least for the down payment and also allow higher rate of interest free of Indian Income Tax on deferred payments.

FUTURE PROSPECTS

Operations during the current financial year so far have been satisfactory and with the present increased level of International freight rates, and assuming no unforeseen events occur, it is

expected to produce better results. However, I would like to add that recently due to congestion in all ports all over the world, berths are not available immediately for discharging and a waiting of 3 to 7 days has become a regular feature. This waiting period affects the turn round of the ships and consequently their earnings. From 11th April, 1970 for a period of three years, we have taken from M/s Jayanti Shipping Company, their bulk carrier m.v. AKBAR JAYANTI of DWT 36,471 on a time charter. Earnings from this ship will be reflected in the current year's account.

With the approval of the shareholders accorded at the last Annual General Meeting and as per the terms approved by the Central Government, Shri Surendra V Dempo has been ap-

pointed as a whole time Director of the Company with effect from 1st January 1970 for a term of five years.

The Ministry of Shipping and Transport has requested the Company to appoint Shri S Rajagopalan as a second Nominee on the Board of Directors on behalf of the Shipping Development Fund Committee. Article 173A is therefore proposed to be suitably amended to provide for this appointment.

In conclusion, I would like to place on record our deep appreciation for the dynamic directions of Shri K Raghu Ramaiah, Minister of Parliamentary Affairs, Shipping and Transport and the Deputy Minister Shri Iqbal Singhji, for the healthy progressive growth of the Shipping Industry and now would request you to join me in conveying

our thanks and deep appreciation to all the Officers of the Ministry of Shipping and Transport, Port Authorities, Mercantile Marine Department, Shipping Development Fund Committee, other Government Departments and in particular to Transport Secretary, Shri S K Datta, ICS, Jt Secretary, Shri R Tirumalai and Shri R Doraiswamy, the present Director General of Shipping, for their valuable assistance and guidance. I would like to record our appreciation to our Agents and Brokers, both at home and abroad and also like to convey our best thanks to our staff on the shore and the seas for their co-operation in our efforts to build your company.

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

Hindustan Photo Films Manufacturing Company Limited, Ootacamund

Speech by the Chairman, Shri H C Kothari

THE following is the text of the speech delivered by the Chairman, Shri H C Kothari, at the Ninth Annual General Meeting of the Company held on 22nd September, 1970.

I welcome you to this Ninth Annual General Meeting of the Company. The Directors' Report and the Audited Statement of Accounts for the year ended 31st March 1970, have been with you for sometime now and with your permission I shall take them as read.

OUTPUT DOUBLED

We achieved during the year 1969-70 a total output of 2.25 million sq m, nearly double that of the previous year. Manufacture of new products like Roll films, 35 mm Negative Films and cine film sound commenced during the year. The commencement of manufacture of the last named product is a matter of special pride since in respect of this product, only the technological operation documentation was supplied by the collaborators and we had to start the production on our own. A number of technical problems confronted by us during this period came in the way of our attaining even better progress. All the same it is gratifying that in spite of these problems, we were able to build up our output considerably. These technical problems could to some extent be attributed to indigence procurement

of raw materials, especially of cellulose triacetate, as has been detailed in the Directors' Report. As a result of these problems it was not possible to maintain the targeted production. And this in turn resulted in a shortage of Black and White films as also X-ray films, a temporary set-back resulting in temporary inconvenience to the consumers in the country. The Company, therefore, requested the Government to allow the import of black and white films and X-ray films to tide over the temporary crisis.

Although the production of bromide paper was to have been taken up only during 1970-71 the programme was advanced to 1969-70. But, this being a process involving various technical problems, production could not be stepped up and therefore there has been a shortfall during the year. Steps have been taken to solve these problems and increased output of bromide paper has been planned. It is therefore expected that in the next year, total production will exceed that of the year under review. Here, I must also clear the general impression that it is the HPE, which is responsible for the shortage of bromide paper in the country. Actually, it is the private units which are already in production for several years now, with higher capacities than the HPE, which have to meet the demand,

whereas the targeted capacity of 1.5 million sq metres per annum set for the HPE, is yet to be reached and, only by 1971-72. Besides, the ban on the import of photographic paper was there even before production from our factory started reaching the market. Hence, it will be clear the HPE, cannot be held responsible for this shortage.

As anticipated, the year ended in a loss, of 2.04 crores which also includes, in addition to the sizeable provisions for depreciation and interest, a portion of the preliminary expenses and deferred revenue expenditure, written off from the books. A redeeming feature, however, is the fact that the loss as a percentage of sales is less in 1969-70 than in the previous year, which in itself is a healthy trend. The output during the year 1970-71 is expected to be of the order of 3.6 million sq metres and according to present calculations we should attain the break-even point in 1971-72.

LONG GESTATION PERIOD UNAVOIDABLE

Though during these years our total production was less than what we aspired for, it cannot be gainsaid that we have done well in terms of quality of the product and mastery over manufacturing techniques. It should be remembered that the results which are now before you are only that of the third

year since commencement of production. The nature of this industry is such that a long gestation period is unavoidable, and the build up of technology has of necessity to be slow. In our case, along with the build-up of technology we also had to face a number of problems quite a few of which were due to our advancing the dates of commencement of production of some products and the efforts in the direction of rapid import substitution of raw materials. However, it is good that these problems cropped up in these initial years since it has given our men training and confidence in tackling them instead of being confronted by them all of a sudden at a later stage. Further, since we started production, we have not undertaken a total shutdown of the Plant. This could not be done for certain adequate reasons. It has now been decided to have a regular shutdown, periodically, so that a complete overhauling and check up of the machinery and plant will be possible. But such a process will necessarily result in the loss of a week's production. Accordingly we recently had a total shutdown of the Plant.

OUTLOOK HOPEFUL

The outlook for the future is quite hopeful. This has already been evidenced by the fact that in spite of the various technical problems which retarded the operations, we were able to sustain production at higher levels. Our personnel instead of getting discouraged by these, have taken them as an opportunity to grasp thoroughly the technology. If today leading photographic manufacturers in the world have shown eagerness to collaborate with us in our expansion plans, it is, in no small measure due to the significant progress made by us in producing on our own materials conforming to international standards, thus proving that given the opportunity and training our technicians are second to none in the world in grasping the most sophisticated of technologies.

Our turnover is steadily on the increase. During the year under review it was Rs 3.72 crores against Rs 2.29 crores in the previous year. During the next year (1970-71) it is expected to be more than Rs 6 crores. Your Board are already giving thought to the question of strengthening the Marketing Wing to handle this growing volume of business. They are also constantly conscious of the need to make the system of distribution of our products more broad-based.

On the export front, we continue to

get a steady stream of orders and the prospects for the future seem to be quite bright.

You might be anxious to hear about the progress made in regard to the scheme for production of colour film. The results of the negotiations we had and the offers received from the various prospective collaborators are now before Government and Government's sanction to our proposals is eagerly awaited and will enable us commission a feasibility study.

MODERNISATION

The time has also come for us to think in terms of modernising the existing plant to ensure that our manufacturing operations are smooth, the efficiency of production is increased further, and the output increased to sustain the ever growing demand. Technology of photographic manufacture is continuously making rapid strides the world over and the gap between our present techniques and those prevalent abroad is getting wider every day. At this point of time when we are keenly pursuing the possibility of entering into collaboration arrangements for expansion, we should also seek to have a long enduring arrangement whereby we get continuously updated in technology in the production of all materials. This is essential for the survival and prosperity of this highly specialised industry. Your Board therefore feel that along with the implementation of the Project to manufacture colour films we should also strive to effect modernisation of the present equipment and processes with a view to attain higher levels of efficiency even in the existing range of products. The expansion schemes are therefore being drawn up in such a way as to include modernisation of the present equipment also. With programmes for expansion and modernisation, it will be well advised to take advantage of the latest available knowledge in technological development. To this end, we must also have collaboration arrangements on continuous and permanent basis. This will then enable us to have access to information on developments taking place abroad. On the other hand, your Directors do not favourably view any suggestion to obtain technical help on a limited basis but are on the look out for collaboration both on permanent and partnership basis.

NPC STUDY

A major task completed during the year was the National Productivity Council's study on the factory's Man-

power requirements, Job Evaluation and Wage Survey. It must be remembered that since ours is a specialised type of industry, the like of which is not in existence anywhere in the country, the task of laying down proper standards for our manpower requirements and evolving a rational wage structure is not an easy one; that a study of this nature has been completed is, by no means, a small achievement. We now have a scientifically prepared document which gives us an idea of the type and number of men we need to run this plant with optimum efficiency and also to evolve a rational Wage Structure and these, I am sure, will prove to be very valuable to us in our future operations.

Government have taken certain decisions conferring greater autonomy on the Boards of Public Enterprises with a view to making them have effective control on the operations of the companies under their charge. In line with the Government's thinking in this regard, a number of amendments to the Articles of Association of your Company have been brought up. I am sure the greater powers now reposed in the Board will result in greater efficiency in the management of our affairs.

In conclusion, I thank all my colleagues on the Board for their valuable advice and guidance. My thanks are also due to the employees at all levels for the progress made so far and for their hard and sincere work.

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

Canara Workshops

CANARA Workshops' turnover shrank from Rs 99 lakhs to Rs 82 lakhs in the year to March last, because of a slow-down of production for nearly three months followed by a 45-day strike. With improvement in margins, however, gross profit looked up by about a lakh at Rs 19 lakhs. Net profit was Rs six lakhs (Rs five lakhs) to cover the 8 per cent equity distribution 1.2 times and to give a net return of 4.6 per cent on the total capital employed in business. All the divisions of the company are showing improved performance. The alloy steel division produces quality spring steel and meets the entire requirements of the spring division. A sand plant is to be set up in the hubs and brakedrum division and will improve production to meet the rising demand.

farmers at our factory premises and the Farmers' Information Centres-cum-Depots. These include helping the farmers by providing free of cost services, like soil testing, and advisory services on proper application of different kinds of fertilizers and pesticides and insecticides for various crops and climatic conditions, water management, irrigation, farm mechanisation, and farm management. Again, in addition to holding some stocks of fertilizers at these centres for meeting the immediate requirements of farmers, we have, as a service to farmers, recently started distribution of pesticides and insecticides at fifty of our centres, and we intend to extend this facility to the remaining centres during the current year. Judging from the large number of farmers who visit our Farmers' Information Centres-cum-Depots and seek advice and assistance on fertilizer use and other agricultural inputs from our technical staff it seems that these centres are valued by farmers. We, therefore, propose to make these centres increasingly useful, as we gain experience and receive suggestions from farmers.

RESEARCH AND DEVELOPMENT SECTION

In order to be as helpful as possible to farmers, and to assist in the vital process of agricultural development of Gujarat and of the country, we have from the very beginning laid special

emphasis on research and extension work, which has a direct impact on our marketing operations. We have established a Research and Development Section, to enable us to undertake services and studies on balanced use of agricultural inputs and optimum cropping pattern. I am happy to state that our Company has been actively associated with the Government of Gujarat in the processes of planning, organising and co-ordinating the activities involved in regard to several projects, whereby the farmers would be afforded various facilities like irrigation, necessary agricultural inputs, and farm mechanisation. At the request of the Government of Gujarat, we studied in great detail as to how the maximum utilisation can be made of the water available from Kadana Dam Project, when it materialises fully in 1974, and of the advantages which the farmers could derive by utilising such water properly, along with improved seeds, fertilizers, pesticides, insecticides and other farm inputs. This study has revealed that, if properly planned and managed, the annual agricultural output in the command areas of the Mahi Canal System could increase very considerably, after the Kadana Dam is commissioned. This would, however, depend on the development of suitable infra-structure, on the organisation of extension schemes, and on co-operation of all the agencies concerned. The Company

is also working with the Government of Gujarat in regard to research on dry farming and fertilizer application.

THANKS

In conclusion, I take this opportunity to express, on your behalf, on behalf of my colleagues on the Board of Directors, and on my personal behalf, our sincere thanks to the Government of Gujarat, the Government of India, the Industrial Development Bank of India, and other financial institutions, for their continued support and assistance. I am grateful to my colleagues on the Board for their never-failing guidance, assistance and co-operation. I would also like to place on record, on behalf of my fellow Directors and myself, our appreciation of the excellent work of the entire personnel of this Company. Without their devoted care and labour, we would not have been able to achieve what we have done. An excellent spirit prevails amongst all the sections of this Company's staff, and I am glad to say that their remarkable team spirit inspires all who visit the Company.

I thank you all for your good wishes and good will.

JAI HIND

Note: This does not purport to be the proceedings of the Eighth Annual General Meeting of the Company.

Kirloskar Pneumatic Company Limited

Speech of the Chairman, Shri S L Kirloskar

THE following is the text of the Speech of the Chairman, Shri S L Kirloskar, delivered at the Twelfth Annual General Meeting of the Company held on Saturday, September 26, 1970, at its Registered Office at Hadapsar Industrial Estate, Poona-13.

GENTLEMEN,

I have great pleasure to welcome you to this the 12th Annual General Meeting of the Company.

The Directors' Report and the Statements of Accounts have been with you for some time now. I shall, with your permission, take them as read.

BUSINESS

Last year this time, I was optimistic about sales for the year under review. My expectations have happily been

borne out by the results. As you know, the Company is engaged in the manufacture and sale of equipment in three diverse industries, namely: (a) Compressed Air; (b) Air Conditioning and Refrigeration; and (c) Power Transmission. You will be glad to know that all the three divisions contributed handsomely to the increase in sales. The Company expanded its activity in the field of undertaking works contracts and turn-key jobs in Air Conditioning and Refrigeration during the year; it is now well equipped to handle such assignments on any scale. A significant contribution came from exports which increased from Rs 5.54 lakhs in the previous year to Rs 27.25 lakhs.

The increase in profits, however, was less than commensurate with the

increase in the turnover. This was partly due to the low profitability of some of the Transmission products in their development stage, particularly those developed for Railways. Conditions in some of the Compressed Air products, especially Portable Compressors, were somewhat competitive. The lower profitability was also partly due to a heavier wage bill on account of a larger work force. This was engaged for the Company's new projects which have yet to emerge from gestation. Besides, export business was at a low margin; sometimes the element of sacrifice in export price was quite large.

RESEARCH

The Company has a small Research and Development Cell of its own,

established some time ago. This Research and Development Cell will shortly move into a newly constructed Research House. I expect it will increase its contribution to the development of new processes and techniques, leading to further development and enlargement of the Company's products. Already a significant success has been achieved in the field of gas compressors. A good number of these has so far been sold to Chemical, Petrochemical Pharmaceutical, Refinery, Vegetable Oil Products, and Soaps and Detergent industries for handling gases like Hydrogen, Nitrogen, Sulphur dioxide, Ethylene etcetra. Nevertheless, there will still be need for collaboration with foreign firms for latest designs and techniques. Products developed with such collaborations, backed by the Company's own research, will further broaden the Company's already diversified industrial base.

CURRENT YEAR

The Company's operations during the current year so far have been very satisfactory. Sales have been substantially higher in the first five months than those in the corresponding period of the last year. I, therefore, think it is possible to look forward to achieving substantially higher sales for the year. The Company has already achieved a wide range of diversification. There should, therefore, be no difficulty about forecasting fair possibilities of a further substantial growth in the next few years. But, as you know, we are passing through eventful times as far as Government policies are concerned, and I would rather refrain from categorical comments as to the future.

GOVERNMENT POLICIES

The country has had a succession of satisfactory harvests. A number of industries have recorded increase in production. There has been a remarkable improvement in the country's external account. All these should spell consolidation of the economic recovery. They also mean that conditions are favourable for encouraging further growth. But there are uncertainties arising out of the political situation; there are also uncertainties arising out of Government policies adopted largely for political motives. Consequently it is difficult for industries to plan very much ahead. Any worthwhile and lasting socio-economic change can come and sustain only with economic growth. Therefore, conditions conducive to such growth should prevail. Instead, if

policies which tend to stifle economic growth are pursued, I am afraid, they are likely to defeat their objective. Industrial licensing policy has frequently been the victim of vacillation in recent times. Moreover, its implementation has been lethargic. The organised industry has of late sensed a measure of uncertainty in the credit policy. It is one thing — and quite a welcome one — to want to assist the small sector; in fact your Company has built up a large number of small ancillaries. But it is quite a different matter to do anything that will hinder or hold up the progress of the organised sector. Your Company has been seeking permission for the last three years for the manufacture of Air Compressors of high pressures. But such permission has consistently been refused on grounds of encroachment on the public sector. We have yet to see the start of the project in the public sector, and until that comes up, there is no alternative but to import such machines to meet the growing demand. Obsession with popular bogeys and resultant policies would only succeed in putting enterprise and hard work at a discount. I hope Government will realise this before it is too late.

EXPANSION AND FINANCE

In spite of such adverse conditions, the Company has managed to maintain the pace of expansion and diversification. More could have been achieved if conditions were congenial. Speedy growth, however, has its attendant problems, particularly in the sphere of the requirements of finance. As a part of the expansion programme, there was a substantial addition to the fixed block during the year. The process of augmenting the manufacturing facilities is, however, still not complete. During the year, a loan of Rs 30 lakhs was obtained from the Industrial Credit and Investment Corporation of India. The Company also increased its capital early this year, a part of which is yet to be called and will in due course be called up. In view of the developmental assignments and turn-key contracts being undertaken by your Company, the requirements of current finance also are growing. In the changing conditions of the money market, the Company may have to consider tapping other sources of finance in the future or rely more and more on you.

BROOM AND WADE LIMITED

At the end of the financial year

under review, the Company's first collaboration agreement — that with Messrs Broom and Wade Limited of UK — came to an end. The Broom-wade collaboration enabled the Company to establish itself as a leading manufacturer of compressed air equipment in India. The company greatly appreciates the technical and other assistance extended to it by Broom and Wade from time to time; such assistance enabled the Company to maintain its position of pre-eminence in the industry in India.

OCTROI

I told you this time last year, that following a favourable verdict obtained by the Company from the High Court, the Poona Municipal Corporation had refunded the amount of Octroi wrongly collected by them. Since then, however, the Corporation have filed an appeal with the Supreme Court of India and its hearing is awaited.

MANAGING AGENTS

On 3rd April 1970, the Company's agreement with Messrs Kirloskar Industries, Managing Agents, came to an end by operation of law.

I am sure you will want to join me in extending our thanks to Kirloskar Industries for the splendid manner in which they brought up the Company, and in wishing them well.

APPOINTMENT OF MANAGING DIRECTOR

The Directors stated in their Report that the proposal to appoint Maj Gen H M Mohite (Retd) as Managing Director, of the Company had been dropped as Government did not accept the terms proposed. We have now received a letter on 22nd September, 1970 from Government of India stating that they have accepted the terms of remuneration proposed by the Board. The Company will now proceed to complete the necessary formalities and in due course seek your approval for the proposed remuneration.

The Company's Chief Executive, Maj Gen Mohite (Retd), his officers and staff and workmen have done an excellent job for the Company during the year and I am sure you will join me in conveying to them our appreciation and extending our sincere thanks.

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

Indian Oil Corporation Limited

Statement of the Chairman, Shri N N Kashyap, I C S

THE following is the statement of Shri N N Kashyap, ICS, Chairman, Indian Oil Corporation Limited, at the Eleventh Annual General Meeting held in Bombay on September 29, 1970:

On the occasion of the Eleventh Annual General Meeting of the Indian Oil Corporation, which has completed 10 years of its existence, it is today a matter of personal happiness for me to greet you and to recount to you the performance of your organisation during the year 1969-70. The annual accounts and reports thereon are already in your hands, and I hope you have read them.

A DECADE OF ACHIEVEMENT

I am sure, looking back over the past decade will fill your hearts with pride, as it does mine. It has been a decade of achievement, of success against besetting odds, for your Company culminating in our present position of having a market participation greater than that of all our competitors put together. This struggle of ours against gigantic competitive forces with our limited financial and manpower resources and inadequate know-how in the earlier years, has been uphill all the way. That the achievement has been possible at all is due entirely to the determination and sense of dedication of the officers and the staff of your company, to whom all of us owe a deep debt of gratitude.

During the last 10 years, three petroleum refineries have been built while fourth one is on its way, four pipeline systems have been constructed for transportation of refined products, distribution facilities have been put up at 23 port and pipeline installations, 334 upcountry depots of all kinds, and 66 airfield stations and 2,681 retail outlets i.e. kerb-side pumps have been set up. Since the amalgamation of the Indian Refineries Ltd with the IOC (year 1964), it has earned net profits aggregating Rs 57.72 crores and generated internal resources totalling about Rs 92 crores. The Corporation's latest project, namely, the refinery at Haldia costing Rs 68 crores, which is under construction is being financed to a very large extent out of its own resources.

During the year under report, the Corporation achieved progress in all the three facets of its operations. The

Corporation achieved a crude throughput of 6.25 million tonnes in its own refineries at Gauhati, Barauni and Jawaharnagar and a sale of 10.46 million kilolitres — thereby recording increase over the preceding year by 13 per cent and 28 per cent respectively. During the year 2.42 million tonnes of petroleum products were transported through your Corporation's pipelines as against 1.99 million tonnes during the previous year.

Your refinery at Gauhati continued to operate at a level higher than its designed capacity. The Gujarat Refinery also crossed the designed capacity of 3 million tonnes and processed 3.4 million tonnes of crude oil as against 2.9 million tonnes in the previous year. Barauni Refinery also operated at a higher level at 2.09 million tonnes as against 1.77 million tonnes in the last year. The refinery's throughput remained restricted due to non-availability of crude oil from indigenous sources. Feasibility of processing imported crude oil at this refinery is under active consideration.

IMPROVEMENT IN PROFITABILITY

The profitability of your Corporation recorded a further improvement during 1969-70. Profit during the year before providing for depreciation and interest amounts to Rs 36.20 crores as against Rs 32.41 crores for the previous year. Profit after depreciation and interest amounts to Rs 20.41 crores during 1969-70 as against Rs 18.46 crores during the previous year. The profitability of the Corporation would have been still larger but for the unavoidable losses totalling Rs 6.80 crores resulting from under-recoveries of rail freight (Rs 2.15 crores), Central Sales Tax (Rs 0.68 crores) and coastal transportation costs (Rs 3.97 crores).

DIVIDEND

It is a matter of gratification for us all that your Directors have decided to recommend dividend at 7 per cent on the paid-up capital of the Corporation — the same as for the previous year. This is the fourth consecutive year during which dividend is being paid, the total dividend for the four years being Rs 18.89 crores, representing well over 26 per cent of the present paid-up capital.

While maximising our sales effort in

the indigenous market, we have continued our export promotion during the year under report. The export earnings during the year amounted to Rs 5.45 crores.

Although the ceiling selling prices of petroleum products continue to be determined by the Government of India, competition among the oil companies continues unabated, including competition in the matter of service to customers. In this highly competitive field of petroleum marketing, your Corporation built up a 52.7 per cent share in the all-India trade during 1969-70 as against 44.5 per cent achieved in the previous year.

Some of the highlights of the Corporation's efforts have been:

(a) gearing up special arrangements for the distribution of LDO (Light Diesel Oil) in the interior markets for the convenience of agriculturists in the interest of food production;

(b) the construction and commissioning of a lube blending plant at Madras to convert the base stocks of the newly set-up refinery at Madras into premium and non-premium brands for the Corporation and for the other oil companies;

(c) operation of Koyali-Ahmedabad pipeline giving a record performance at 132 per cent capacity;

(d) continuous run of the coking units at Gauhati and Barauni for very long periods to process reduced crude so as to produce middle distillates and coke, etc, and

(e) production of aviation turbine fuel at Gauhati to meet local aviation demands.

SOPHISTICATED REFUELLING FACILITIES

In the specialised field of aviation the Corporation has now developed sophisticated refuelling facilities at 66 airfields. During the year under report the Corporation handled about 70 per cent aviation fuel business and supplied aviation fuels, inter-alia, to 19 international airlines. The Corporation is now supplying LPG (cooking gas) in 37 cities to 2,35,000 Indian customers. During the year 417 outlets were added to the automotive retail marketing set-up.

Considering its increasing responsibilities in the field of distribution and

ECONOMIC AND POLITICAL WEEKLY

marketing and the coming pattern of Railway movements, your Corporation has drawn up a programme for augmenting its storage facilities, mainly at upcountry stations. This programme envisages the construction of additional facilities for the storage of one-quarter million kilolitres during the next three years and involves a major effort on the part of our engineers.

HELP TO UNEMPLOYED GRADUATES

During the year under report, your Corporation introduced a new scheme to help young unemployed graduates belonging to low-income families by reserving dealerships/distributorships for them. Over 400 proposals under the scheme are at different stages of development and over 60 appointment letters for dealerships/distributorships have already been issued. The Corporation is in close touch with the Reserve

Bank of India and the public sector banks in order to obtain financial assistance for selected parties.

INDO-BURMA PETROLEUM COMPANY

Another significant development of the year was the purchase by your Corporation of the majority interest in Indo-Burma Petroleum Company (IBP). IBP is now a subsidiary company of your Corporation and it is anticipated that, under the new management, its performance and profitability will improve.

Your Corporation has been laying considerable emphasis on training, productivity, inventory control, control over revenue expenditure and over working capital. During the year 127 training courses were conducted and training was imported to 1,274 officers and 390 other employees, as well as to 180 Defence Services personnel. The

customers' outstanding which represented 25 days' sales at the end of 1968-69 were brought down at the end of 1969-70 to represent 22 days' sales in spite of the very considerable increase in the volume of sales.

Your Corporation is looking to the future with eager anticipation, while gearing itself up for the onerous tasks which lie ahead. We are aware that as the country progresses in the diverse fields of economic activity with its socialistic base, the responsibilities of your Corporation will become increasingly heavier. I wish to take this opportunity to assure the shareholders that our vast Indianoil family will continue as ever to serve the nation by doing its very best to perform whatever tasks are set before it.

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

The India Cements Limited

Mr P Suryanarayana Reviews Activities

ADDRESSING the Twenty-fourth Annual General Meeting of The India Cements Limited, held at Madras on September 28, 1970, Mr P. Suryanarayana said:

On behalf of the Board of Directors and on my own behalf, I extend to all of you a cordial welcome to the Twenty-fourth Annual General Meeting of your company.

SATISFACTORY RESULTS

The financial results of the working of your company for the year 1969-70 have been generally satisfactory. It has to be viewed in the context of increased installed capacity on the one hand and rising costs of production on the other. The installed capacity was increased from approximately one million tonnes to 1.4 million tonnes, with the commissioning of the first two units of the one million tonnes expansion scheme. Although, however, the capacity was increased, the actual production did not keep pace with it for reasons which have been set out in the Directors' Report. I need not repeat them here. I shall content myself by pointing out that the reasons were wholly outside the control of your Board of Directors. The production of clinker and cement for the year end-

ed 31st March, 1970, were 9,79,207 tonnes and 9,90,704 tonnes respectively, while sales amounted to 9,77,618 tonnes. The net profit of Rs. 88,02,196 is higher than the profit of last year by Rs 15.29 lakhs.

NO SIGN OF ABATING

The question naturally arises why with the increased production capacity, a more adequate correspondence has not been established between it and the profits of the company. The main reason for this situation is the steadily increasing cost of production which does not show any sign of abating. There is an impression amongst some persons that there is scope for administrative and technical economies in the cement industry, and that by making the necessary adjustments in these directions, it will be possible to keep down the cost of cement. This is such a completely wrong view that it is surprising that responsible persons should continue to hold it. The main increase in costs are due to the purchase of materials from outside which are directly related to the production of cement like pithhead price of coal, furnace oil; freight and royalty; and Government imposts like electricity tariff, dearness allowance, customs and excise duty and wages

following the implementation of the Second Wage Board of the cement industry. The aggregate increase as a result of all these factors works out to more than Rs 16 per tonne while the price increase sanctioned by the Government effective from the 15th April 1969 amounts to only Rs 4.80 per tonne on an average and in the case of your company only to Rs 5.50 per tonne. Further, there is no automatic provision for escalation in the retention price of cement with the increase of external costs. On the contrary, even the time lapse that generally occurs between the actual increase and the relief given by Government adds to the inadequacy of the partial advantage thus obtained.

REPRESENTATION TO GOVERNMENT

During the year under review, the Government announced in April, 1969 that cement would be decontrolled from the 1st January 1970 and that the control over price and distribution of cement which has been in existence for over a decade, will be lifted from 1.1.1970. I dealt with this problem in my speech last year and pointed out how the removal of the uniform price to the consumer which is the basic rationale behind all other incidental controls over cement

prices, would adversely affect both producers and consumers of cement in the country and more especially the producers in the South and the consumers in the north and north-east of India. You will be glad to know that the cement producers did not acquiesce in this policy decision, but made reasoned representations to the Government pointing out that the temporary surpluses prevailing just prior to the time of the Government order was not an indication that supply had become equal to demand, but that the temporary surpluses then available were due almost exclusively to the aftermath of the industrial recession and poor harvests, which were temporary economic setbacks and not a normal aspect of the expanding economy of the country. On this point of view we were supported by several public men and legislators and consumer interests.

DEMAND SUPPLY POSITION

The industry also proved to the Government with facts and figures that during the next few years the demand would be more than the supply. Indeed, the Government figures themselves showed that, by 1971, as against an availability of 163.4 lakhs of tonnes, the demand would be 171.8 lakhs of tonnes. The north and north-eastern regions of India are scarcity pockets for cement and a considerable part of their supplies have been and are being met by the Southern units. This surplus production of cement has always been part of the plan for the cement industry and is based on locational advantages, chiefly the presence of limestone. As if in justification of the representations mentioned above, shortages of cement developed in the north and north-eastern part of India during the later part of the year 1969. The Government, therefore, saw the correctness and the truth of the representations made by us, and I am glad to inform you that they decided not to implement the order of April, 1969. The present position is that the status quo continues and it is to be hoped that till a complete examination of the supply and demand position and the differing costs of each industrial unit is made on a technical basis, the present arrangements will not change. In an expanding economy, the immense advantage of the freight pool by which the consumer in every part of India gets cement at the same price cannot be over-emphasised.

As far as one can see, the supply

will lag behind demand for the next few years. Last year, cement production was 13.6 million tonnes. Production this year is expected to go up to 15.5 million tonnes as six new factories will be commissioned. According to reports available, the Industry Ministry estimates that after providing for 5 lakhs of tonnes for export, the demand for the current year will be 16 million tonnes. Thus even this year, there will be a shortfall in supply. Taking a longer view, the revised Fourth Plan visualises production at 18 million tonnes in 1973-74. There is no doubt that with agricultural and industrial revival, and the severe demands that will be made on the cement industry to help the green revolution in agriculture, the estimate of production made in the plan is not only moderate but may still continue the situation of marginal deficit in supply. It seems to me, therefore, that taking all these facts into account, the Government policy of maintaining the freight-pool is a wise one, and that before any step to the contrary is taken, a complete technical and economic enquiry should be made of differing costs on the one hand and consumer demand on the other. Nothing is more dangerous than facile conclusions based on the fleeting phenomena of the moment which are generally fortuitous, and rarely inherent, of the supply and demand position.

In this connection, I should also mention to you that as a result of the representations made by the industry, the Government granted a price increase and fixed the retention price at Rs 100 per tonne on a uniform basis for all units. A group of producers in the South including ourselves challenged this decision in the High Court on the ground that in view of differing costs of production and the earlier decisions of the Government based on such differing costs, such a uniform increase was ultra vires of Article 14 of the Constitution. The High Court held in our favour and against the Government. The Government have gone on appeal and the matter is now pending.

EXPORT

The export of cement and clinker during the calendar years 1968 and 1969 from all units in the country amounted to 3.54 lakh tonnes. This is by no means a satisfactory figure in relation to the total installed capa-

city of the industry. During the year ended 31.3.1970, your company exported cement to the extent of 41,000 tonnes, which quantity also is substantially below expectations. The main reason for the low level of cement export is still international price competition. Also, the ocean freight from Indian ports has been going up steadily. The silver lining in the cloud is the reported examination by the Union Government of the plan submitted by the State Trading Corporation of India (STC) to achieve a major break-through in cement export. The scheme prepared in consultation with the Cement Controller envisages export to the extent of 5 lakh tonnes per annum. We, ourselves, are negotiating a contract with STC under the new scheme, covering a substantial quantity for export during the year 1970-71 to any destination nominated by STC.

MANAGING AGENTS

Before I conclude I consider it my duty to mention that the shareholders of India Cements owe a deep debt of gratitude to the careful manner in which the Managing Agents of your Company built it up during the difficult early years and expanded it subsequently. When your company was started, it was almost a pioneering effort for Southern industrialists. The venture was backed by ambition and faith rather than by experience. It is in no small measure due to the careful handling of the affairs of the company by the Managing Agents that your company has now reached an important position in the industrial field. I take this occasion to express our thanks to them for the good work they have done for the company before laying down their office.

CORDIAL RELATIONS

The relations with labour at the factories and the staff at the Head Office continues to be cordial as usual. On behalf of the Management and on behalf of all of you, I take this opportunity to accord our thanks to all the employees of the company for their unstinted co-operation and hard work during the year. The company looks forward to their continued services and co-operation in the coming years.

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

Unit Trust of India

Statement by the Chairman, Shri R S Bhatt

THE following is the Statement by Shri R S Bhatt, Chairman, Unit Trust of India, to the Contributors to the Initial Capital of the Trust and Unit Holders for the year ended June 30, 1970:

The Unit Trust of India completed, as of June 30, 1970, its sixth year of operations and its accounts for this year have now been audited and published. The Board of Trustees have desired me to present a brief review of the Trust's operations for your information. Accordingly, I have great pleasure in reviewing the salient features of the Trust's working during the year.

The Trust has declared an income distribution to unit holders, who were on the Register of the Trust as on June 30, 1970, at the rate of 72 paise per unit, i.e., 7.2 per cent — marginally higher than the rate of 7.1 per cent paid last year. As you may be aware, this income distribution, according to the changes made in the Finance Act 1970, taken together with income on other specified categories of investments is tax-free upto Rs 3,000. I have explained later (vide paragraph 13), in some detail, the present scheme of tax concessions applicable to the units. The income distribution to the initial capital contributors is 4 per cent.

INCREASE IN INCOME

During the year under review, there was a further increase in the income of the Trust to Rs 6.28 crores* (inclusive of profit from sale of securities of Rs 9.00 lakhs) from Rs 4.83 crores in the preceding year. Total expenses including expenses on administration, provision for sundry liabilities, etc., rose to Rs 67.31 lakhs from Rs 58.02 lakhs in the preceding year. The increase in expenditure is mainly attributable, besides normal annual increments in salaries paid to the staff and commission paid to the approved agents to the relatively larger proportion of business canvassed by them during the year, to additional staff employed to cope with the increasing work load and larger outlay on publicity from the Trust's own funds (vide paragraph 14). In terms of Section 24 of the Unit Trust of India Act, 1963 (as amended), the share of the Trust's income allocated to Unit Capital

* No income was received by the Trust during the year on its shareholdings in recently nationalised banks.

worked out to Rs 590.68 lakhs and that of Initial Capital to Rs 38.13 lakhs in line with the ratio of Unit Capital to Initial Capital as of June 30, 1970. Under Section 25(2) of the Act, a maximum of only 5 per cent of the income allocated to the Unit Capital can be charged to the Unit Capital towards expenses of the Trust, the rest of the expenses being required to be charged to the income allocated to the Initial Capital. Accordingly, the share of expenses allocated to the Unit Capital and Initial Capital amounted to Rs Rs 29.53 lakhs and Rs 14.94 lakhs respectively, after setting off Rs 22.83 lakhs (as against Rs 21.17 lakhs in the preceding year) representing recoveries towards management expenses. After deduction of expenses in the manner indicated above, the net income allocated to unit holders amounted to Rs 561.15 lakhs. This, together with the balance of Rs 24.17 lakhs in the Unit Capital Appropriation Account — in all Rs 585.32 lakhs — is available for distribution to the unit holders whose names were on the Register of the Trust as of June 30, 1970. Although, the improvement in the working of companies generally, noticed last year, has been carried forward to some extent there has been a marking down of the yield on variable dividend industrial securities reflecting the firmness in prices, induced mainly by paucity of floating stocks relatively to demand. Accordingly the Board of Trustees decided to continue to pursue a cautious policy in regard to income distribution. Consistent with this policy, the Board decided to increase nominally the income distribution to the unit holders to 72 paise per unit, i.e., 7.2 per cent (as against 7.1 per cent in the preceding year) which will absorb Rs 557.62 lakhs leaving a balance of Rs 27.70 lakhs. The income allocated to the initial capital contributors, after deduction of their share of expenses, worked out to Rs 23.18 lakhs. This, together with the balance of Rs 7.65 lakhs in the Initial Capital Appropriation Account — in all Rs 30.83 lakhs — is available for distribution. Of this, the Board, once again conscious of the need to follow a policy of abundant caution has decided to make an income distribution to the initial capital contributors at the rate of 4 per cent, which will absorb Rs 20.00 lakhs, leaving a balance of Rs 10.83 lakhs. Out of the undistributed

income, namely, Rs 27.70 lakhs, in the case of unit holders and Rs 10.83 lakhs in the case of initial capital contributors, it is proposed to transfer to General Reserve, Rs 8.46 lakhs and Rs 0.54 lakh, in proportion to their respective shares. The aggregate transfer to General Reserve thus amounts to Rs 9.00 lakhs, which also equals the profits realised on sale of securities during the year. This will leave Rs 19.24 lakhs and Rs 10.29 lakhs to be carried forward in the respective Appropriation Accounts.

Sale of units at Rs 22.83.40 lakhs during 1969-70 established a record. It was higher by Rs 5.67.23 lakhs over the preceding year's sales (Rs 17,16.17 lakhs) and by Rs 3.69.87 lakhs over the previous high recorded in 1964-65 (Rs 19,13.54 lakhs). Viewed against the continuous and sizeable expansion in sales since 1965-66, it would seem that units have now come to be regarded as a convenient medium of investment by a wide cross section of the community. Virtually, the whole of the investment in units made in 1969-70 was by individuals who accounted for Rs 22,65.72 lakhs, the share of institutions being only Rs 17.68 lakhs. Of the aggregate applications numbering 74,471, received, applications of individuals were 74,382, the balance being those of institutions.

SALE OF UNITS

During the year, sale of units to non-residents showed further improvement. Both the number of applications and the amounts subscribed to by the non-residents nearly doubled. Thus, during the year ended June 1970, the number of applications from non-residents was 603, the amount subscribed to being Rs 48.36 lakhs; the corresponding figures for the previous year were respectively, 323 and Rs 24.20 lakhs. As of June 30, 1970, the units sold to and outstanding with non-residents amounted to Rs 1,21.42 lakhs under 1,788 applications.

The Trust repurchased units during the year amounting to Rs 2,03.84 lakhs under 9,480 applications as against Rs 1,67.11 lakhs under 8,217 applications in the preceding year. Repurchases during the year worked out to 2.6 per cent of the aggregate funds invested by unit holders.

Total investments of the Trust as on June 30, 1970 amounted to Rs 88.3 crores. The distribution of the invest-

ments among the different categories of securities and percentage thereof, to total investments, as of this date, are given below:

	Rs Crores	Percentage to Total Investment
Ordinary shares	31.5@	35.67
Preference shares	11.9@	13.48
Debentures	37.2	42.13
Bonds of Public Corporations and Government Securities	3.0	3.40
Treasury Bills	0.1	0.11
Advance Deposits in respect of purchase of debentures and preference shares	0.6	0.68
Advance Call Deposit	*	0.02
Application Money	0.9	1.00
Money at Call with Banks	3.1	3.51
Total	88.3**	100.00

@ Includes investments in recently nationalised banks.

* Less than Rs 5 lakhs.

** Inclusive of stamp duties, commission, transfer fees, etc, capitalised.

The pattern of investments of the Trust remained practically unchanged during the year and reflected the overall investment objectives of the Unit Scheme, 1964, namely, safety of capital and regular and growing income. The main guidelines for investment continued to lay emphasis on securities of well-established and sound companies providing safety of capital coupled with good yield.

VOLUME OF UNDERWRITING

There was a further rise in the volume of the Trust's underwriting operations which continued to be in the nature of firm commitments to invest upto the amounts underwritten with respect to issues floated by old and established companies. During the year, the Trust participated in the underwriting of 25 issues to the extent of Rs 9.69 crores as against 32 issues totalling Rs 8.78 crores in the preceding year. By far the bulk of the underwriting was claimed by debentures (Rs 749.75 lakhs). The balance comprised ordinary shares (Rs 122.00 lakhs) and preference shares (Rs 97.50 lakhs).

The post recession recovery in industrial output, which had gathered momentum in the preceding year, was generally sustained in the first seven months of the year under review (July-January). The increase in industrial output was, however, at a slightly lower rate (6.2 per cent) that in the corres-

ponding period of 1968-69 (8.4 per cent). The progress of recovery was impeded to some extent, by shortage of industrial raw materials such as cotton, oilseeds, steel and non-ferrous metals and labour troubles in certain industries. The industries which recorded significant increases in production included heavy inorganic chemicals, cement, copper smelting and rolling mills, aluminium, brass, electricity and fertilisers among basic industries, manufacture of mining, earth-moving and construction machinery, electrical motors and furnaces, electrical machinery and transport equipment among capital goods, structural clay products, non-metallic mineral products, batteries among intermediate goods and soaps and communication equipment among consumer goods. However, railroad equipment, cotton textiles, jute and commercial office and household machines recorded significant decline in output.

NEW ISSUE ACTIVITY

In the capital market, new issue activity continued to remain more or less sluggish for the major part of the year. There was an improvement in the new issues during the last quarter which represented partly implementation of investment decisions taken earlier. With the announcement of tax concessions in the Budget for 1970-71, there were distinct signs of improvement in the investment climate. This combined with encouraging corporate reports and with scarcity of floating stocks and the higher compensation for shares of nationalised banks, helped to improve sentiment and the market turned distinctly bullish. The index number of prices of variable dividend industrial securities which had reached a peak level of 99.0 for the month of June 1969 just prior to the announcement of the ban on forward trading in shares, and had declined steadily to 88.4 by February 1970 recovered fully at 99.0 by June 1970. Over the year as a whole, the index showed no variation over the previous year's level of 99.0 as against a significant increase of 22.5 per cent in the preceding year (vide Table below).

Thanks to the revival of stock market prices during the latter half of the year, the market value of the Trust's investments in relation to their book value as of June 30, 1970 showed an appreciation of 9.6 per cent as against of 8.9 per cent as at the end of the previous year. As was to be expected, the appreciation in the portfolio is mainly accounted for by ordinary shares. Taking into account the appreciation in its investments, the net value of the assets of the Trust as on June 30, 1970 amounted to Rs 91,54,81,962. During the year under review, 36 companies whose securities are in the Trust's portfolio, issued bonus shares. The ratio of bonus shares to existing shares ranged from 1 for 10 shares to as high as 1 for 1.

SCHEME OF TAX CONCESSIONS

The Finance Act, 1970 has introduced changes in the scheme of tax concessions available to units. Accordingly, where the gross total income of an assessee includes any income from units and other specified categories of investments such as interest on Government securities, interest on debentures issued by any co-operative society or any other institution notified, dividends from Indian companies and interest on deposits with banks, in computing his total income for purposes of income-tax, there will be a deduction namely (i) where the amount of such income does not exceed rupees three thousand, the whole of such amount and (ii) in any other case, rupees three thousand. Till now, income upto rupees one thousand from units received by an individual was exempt from income-tax. For the first time, units will also enjoy exemption from Wealth tax. Under the Finance Act 1970, investments in units of the Unit Trust together with certain other categories of investments are exempt from Wealth tax upto an overall limit of Rs 1.5 lakhs. As regards deduction of tax at source, as hitherto no deduction will be made by the Trust at the time of income distribution to an individual unitholder who is a resident. In the case of an individual who is a

RESERVE BANK OF INDIA INDEX NUMBERS OF SECURITY
PRICES: ALL-INDIA
(Base: 1961-62=100)

	Monthly averages for June				Variations over the year (per cent)		
	1967	1968	1969	1970	1968-69	1967-68	1969-70
Ordinary shares	78.1	80.8	99.0	99.0	+3.5	+22.5	—
Preference shares	88.1	85.9	88.3	88.0	-2.5	+2.8	-0.3
Debentures	91.5	91.9	93.4	93.6	+0.4	+1.6	+0.2

non-resident, tax will now be deducted at source from his income from units, only if such income exceeds Rs 3,000 (as against Rs 1,000 earlier) at the rate of 15 per cent of the whole of such income.

SALES PROMOTION EFFORTS

Sales promotion efforts of the Trust continued to be oriented towards spreading the message of the Trust in the countryside. During the year, Trust's agency force was therefore further strengthened. The number of approved agents at the end of the year stood at 2,303 as compared with 1,775 in the previous year. The number of approved brokers was also higher at 315 as against 286 a year ago. Besides the Trust's various offices, units continued to be on sale at about 9,000 branches of the banks and at over 15,000 post offices throughout the country. The Board wishes to thank the banks, the Posts and Telegraphs Board and the National Savings Commissioner's Organisation for their continued assistance and co-operation. The Trust's publicity during the year continued to be organised and implemented under the general supervision of the Inter Departmental Committee of the Ministry of Finance, Government of India. The actual execution of the publicity work continued to be shared by the Directorate of Advertising and Visual Publicity. The Government of India's grant towards the Trust's publicity expenses tapered off further. For the financial year 1969-70 the grant sanctioned was Rs 7.5 lakhs as against Rs 9 lakhs for the previous year. As a consequence, Trust's outlay, from its own revenue, on publicity was stepped up sharply to Rs 1.90 lakhs from about Rs 50,000 in the preceding year. Among the usual media of publicity employed by the Trust, mention may be made of the display of the Trust's posters at about 550 important railway stations throughout the country. Apart from these, the Trust addressed over 50,000 personalised letters to Government employees, including employees of the public-sector undertakings all over the country, drawing a salary of Rs 500 and above. The Trust produced a 600 ft film entitled "Planning for Plenty" and exhibited it throughout the country through the good offices of the Films Division of the Ministry of Information and Broadcasting, Government of India. The Trust continued to take advantage of commercial broadcasting and the Trust's message is being relayed daily from the All India Radio stations at

Bombay, Calcutta, New Delhi and Madras.

The Reinvestment Plan 1966 made further progress during the year. The total amount reinvested during the year with respect to income distribution relating to the year ended June 1969 was Rs 36.32 lakhs, the number of applications being 12,253. With respect to income distribution for the year ended June 30, 1970, the number of new applications for reinvestment under the Plan received by the Trust totalled 6,293 involving 23,10,410 units.

Details were given in my last year's statement of the Voluntary Savings Plan 1969, which was introduced from July 1, 1969, with a view to facilitating investment in units by the medium and small income groups of the community through periodical contributions. In the first year of its operation i.e. 1969-70 about Rs 1 lakh were received as contributions for investment under 491 applications. I hope that when the advantages of the Plan become widely known, small savers will increasingly participate in it.

CHILDREN'S GIFT PLAN

I made a reference, in my previous statement to the formulation by the Trust of a Children's Gift Plan. The Plan was finalised during the year under review and has since been introduced from July 1, 1970. The Plan provides for parents, relatives of a minor child — grand parents, uncles, aunts etc — and others a facility whereby units will be issued in favour of a minor child (who has not completed fifteen years of age) who is the sole beneficiary. Further, the child in whose name the unit certificate has been issued, can deal with the units only from the date on which he completes the age of 21. Meanwhile, the income on the units held will be reinvested in further units. By the time the child attains the age of 21 years, capital in the form of units would have been accumulated in favour of the child in a convenient manner which would be available for major needs such as the child's marriage, higher education abroad, setting up house or business. Under the Plan, units will be issued in multiples of ten and the minimum number of units to be applied for is fifty. (There is no upper limit).

Reference was also made by me last year to the discussions held with the Life Insurance Corporation of India in regard to the formulation and operation of a Savings-cum-Insurance Plan. In view of several important questions re-

lating to trained personnel, administrative costs etc, thrown up by the discussions, a Committee of the Board of Trustees of the Unit Trust of India has since gone into all these aspects of the Plan. The Board would consider these on the basis of the Committee's report which is expected to be submitted to the Board shortly.

TRANSFER OF UNDERTAKINGS

In my statement for the last year, I had referred to the acquisition and transfer of undertakings of the 14 leading Indian banks to corresponding new banks, whose entire capital has now been vested with the Central Government. Compensation, as provided for under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 has since been received by the nationalised banks. As indicated earlier, no income was received by the Trust during the year with respect to the compensation amounts received by the banks. Interim dividends have since been declared by some of the banks. On the larger issue of the disposition of the principal amounts of compensation, such proposals as may, in due course, be placed by these banks before the shareholders will be carefully considered by the Board of Trustees on merits, having regard solely to the interests of the unit holders.

The Trust is grateful to the Reserve Bank of India for the various facilities and the personnel the Bank continued to make available to it. It also wishes to place on record its deep appreciation of the co-operation and assistance it has continued to receive from the State Bank of India and its subsidiaries and other commercial banks and the Life Insurance Corporation of India.

Hindustan Sanitaryware

HINDUSTAN Sanitaryware is seeking an industrial licence for manufacture of quality chrome fittings at Ghaziabad, in UP. With the co-operation of Central Glass and Ceramic Research Institute, it has been able to upgrade indigenous zirconium sand and has started marketing zirconium silicate opacifier in a small way. Manufacture of specialised refractories for import substitution and also for internal consumption has been taken up. The company is considering installation of one large re-fire kiln to meet the rising demand, for its products, from abroad. Repairs and alterations to the small re-fire kiln have been completed.

Bagalkot Cement Company Limited

Statement of the Chairman, Shri A P Jain

IN the absence of Shri A P Jain, the Statement was read by Shri J P Saxena, Managing Director and Chairman of the Meeting at the Twenty-first Annual General Meeting of the Company held on September 29, 1970:

LADIES AND GENTLEMEN,

It gives me great pleasure in welcoming you to the 21st Annual General Meeting of your Company.

The Report of the Directors and the Audited Statement of Accounts for the year ended 31-3-1970 have already been in your hands for some time now and with your permission I shall take them as read.

As you may have noticed, the Annual Accounts for the year under review reveal a progressive and promising position. I am sure that you would be happy at the working results.

REDUCTION IN PROFIT

The Chairman in his speech of the last Annual General Meeting discussed in detail about the Government of India's announcement in Parliament to decontrol cement and abolition of freight pooling from January 1, 1970 in the interest of balanced growth of the industry and easy availability of cement to the consumers throughout the country, especially in the light of experience gained during the two years of the decontrol 1966 and 1967. It is regretted that as a result of various pulls and pressures the Government had reversed their decision and continued control on cement and freight pooling beyond 31st December 1969. This reversal of decision is unwarranted more so taking into consideration the facts that continued control on the cement industry for a period of two decades had only resulted in regional imbalances in the growth of production capacity resulting in ever increasing burden of freight on the consumers besides artificial scarcity despite availability. It would be worthwhile to mention here that insofar as your Company is concerned, freight pooling results in reduction in profits by about Rs 12 lakhs per year.

Another important change as a result of the Government's revision in their policy towards cement industry is that the industry has again been brought under the licensing provisions of Indus-

tries (Development and Regulation) Act 1951 with effect from 19th February 1970 and as a consequence thereof all expansions and setting up of new units will now require approval and/or industrial licences from the Government of India.

SUPPLY POSITION BETTER

During the brief period of about 4 years when the cement industry was delicensed, substantial expansion in its production capacity has been achieved and the installed capacity of 115.3 lakh tonnes at the end of 1965-66 has steadily risen to 154.57 lakh tonnes by March 1970. While a number of new units have been set up, expansion of existing ones has been carried out and consequently supply position has eased considerably. Progress on many new schemes of expansion and/or setting up of new units has almost come to a halt for want of approval and/or industrial licence from the Government of India which has not accorded approval or granted industrial licence even in single case during the period of past 6 months during which the cement industry has once again been under the ambit of industrial licensing requirements. This is not a very happy position. Cement is a basic and capital intensive industry and any lack of buoyancy in its production is bound to create bottlenecks, jeopardising the entire development programmes. It is therefore necessary that all schemes of expansion or setting up of new units whereof effective steps have already been taken by the entrepreneurs prior to announcement of relicensing provisions of cement industry are cleared by the Government of India without further delay with a view to avoid delay in creation of additional capacity essentially needed to take care of increasing demand of cement in the coming years. So far your Company is concerned, necessary steps have already been taken to complete the expansion already in hand before the end of current financial year subject to our getting the industrial licence for which an application has already been submitted to the Government on 12th March 1970. Necessary plant and machinery for expansion has already been procured and civil work on foundations and buildings at the

factory site has made considerable progress. It is expected that in view of the effective steps that have already been taken prior to the announcement of relicensing, the Government would accord permission to complete the expansion as scheduled.

It has already been brought to your notice that the production of cement including blast furnace slag cement, which is expected to be 4.3 lakh tonnes per year after completion of the present expansion, would further increase to about 5 lakh tonnes after the Company's scheme to convert the present Wet Process kilns to Dry Process kilns has later been implemented.

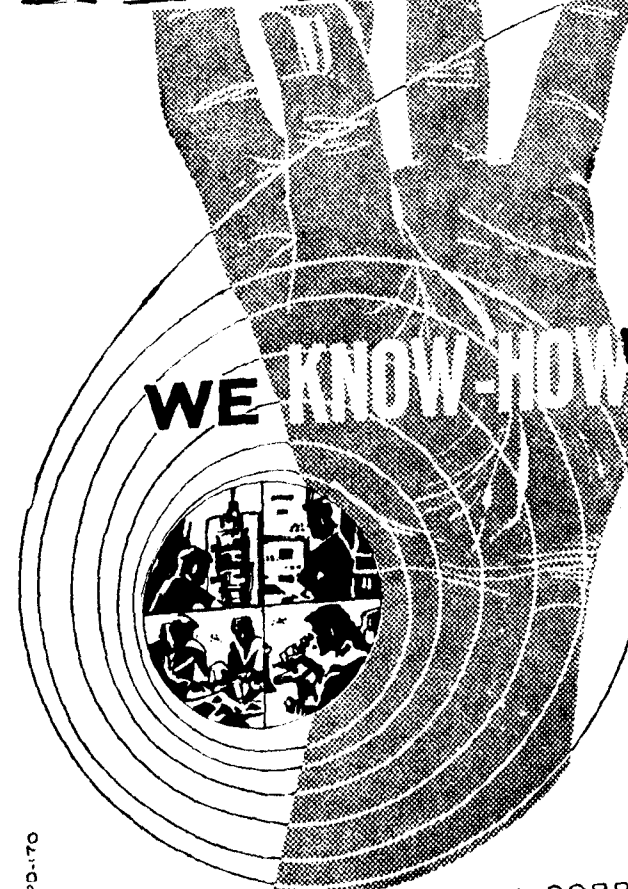
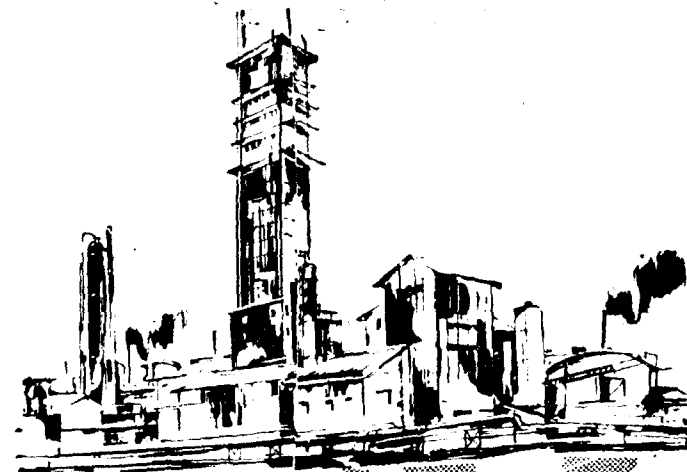
VANASPATI PLANT

You had at the last Annual General Meeting approved setting up of Vanaspati Plants. The Government of India has again brought this industry under the licensing provisions of the Industries (Development & Regulation) Act, 1951 from 19th February 1970. As such necessary applications for industrial licences have been submitted to the Government and the same are receiving their consideration. As the Company had already taken effective steps to implement these projects before this notification, we hope the industrial licence will be received soon. Steps have also been taken to study other profitable lines of business including possibility of setting up some joint ventures in foreign countries. You will be approached at appropriate time for your considering and approving a suitable scheme.

THANKS

I would now like to conclude by expressing my warm appreciation of the sincere and devoted work put in by all the employees of your Company during the year under report. I would also express my gratefulness to the State Governments of Mysore and Maharashtra for their continuing support and help. My grateful thanks are also due to all the Shareholders who have been kind enough to spare their valuable time to participate in this meeting.

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



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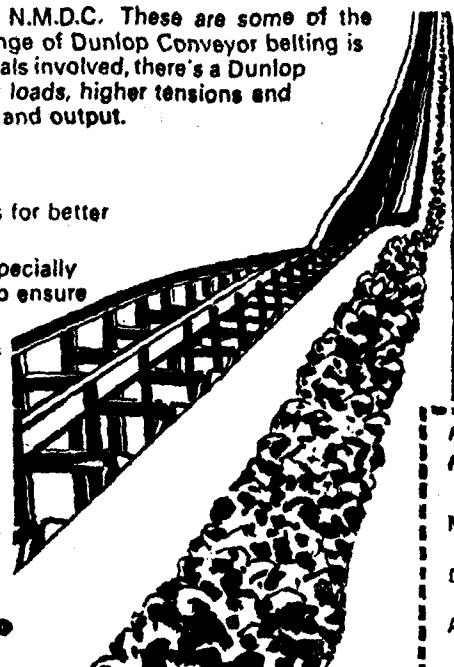
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Founder-Editor: Sachin Chaudhuri

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Shuffle, Shuffle

THE impact of the Fourth Plan on the economy, a year and a half after its commencement, remains minimal. Agricultural production has risen, but thanks mainly to good monsoons and to programmes initiated well before the Plan was launched. Industrial production is creeping up without gathering any worthwhile momentum. Prices are rising, despite the good monsoons. And the less unfavourable balance of trade is a reflection more of the low rate of investment in the economy than of improved export competitiveness. In sum, planning is sorely in need of new initiatives.

There are two separate aspects of the problem to be considered. First, there has to be a sufficiently large rise in investment to give the economy a push. This, it appears, may perhaps come about in 1971-72. Secondly, the investment process has to be self-sustaining. A good deal of the investment in the last few years has been a carryover of the past, seeking to complete projects already started. New projects have been few and far between and without new projects even such momentum in investment as there has been was bound to taper off.

Some decisions on new projects have, however, been recently announced, particularly the three steel plants, the small car project and the new scooter plant. All these projects are likely to have a significant multiplier effect, provided work on them is commenced early. Government has built up a financial infrastructure to channel funds into different sectors of the economy, including industry, agriculture, rural electrification and housing. It should now seek to put these financial agencies in funds so as to enable them to promote investment aggressively.

At the same time, the initiatives in the area of social justice — for example, fortified food for children — have to be taken beyond the token stage. Unless a broader vision is brought to planning to cover both growth and social justice, there is real danger that the process of stagnation and disillusionment will become irreversible. In framing the Fourth Plan the Planning Commission, it appears, set about deliberately to insulate the planning exercise from these political-economic realities. It put together a collection of economic programmes on the basis of investment: output arithmetic without any serious objectives-orientation. This is most evident in the Plan's silence on employment and on minimum standards of living.

The irrelevance of a great deal of the Planning Commission's current thinking became obvious at this week's meeting of the full Commission, with the Prime Minister presiding. Meeting on the same day as the Planning Commission, the Congress(R) Working Committee adopted a resolution calling upon Government to ensure a minimum monthly income of Rs 100 for every family in the next five years and to formulate new programmes creating jobs for an additional half a million people by the end of 1971. Plainly enough, the Working Committee had no idea how these objectives were to be achieved; it may even be questioned whether many of those attending the meeting took the resolution seriously. Yet the fact remains that these broad objectives — additional employment and a minimum level of living — have to be put at the core of our planning exercises if these are to be relevant to our current political-economic situation. At the Planning Commission meeting, however, D R Gadgil was preoccupied with the arithmetic of public and private sector outlays; additional employment would result as the Plan was implemented; as for the price situation, he did not think it even called for serious discussion.

What is wanted is not a shuffling of outlays, but a rearrangement of priorities, bringing to the fore the social objectives of a poor economy in the process of transformation. In a democracy there are no political constants, and the system works only so long as it meets, or promises to meet, the people's needs. Unfortunately, as Wednesday's meeting revealed, our planners are becoming increasingly self-righteous and smug, impervious to the context in which they work.

Surely, it is necessary, and possible, to formulate schemes that are consistent with the Plan and which at the same time will make a significant impact on employment. Road-building and minor irrigation are activities which will increase employment of semi-skilled and unskilled workers as well as of engineers, mechanics and technicians. The urban educated — matriculates and graduates — can be absorbed in primary schools and health services with six months' training. The Education Commission's report, the Fourth Plan assures us, is to be the basis of education policy in the Fourth Plan; yet, nothing particular is apparently contemplated in the sphere of vocational and technical training at the secondary school level as also after matriculation. The growth in the number of educated unemployed and unemployable can be

prevented only by such changes in the education system. Of course, recruitment policy in both the public and the private sectors is crucial; if general national and individual waste is to be avoided, it should be the policy to discourage recruitment of over-qualified persons for jobs for which matriculates are good enough. Without such a change in recruitment policy, it would be difficult to check the present irrational demand for university education and impossible to reform the educational system and tackle the current unrest among the student community.

All these issues are interlinked and is it not the function of the Planning Commission to formulate a consistent and co-ordinated policy-frame for them — about which D R Gadgil used to be so insistent in the past before joining the Commission? Instead of fruitless discussions on overall resources for the Plan, on the precise allocation between the public and private sectors and on the technical details of financing the small car project, would it not be more to the point to concentrate attention on this task?

Independent Fiji

FIJI, a group of islands in the South Pacific, becomes independent today. The main concern of this country will be to undo yet another racial problem created by the colonial practices of the British Raj. In the late 19th century, the British imported Indian indentured labourers into Fiji to cultivate sugar. The Indians, most of them from what is now Uttar Pradesh, were regarded merely as an economic input in the development of a money-spinning cash crop, by British and Australian entrepreneurs. As usual, the social consequences of bringing in an alien population without even consulting the indigenous islanders, were hardly considered.

The population of Fiji now consists of 263,000 Indians, 220,000 Fijians, 14,000 Europeans, 5,000 Chinese and 23,000 of other nationalities. For several years the Fijians held out against Indian demands for independence as they felt that British hegemony would be replaced by Indian domination. The opposition NFP (National Federation Party), which is supported mainly by Indians, has been campaigning for independence and "one-man one-vote" for several years. The ruling Alliance Party, mainly backed by Fijians, was against independence till last year,

when both the parties began to realise that a policy of co-operation rather than confrontation would be more beneficial for all. At the constitutional conference in London, last April, a complex legislative system of checks and balances was accepted by all parties.

While the political climate is presently very calm, largely due to the statesmanship of the Prime Minister, Kamisese Mara, and the leader of the NFP, S M Koya, a mechanical system of political compromise will not be enough to head off trouble in future years. Current economic goals in Fiji will need to be drastically altered if Indians and Fijians are to be prevented from becoming increasingly disenchanted with each other. A complicating factor is that Fijians and the Indians have very different sets of economic values. The Fijians live in villages surrounded by land owned by the village or tribal community and used for subsistence farming. Individual ownership of land and even of other commodities is generally despised. Fijians usually farm, hunt or fish collectively and individuals are in turn looked after, according to need, by the community — an admirable system of almost utopian socialism which has existed in Fiji for centuries. Largely due to their contentment with their own system of values, Fijians could not be persuaded to take up sugar cultivation based on individual incentives for maximising production.

Fijian Indians have, however, become relatively prosperous due to a capacity for individual betterment. In the rural areas, they cultivate sugar around family homesteads and sell the produce to the sugar mills owned by an Australian monopoly, the Colonial Sugar Refining Company. The chief grouse of the Indian farmers is that in spite of cultivating the land for years, they are still tenants, as most of the land cannot be transferred to anyone under ancient, but still valid, Fijian customary laws, as it belongs to the community and not to any individual. All the same, the rural Indians as well as the large number of urban Indian traders and professional men generally have higher incomes than the Fijians. This understandably creates tensions which can only be resolved if the government is able to harness the individual enterprise of the Indians and the collective effort of the Fijians towards the general economic development of Fiji with particular attention towards the needs of the underprivileged sectors of the population, irrespective of racial origins.

UP: The Morning After

IT is understandable that the Prime Minister should be anxious to end President's rule in UP before the commencement of the winter session of Parliament. The move to impeach the President with the necessary two-thirds majority need not be taken seriously, but the vote on ratification of President's rule might well turn out to be uncomfortably close. CPI(M) has indicated that it will vote against the Government as will perhaps sections of SSP and PSP. At the same time, the decision to revoke President's rule will not be an easy one for the Prime Minister to take. To hand over UP to a Samyuktha Vidhayak Dal government would be to make nonsense of the imposition of President's rule by strong-arm methods for which she has already been so bitterly criticised. And as matters stand at the time of going to press, it appears that it would be difficult to keep an SVD government out of office except by prolonging President's rule.

Most of Congress(R) calculations in UP have gone awry. The first disappointment came long ago when Charan Singh successfully maintained the unity of BKD after his refusal to merge the party with Congress(R). It was known that there was a group in BKD which favoured close relations with Congress(R) and Congress(R) leaders had expected that this group would turn against Charan Singh when the merger move was turned down. Congress(R) leaders were even more disappointed when the unity of BKD survived the withdrawal of Congress(R) support to Charan Singh and his removal from Chief Ministership through the imposition of President's rule. It was believed that it was Charan Singh's power of patronage as Chief Minister which had so long held BKD together and that the party would fall apart once this power was lost. A last desperate hope of Congress(R) was that SSP's proclaimed opposition to Charan Singh and the personal antipathy between the BKD leader and C B Gupta would prevent Congress(O), Jan Sangh, BKD and SSP from agreeing on a common leader and so forming the government. Even this hope has now been lost with Charan Singh withdrawing from the race for leadership of SVD. Kamalapati Tripathi's claim that he commands a majority in the Assembly looks even less credible now; not only has he failed to induce the expected defections from BKD and Congress(O), he faces the prospect of

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substantial defections from his party should an SVD government be formed.

The Prime Minister evidently has no illusions about the political situation that faces her in UP. That the precipitate break-up of the coalition with BKD was a bloomer, perpetrated by the incompetent leaders of her party in the State, must be now clear to her. But things have gone too far and the choice before her is between revoking President rule and allowing an SVD government to come to power and persisting with President rule and taking the rap for it in Parliament. The results of the former course would be a severe setback to Congress(R) in UP and even nationally, though the Prime Minister can perhaps hope that the parties constituting the SVD may not pull together long enough for the government to last till the general election. On the other hand, should she decide to extend President's rule she will almost definitely be able to survive a trial of strength in Parliament. Having already drawn so much criticism over the manner of imposition of President rule, she might well decide to stick it out till the political situation in the State changes to her advantage. The choice is a delicate one and this might just be one of those situations in which the President, constitutional head though he is, might materially influence the Prime Minister's decision.

Return of Golden Age?

AFTER a quiet spell of a little less than a year, the price of gold seems to be aquiver again. In a short span of time, it has risen more than a dollar an ounce.

It is difficult to gauge the factors responsible for the latest rise in gold price. Price levels have been rising in US, but so have they been in other countries, particularly UK, West Germany, France and Japan. Recent wage settlements in these countries have been made at increases of 10 per cent or more in wage rates. World trade seems to be still expanding. No particular currency is, however, under sustained pressure, and many countries have been willing to pay the price of deliberately slowing down growth for containing inflationary pressures.

There is perhaps some re-emergence of demand for gold for hoarding. The situation in West Asia is still uncertain. The Latin American countries seem to be taking a turn to the Left, as recent political developments in Bolivia and Chile show. The Swiss bank account, so long deemed an equi-

valent of gold holding, might not, under US pressures, give the same assurance of anonymity as it had in the past.

Yet on the whole the present flutter seems to be a transient one. First, the underlying trends in their economies seem to presage return of financial and economic stability in countries which have been recently suffering from inflationary pressures. Secondly, the conversion of US to a flexible exchange rate system and the successful operation of the SDR system provide safety valves in case the international currency system comes under pressure. Thirdly, the demand for speculative hoarding of gold is not likely to be so strong as to force through a change in the official gold price. Finally, the US agreement with South Africa will be ly ensures that South Africa will be compelled to sell gold on the free market when the price is above the official rate, thus providing a means for containing demand for gold in the free market.

In Search of a 'Line'

THE Central Committee of CPI(M) was scheduled to meet this Thursday to review the party 'line' in the light of the current political situation. Such a review is clearly in order. Recent political developments have affected the party profoundly. The united fronts in West Bengal and Kerala, in which it was the dominant force, have both split, leaving the party relatively isolated. CPI, by contrast, has developed a posture — that of openly supporting the Prime Minister and Congress(R) — which, while it may be at variance with its claim to being a Marxist party, is apparently capable of yielding some immediate political dividend. The theoretical justification for this in terms of the need for building up a broad-based front of 'democratic' parties is plausible, considering CPI's own narrow base.

But what about CPI(M)? The party has been forced by a number of developments to abandon its initial approach, after the split in Congress, of extending lukewarm support to Congress(R). First, consistent with her strategy of building up the image of Congress(R) as a broad-based Left-of-Centre party and faced with criticism of being soft on communists, the Prime Minister's cost-benefit calculations have shown CPI as the more acceptable ally. So as to appear to be maintaining a balance, she now invariably lumps Left extremists, meaning CPI(M) and the Naxalites, with

Right reactionaries and communalists as the enemies of Congress(R). Second, the Prime Minister's efforts to rehabilitate her party in Kerala and West Bengal have brought her into conflict with CPI(M), the dominant party in both States. Third, cordial relations with CPI fitted in well with the Prime Minister's policy of maintaining close relations with Soviet Union.

Spurned by the Prime Minister and Congress(R), CPI(M) has recently found itself in some quaint situations. On the Bill to amend the Constitution to do away with the privileges of former princes, the party supported the Government even though its spokesmen declared in Parliament that the measure was merely an exercise in political opportunism on the part of the Prime Minister. In the recent Kerala election, cornered by the Congress(R) alliance with the united front of CPI and other parties, CPI(M) turned to working out an ill-concealed understanding with Congress(O). More recently, the party was bitterly critical of the Prime Minister's manoeuvres in UP and yet it fought shy of being seen to be openly working with Congress(O), Swatantra and Jan Sangh. As a result, we had the odd spectacle of the party declining to attend the meeting of opposition leaders in New Delhi on Wednesday and to accompany the delegation of these parties which met the President and at the same time authorising the Congress(O) leader, Ram Subhag Singh, to declare that their efforts had the "complete support" of the party.

To one view it might appear that CPI(M) is playing Lohia's game of all-out opposition to the Prime Minister and Congress(R) with no better idea than the late SSP leader of how this tactic is to be developed into a long-term political strategy. Alternatively, CPI(M)'s current posture may be interpreted to reflect a realistic appreciation of its own limited strength, and, therefore, of the need to act in concert with other political forces. In that case, the CPI(M) position does not seem to be all that different from the CPI one except that once the need for a broad-based front is accepted, the case for joining hands with Congress(R) may appear marginally stronger than that for teaming up with Congress(O), Jan Sangh and Swatantra.

Its ambivalent attitude to Congress(R), its opportunist alliances with parties which it itself describes as reactionary and its failure in Kerala, and very likely in West Bengal as well, to capture power through the parliament-

tary system are evidently causing much confusion within CPI(M) and among its supporters. As a result, the party has been rendered more vulnerable than ever to the appeal of CPI(M-L) and others who take their position on the

basic premise that a genuine Marxist party cannot function through the parliamentary system. Its still large mass bases in Kerala and West Bengal cannot obscure the long-term implications of this situation for CPI(M).

BUSINESS

The Cuckoo Sings Not

A Correspondent writes:

IF the cuckoo does not sing, does one shoot it, coax it or just wait? The cuckoo has not obliged newspaper magnate Ramnath Goenka for the second successive year in his bid to take over Indian Iron. His defeat in the poll over the annual accounts of the company has revealed that his options are now fewer than had been generally believed.

Goenka knew what he was up against. At the annual general meeting of Indian Iron last week, he tactfully withdrew from the contest against Biren Mookerjee, IISCO chairman, but, as it appears in retrospect, somewhat rashly insisted on a poll on the company's accounts. In a sense, Goenka was obliged to contest the accounts. He had been soliciting for proxies on the ground that under his management he would step up IISCO dividend from 6 to 10 if not 12 per cent. If Tatas could tap general reserves to maintain TISCO dividend, why should IISCO fight shy of protecting shareholders' interests, the argument went.

The voting was 131 lakhs in favour of the accounts and a little over 81 lakhs against. About 6.5 lakh votes were declared invalid — presumably those of Dalhousie, an investment company favourable to the existing management. Judging from press reports, Biren disowned the Dalhousie votes. Just over 60 per cent of the valid votes and 58 per cent of the shareholding went in favour of the existing management.

Where did Goenka go wrong in his calculations? He is believed to own about 36 per cent of IISCO equity directly or indirectly. Additionally, shareholders owning 6 per cent of the equity were known to be in his favour. However, the voting shows that Goenka got the support of just about 33 per cent of total equity holding. In other words, about 9 per cent of the equity, though controlled by Goenka, was used against him.

For this the existing management of IISCO is indebted to Reserve Bank.

Roughly 11 per cent of IISCO equity is pledged with the banks. Voting rights attached to such shares — or rather to that portion of them against which banks had given overdrafts — were taken over by the banks and cast against Goenka. Reserve Bank thus went a step further in the IISCO case than in National Rayon where it had merely frozen the votes of shares pledged with banks.

The public sector's role in the Goenka-Mookerjee tussle over Indian Iron is not confined to banks. Life Insurance Corporation owns 25 per cent of IISCO equity. LIC and the banks have thus put in as many votes as Goenka in the contest. The contest was thus really not between Goenka and the existing management.

The question that follows from this is what should be the extent of Government representation on IISCO board. During 1969-70 LIC had just one nominee and Government another on the 12-member board. The other ten, including Biren, or at least a majority of them, belonged to what may be called the Mookerjee group, which enjoys the support of Martin Burn (3 per cent of equity), a few investment trusts (13 per cent) and a small proportion of other shareholders.

The question of public sector representation arises not so much because LIC or the banks wield sizeable voting power but because a major steel company is under pressure from two groups which are both in a minority. However sizeable one of the minority groups may be, this group is interested, on its own admission, only in securing a higher dividend for shareholders, if need be at the expense of sound management. The minority group at present in control, too, may at some future date take a similar line, as the management of the other private sector steel company has done.

Steel is too important a sector to be left to the pulls of rival representatives of shareholders' interests. It is on this consideration that Government must

take steps to increase its representation in the IISCO board and provide effective insulation between ownership and control. At last week's annual general meeting two of the Mookerjee directors, B R Sen and the Maharaja of Burdwan, declined re-election after having first offered themselves. These vacancies should be filled with Government nominees.

Slow-Down at IFC

THE year 1969-70 was a difficult one for industry — and, therefore, for industrial finance institutions. This is evident from the annual report of Industrial Finance Corporation for the year ended June 30, 1970. IFC's sanctions amounted to Rs 18.47 crores (loans Rs 15.19 crores, guarantees Rs 2 crores and underwriting Rs 1.28 crores) in 1969-70 against Rs 28.24 crores (loans Rs 25.02 crores, guarantees Rs 50 lakhs and underwriting Rs 2.72 crores) in 1968-69. Disbursements, reflecting past sanctions, showed a small improvement from Rs 17.04 crores to Rs 18.05 crores.

The difficult situation in many industries is evident from the increase in outstandings — on principal account from Rs 2.57 crores to Rs 3.11 crores and on interest account from Rs 3.12 crores to Rs 3.73 crores. The industry groups mainly responsible for the increase in defaults were textiles, wood and cork, metal products and electrical machinery and appliances.

The relative stagnation in IFC's operations is reflected in the Corporation's cash-flow position. Against repayment of rupee loans of Rs 10.34 crores during the year, the Corporation disbursed only Rs 15.01 crores on rupee loan account; fresh funds raised amounted to only Rs 5.50 crores and the Corporation carried liquid balances of Rs 6.89 crores at 1969-70 end.

In his annual statement, C D Khanna, who assumed charge as Chairman in May 1970, sounds a note of optimism about the prospects of industrial recovery. His approach to defaults is sympathetic — which is right, given the difficult conditions through which industry has had to pass during the last three years. His views on conversion of loans into equity are studiously moderate: he relates it to the low rate of interest charged and would like conversion rights to be exercised only according to agreements arrived at in advance

with borrowers. Khanna also pays due obeisance to another new holy cow — development of backward areas.

With his background, Khanna should be able to impart some dynamism to an organisation with highly bureaucratic traditions. He could begin with a reorganisation of IFC's management structure which seems to be lopsided (*vide* chart on p 6 of the Annual Report for 1969-70), and does not seem to provide for satisfactory distribution of work, departmentally and adequate decentralisation of functions.

Railways Slip Further

RAILWAYS are evidently in a worse financial mess than had been suspected when the Railway budget for 1970-71 was presented. That Railways were in poor shape was obvious even then. Against the expected increase of 9 million tonnes in goods traffic, the actual increase in 1969-70 had been less than 4 million tonnes. The budget for the current year showed a deficit of Rs 15 crores which went up to Rs 28 crores as the newly-appointed Railway Minister attempted to curry favour with Parliament by withdrawing proposals for raising freight rates and fares. The Railway Minister has now revealed that the deficit will rise further to Rs 70 crores. He has sought to make excuses by pointing to the additional payment of Rs 37 crores to Railway employees following the interim relief recommended by the Pay Commission. He spoke also of the damage caused to Railways by natural calamities, to repair which would cost Rs 4 crores in Gujarat alone. The Minister went on to quote statistics to show how increases in fares and freight rates have lagged behind increases in staff costs and prices of materials consumed by Railways, particularly coal and iron and steel.

These are, however, stock excuses which have been trotted out by one Railway Minister after another. The Railways' basic problem in recent years has been that they have continuously failed to attract enough goods traffic. The situation has evidently deteriorated; in the first three months of the current financial year there was a decrease of one million tonnes in freight carried by Railways compared to the corresponding period of 1969-70. Railways had expected an in-

crease in traffic of 2.7 mn tonnes during this period.

Railways' attitude to traffic has always been that once a target of expected increase in traffic is included in a five-year plan, it is the responsibility of others to produce this volume of traffic. Two questions arise in this context. First, do Railways have any means of making their own independent projections of the likely volume and pattern of traffic, in aggregative terms and on particular lines? Accurate demand projections are a *sine qua non* of any successful economic activity and Railways cannot hope to be an exception. Second, must Railways take an entirely fatalistic attitude to the volume of traffic, regarding it as almost entirely beyond their control? In any discussion of freight traffic falling behind expectations, Railway authorities are quick to bring up developments such as the low level of operation of steel plants or slow progress of construction at Bokaro. They do not, however, care to examine whether it is possible to make up for at least a part of the traffic lost as a result of developments beyond their control by securing other traffic.

In this context it is significant that Railway spokesman fight shy of mentioning competition from road transport as a material factor affecting their operations. It is not that Railways are not concerned about such competition, but that their concern invariably takes the form of surreptitious attempts to pressurise Government to discourage expansion of road transport. Of late, these attempts have been evidently infructuous, judging by the rapid growth of investment in road transport, encouraged by State Governments and financed by money from even all-India financial institutions like IDBI.

If Railways are to check their decline, they will have to work out schemes for withstanding competition from road transport in overall terms as well as in particular areas and in the carriage of particular types of goods. The bureaucrats in the all-powerful Railway Board evidently have no appetite for this kind of work. They prefer to complain about cost increases or being let down by Planning Commission — or to talk about the need for rail-road co-ordination which, they hope, will help Railways to survive in their archaic and inefficient ways.

No Room for Complacency

THE accounts of Indian Oil Corporation for the year ended March 31, 1970 show that the Corporation has maintained its progress. Sales increased from Rs 307 crores (Rs 219 crores net of excise) in 1968-69 to Rs 351 crores (Rs 284 crores net of excise) in 1969-70; "other" income rose from Rs 1.58 crores to Rs 2.69 crores (though the break-up provided of this income is not adequate). Profit net of depreciation increased from Rs 18.46 crores to Rs 20.41 crores. The notes on the accounts, however, reveal many disputes — particularly over claims of Rs 20.81 crores, the major items being Rs 7.40 crores for excise, Rs 3.77 crores for difference in rate of crude claimed by suppliers, and Rs 5.65 crores for compensation claimed by coal mines for a pipeline.

The Corporation's net fixed assets increased only marginally in 1969-70, from Rs 148.51 crores to Rs 149.64 crores. Current assets increased from Rs 89.71 crores to Rs 104.70 crores (mainly owing to a rise in inventories from Rs 40.02 crores to Rs 51.11 crores), though net current assets declined from Rs 39.17 crores to Rs 34.66 crores. These were financed by share capital of Rs 71.18 crores, reserves of Rs 38.97 crores, and borrowings of Rs 75.25 crores (down from Rs 93.29 crores at previous year-end).

By the standards of Government companies, this must all seem very good. Crude oil processed at the Corporation's three refineries was 6.27 mn tonnes in 1969-70; a fourth refinery at Haldia is under construction. The Corporation now controls 52.7 per cent of the oil market. The Chairman, N N Kashyap, takes justifiable pride in the performance of the Corporation in his annual statement. However, he has little to say on Indian Oil's strategy of production and marketing. It is to be hoped that the monopoly afforded to the Corporation by Government policy will not make for easy living. Government gets a 7 per cent return on its investment in Indian Oil which, while it is, much higher than what Government gets on most of its investment in public sector enterprises, is still rather low not only by the oil industry's standards but also in relation to the minimum return on capital prescribed by the Planning Commission for public enterprises.

The Naked Fact of Power

Romesh Thapar

THE tantrums and alarums over the political crisis in strategically vital Uttar Pradesh, the tortuous arguments of Governor Gopala Reddy to justify the devaluation of the State legislature, the easy polarisation taking place in the ranks of lawyers and constitutionalists on the use of presidential power, and the attempts by the Prime Minister to reassure an elite turning hostile that the democratic system is not being buried, has helped to uncover the naked fact of power which lies at the base of the political developments we are witnessing.

This is not something new. It is just that we had, over the years, developed a philosophical reluctance to accept the ugly reality of power, refused to recognise it. And, what's more, the reality was hidden, disguised. Now, the cosy, romantic notions about our politics are certainly being buried, but whether the other essential elements of democratic functioning are being buried or not, it is too early to say. We shall have to wait and see.

However much the leading caucus of the ruling Congress Party may wish to keep out of the limelight, the average thinking citizen is now convinced that the democratic system is being manipulated to serve the ends of this particular group of leaders. A campaign is also being launched to place the entire responsibility on Indira Gandhi. What the public thinks about these developments, it is difficult to say. They have been handled with an incredible lack of competence and sophistication, a state of affairs that is becoming a 'style'.

And, now, it is alleged that money is being used to sway the loyalties of individual MLAs in UP in order to usher in another 'popular' government, this time under Kamalapati Tripathi! Public opinion, disturbed as never before, will not really crystallise until it has reacted to the totality of events in UP — and elsewhere, if there are to be any serious repercussions.

It is becoming clear that the ruling Congress Party's leadership is not prepared to spare any stratagem, legal or illegal, to consolidate its hold on the so-called heartland of India. Populous, backward Uttar Pradesh and Bihar — and also Madhya Pradesh — are to be controlled, manipulated, disciplined. Their voting power at the Centre is

decisive and cannot be permitted to be decimated because of constitutional niceties. The decision appears to be firm and irrevocable, and, if viewed in historical perspective, represents the first step after a decade to restore the power, prestige and initiative of the Centre.

Over the last few years, the GOI has been repeatedly reminded of its impotence whenever the Chief Ministers have gathered to confer with the 'seniors' in the Capital. On the most recent occasion, the crucial question of land ceilings was treated with scant respect. There is sustained talk about getting these gentlemen to toe the line; but the erosion of the Centre's power is on such a scale that its manipulations, constitutional and unconstitutional, in Uttar Pradesh are certainly not going to frighten the men who rule the States. Punitive action by the Centre, acting through the President and his governors, against Chief Ministers is an insult to the legislatures — and the counter-attack is likely to build from this base.

Judging from the intensity of political transformations, and the instant thinking which characterises these transformations at the party and individual level, it will not be long before the Centre listens more sympathetically to the plea to break the 'one-language-one-State' formula which broadly governed the decisions of the States Reorganisation Commission and which gives the Chief Ministers their power. Two or three States, speaking the same language,

replacing the single giant State, and reflecting new regional urges, is likely to be seen as a rational social-political answer to the factional tangles developing in the existing States.

The signs and portents are already visible — and again Andhra Pradesh leads with Telengana. Maybe, a second States Reorganisation Commission will emerge from the present stirrings. A federation of 30 or 40 States would spell health.

Meanwhile, politicians, miserable or wretched or healthy, are feverishly assessing the new trends which have been set in motion. Even as they speak of the 'rape of democracy' and of Indira Gandhi's bid for 'personal power', they continue to have faith in the system which gives them power, privilege and prestige. Unlike intellectuals and their kin, who seem to be developing the habit of throwing in the sponge at the slightest provocation, the politicians have no intention of withdrawing from the battle. But, the ruling Congress Party, without the structure of a coherent policy, short- and long-term, and without the necessary decision-making apparatus at political, bureaucratic and managerial levels, faces rough weather. The naked fact of power is not easily handled.

Even as these thoughts obsess the mind of the Capital, Gamal Abdel Nasser passes on. His life was a reminder, to us in the developing world, that power is to be seized and used for the moulding of whole peoples and not for puny personal assertions. Nasser was only 35 years old when he became the symbol of resurgence for the Arab peoples . . .

October 5

SUBSCRIPTION RATES

	Inland	Foreign (Surface Mail)
Six months	Rs 32	
One year	Rs 60	Rs 75, \$ 10.00, £ 4 4s
Two years	Rs 110	Rs 140, \$ 18.75, £ 7 15s
Three years	Rs 160	Rs 205, \$ 27.50, £ 11 8s

Foreign Air Mail Rates on Inquiry

Concessional Rates for Students, Teachers and Researchers

Six months	Rs 13	One year	Rs 25
Two years	Rs 45	Three years	Rs 65

Concessional Rates Are Not Applicable to Institutions

Wide Swings in Prices

Nishtar

WHAT is one to make of the recent wide swings in spot groundnut oil prices? From the all-time high of Rs 5,675 (per tonne) recorded early in the second week of September, the spot quotation for groundnut oil (in Bombay) declined gradually to Rs 4,750 on September 28. It again soared to Rs 5,575 on October 3, but fell sharply to Rs 4,850 on October 6. The decline from Rs 5,675 to Rs 4,750 was partly a correction of the temporary price distortion consequent to dislocation of supplies caused by the excessive rains and floods in the neighbouring Gujarat State; partly it also reflected a change in market psychology induced by the assured prospect of a record groundnut crop this season. The sudden spurt to Rs 5,575, which took almost every one by surprise, would seem to have been caused essentially by the temporary excess of seasonal demand over somewhat reduced supply. This incidentally serves to highlight the very sensitive nature of the commodity. Apart from being an important item of daily consumption, groundnut oil is also held in high esteem by speculators whose activities reach far beyond the narrow limits of the recognised futures markets. The renewed weekend setback, bringing down the spot quotation to Rs 4,850, represents the seasonal phenomenon and the seasonal decline which is now getting under way can be expected to continue for quite some time. How the trend will progress is, of course, difficult to say, as it would all depend on the tempo of arrivals. The recent wide fluctuations in spot prices have had their impact on forward positions, though to a much lesser extent.

That the groundnut crop will set a new record this season is no longer in question. Differences relate only to its size, varying, estimated between 62/63 lakh tonnes and 69/70 lakh tonnes (in shell). In view of the extremely unsatisfactory nature of crop reporting in the country, it is difficult to say how big the crop will actually turn out to be. Uncertainty about the actual size of the crop continues in fact right up to the end of the season. Little wonder that Government is never able to formulate effective and appropriate regulatory measures to influence the course

of prices. The need for a reliable agency for making quick estimates of major crops can scarcely be overemphasised.

Of course, supply is only one side of the equation; but it is one which needs to be assessed with a fair amount of accuracy. Demand is far more difficult to assess. Very often, an imbalance between demand and supply is sought to be measured by one's judgment about prices which raises a host of complicated problems because of the conflicting interests involved.

With record production of groundnut and the very favourable conditions for rabi sowings, one could look forward to a fairly substantial increase in availability of vegetable oils this season. Yet this cannot bridge the huge gap that exists between demand and supply. The per capita availability of edible oils is currently placed at a little over 2.5 kg. The continuing shortage of vegetable oils and their high prices have not merely caused considerable hardship to consumers and the oil-based industries but have virtually ruined the export trade in vegetable oils. Once a leading exporter of vegetable oils, India has been a net importer of oils and fats since 1957. Over the past few years, imports of oils and fats have averaged around 2 lakh tonnes a year. And even so prices have continued to rise.

The plea made by the recent all-India convention of oil and oilseeds trade and industry, urging Government to recognise oilseeds as a major agricultural crop in the country after rice and wheat, will be readily endorsed. In the absence of any technological breakthrough, the country will continue to face the spectre of oil famine. The convention has made several useful suggestions to improve the supply position through increased productivity of existing oilseeds, developmental plans for new ones like soyabean and sunflower, exploitation of the oil potential of other oil-bearing materials, and export of the dearer oils and fats for importing cheaper varieties.

The decline in groundnut oil prices, which is now under way, should be welcomed. October delivery is currently quoted around Rs 3,950 and November position is mentioned around Rs 3,550. Prices should be allowed to

seek lower levels under pressure of new crop supplies. Instead of building a buffer stock of groundnut oil, New Delhi will be well advised to suspend supplies of imported soyabean oil and to conserve it for distribution when the marketing season passes its peak. This is about the only way to produce the maximum impact on the market with the limited supplies of imported material.

The weekend decline in groundnut oil prices has imparted a softer tendency to the rest of the market. Castor futures have tended to rule firmer recently, based on ideas of improved export prospects following the downward revision of Brazilian castor crop to 2.75 lakh tonnes against last season's harvest of 3.80 lakh tonnes.

Lack of Care

THE cotton crop is now in a fairly advanced stage. But few cotton men seem willing to risk their reputation by putting forth their estimates about the crop. This is not surprising. For, cotton crop estimates have more often proved wrong than right. However, from the little one can gather from knowledgeable market men, it appears that the crop might not exceed 61/62 lakh bales. This would be very poor performance for the second year of the Fourth Plan which has set its target for 1973-74 at 80 lakh bales. How can one expect any major breakthrough in production when no worthwhile effort has been made to step up production?

In view of the increased spindleage activity following the recommissioning of some of the closed mills and reasonably satisfactory conditions in the piecegoods market, there seems little chance of any big decline in cotton prices from the prevailing high levels if the crop turns out to be around 61/62 lakh bales. Of course, much could depend on the volume of imports and on the discipline the authorities might choose to enforce on the industry. The trade is eagerly awaiting the relaxation of credit curbs as cotton has already starting moving into the market at some places. If the Reserve Bank's decision were to be guided mainly by the trend of cotton prices, then credit liberalisation might fall far short of the trade's expectations. One hopes that the Reserve Bank has grown wiser by its experience with credit curbs last season. To be effective and meaningful, credit curbs must also cover the co-operative

marketing sector.

Importers' discussions with the Cotton Corporation have not yet borne fruit. The result is that import activity has shrunk considerably. It is interesting to note that, the one per cent commission payable by the exporter — which is sought to be shared among the trade, CCI and the mills — is to be calculated on an f.o.b. basis whereas according to the normal practice in vogue it is payable on c.i.f. value. This will mean a net loss to the country. The Corporation could not have intended it that way. It is a case of utter lack of care on the part of the Corporation. A poor start!

On the Retreat

DALAL Street was in the news for some time. Not for its speculative excesses, but for the longest-ever strike in its history by the stock-brokers' ill-paid employees. Except during acute payments crises, never before has trading on the Bombay Stock Exchange been known to have remained suspended for as many as 13 days. The strike was called off on October 3 following a settlement reached between the Share Bazar Staff Union and stock-brokers' representatives in the presence of the State Labour Commissioner. The strike has been a complete success and the Union deserves to be congratulated for the dignified manner in which it conducted its peaceful agitation.

The market encountered heavy selling when it resumed business on October 5 after a fortnight's break. Equities suffered an all-round sharp setback, with some of the speculators' favourites recording the sharpest one-day fall for a long time. The all-India index for equities which had made a new all-time high on October 3 was pushed down to the level where it stood on September 26. In other words, gains accumulated over a week were wiped out in a single session. The market beat a further retreat on Tuesday.

Monday's heavy selling was said to have been touched off by fears of an interim budget to meet the extra burden of Rs 106 crores following the interim relief to Central Government employees and the substantially larger deficit the Railways are likely to incur — around Rs 70 crores against the budgeted figure of Rs 15 crores. The Union Finance Minister's statement that there was no place for unearned incomes in a democratic society was mentioned as yet another unsettling influence.

The stock market dreads taxation, the more so when it is sought to be imposed through an interim budget. Taxation can indeed have a far-reaching impact on the outlook for equities. The weekend shake-out has been blamed on tax fears but technical considerations alone could have produced a much bigger shake-up. The record high 'badla' rates, ranging generally between 15 per cent and 20 per cent and rising to 25 per cent in some cases, clearly indicated that the market had overstretched itself and that its technical position had become extremely vulnerable. The market, however, continued to scale new peaks.

The credulous investor has been led to believe that, in a scarcity-induced boom, equity prices can rise to any extent. Paper profits can be made to swell by creating demand in excess of supply and this is easy enough when floating

stocks are scarce. But the matter does not end there. Profits accrue to the investor only when sales are effected and it is not so easy always. Quite often profits evaporate all too quickly. The need for caution against excessive optimism can scarcely be overemphasised.

The corporate news continues to be good, and most companies hope to be able to improve upon their past performance because of the expansionary impulses in the economy. Wage costs, however, are threatening to erode industry's margins and the price situation is again beginning to cause anxiety. The economy is pushing ahead, but its growth rate leaves much to be desired. Indeed, stock markets seem to have moved far ahead of the economic indicators without bothering the least about the political weather which has been getting increasingly rough.

COMPANIES

Passing the Buck?

Hansavivek

CENTRAL INDIA SPINNING is showing signs of improvement after a long period of stagnation and losses. During the year to June 1970, turnover increased from Rs 9.71 crores to Rs 10.46 crores, and there was a trading surplus of Rs 49 lakhs against less than Rs 3 lakhs in the previous year. The entire surplus was utilised to provide full depreciation for the period 1960-61 to 1964-65 and part of the depreciation for 1965-66. Arrears of depreciation still amount to Rs 1.19 crores. The directors have not recommended any dividend even on preference shares.

What significantly helped the company, despite the continuous rise in cotton prices and dearness allowance, was the improved tone of the cloth market — though operational economies resulting from more intensive utilisation of plant facilities and increased productivity also helped. The process of replacing the old and worn-out machinery of the 96-year-old Nagpur-based unit was continued on a modest scale because of the paucity of funds. Plant and equipment worth Rs 5 lakhs was installed, and further orders worth Rs 14 lakhs have been placed.

Efforts are being made to diversify

the company's activities in order to reduce its total dependence on textiles. A number of projects are under study and one or two of them are already in the preliminary stages of execution. The company also intends to acquire from Voltas a dealership for agro-industrial products such as tractors, oil engines, pumpsets, etc., for four districts in Vidarbha. In addition, purchase of certain products of Ahmedabad Mills' metals division is being contemplated, on a principal-to-principal basis. The current year's working holds out promise of further improvement. Naval H Tata, Chairman, says that the company is about to turn the corner.

Tata has categorical views, however, about the labour problem and its impact on the unit's performance. According to him, industrial workers in Vidarbha widely abuse the ESIC benefit of sick leave through 'questionable' medical certificates. Under the company's standing orders, a worker is liable to be dismissed for habitual absence from work. To escape this penalty, the absenting workers produce 'illness' certificates from the ESIC. Tata estimates that Central India Spinning's financial results could be at least 20 to 30 per cent better if

ECONOMIC AND POLITICAL WEEKLY

absenteeism — ranging between 15 to 26 per cent — could be minimised. Of the total complement of 7,835 workers, barely 350, or only 4.5 per cent, attended the mills for all the working days of last year.

Mill labour in Vidharba certainly poses a serious problem; yet it is a problem which the mill itself did little to anticipate or cope with. Nor is absenteeism the only cause of Central India Spinning's marginal performance. Like other mills, it is subject to high cotton prices, on the one hand, and controls regarding production and prices, on the other. Here again, the mill has not shown particular management initiative in the past — whether it concerned diversifying to produce also the non-controlled varieties, or coping with dealers who controlled sales, or undertaking investment which could pay off in a reasonable span of time. Recently it has shown new initiatives by way of its own stockist shops, use of a computer to help schedule production of its score and odd varieties, and, at last, two years ago, a sanforised unit for its textiles. But it is yet financially burdened such that a significant portion of its gross profit is lost in interest payments.

MYSORE ELECTRICAL INDUSTRIES has developed a new product called 'phase failure relay' and has included it in the product-range. Prototypes for two new devices are also ready. One is rotor frequency timer for automatically switching rotor resistance while starting slipring motors, and the other is zero speed monitor to be used for 'plugging' of slipring motors. Work is also in progress on earth leakage relay, over-current and over-voltage relay, single phase preventor-cum-under-voltage relay, and D C injection braking unit. High voltage contactor and starter for motors upto 3.3 kV are new additions to the company's products. Heavy duty contactors upto 800 amps for A C applications and also for use on D C circuits are likely to be soon introduced in the market. Arrangements have been made to get the company's circuit breakers tested at a testing station in Italy to satisfy overseas buyers who insist on certificates from an internationally recognised testing station. MEI's accounts for its 25th year, ended March 1970, show turnover up from Rs 207 lakhs to Rs 249 lakhs and gross profit higher at Rs 25 lakhs from Rs 15 lakhs. Net profit

was Rs 9 lakhs (Rs 4 lakhs) to cover the 10 per cent distribution 1.4 times and to provide a net return of 3.6 per cent on total funds employed in the business. Results might have been still better, but for the two-month strike and the scarcity and increase in price of essential raw materials like copper, steel, electrical stampings, etc. Issue of rights shares on a one-for-four basis apart, the board has also recommended, in commemoration of the silver jubilee year, issue of bonus shares in the same proportion. The rights shares will not be entitled to the proposed gift. Building work is in progress on the additional floor area of about 10,000 sq ft. This is preliminary to the proposed next stage of expansion, viz, a modern factory in the newly acquired area adjacent to the present factory at Yeswanthpur.

FIRTH STERLING STEEL's seventh annual report reveals that its board has undergone significant changes. M D Bhat, chairman practically from inception, resigned on October 10, 1969, 'on account of ill-health'. D N Patkar, also a director from inception, resigned from August 24 but no reason has been given for his resignation. Government has altered terms of remuneration of managing director, I M Pai, from those proposed by the board and approved by members. He is to be allowed a salary of Rs 36,000 per annum, plus one per cent of profit by way of commission, with a maximum of Rs 18,000 in addition to certain perquisites. During the year to March 1970, the company's turnover was up from Rs 47 lakhs to Rs 75 lakhs and gross profit from Rs 68,967 to Rs 13 lakhs. After depreciation, there was a net surplus of Rs 10 lakhs (against a deficit of Rs 2 lakhs) which enabled the company to wipe off the entire cumulative deficit. The management has decided to soon take up execution of the third phase to manufacture steel billets. Flow of orders for high speed steel as well as alloy steels has been well maintained and, with the availability of raw materials, the company hopes to produce better results. During the first four months of the current, sales of alloy steel have exceeded Rs 20 lakhs against Rs 5 lakhs in the same period last year, but those of high speed steel have been only Rs 5 lakhs compared to Rs 27 lakhs because the company did not

have stocks. The position is likely to improve in the latter part of the year, as high speed billets are being received now.

JAY ENGINEERING's sales were up from Rs 14.55 crores to Rs 15.96 crores in the year to March 1970, but its gross profit dropped from Rs 105 lakhs to Rs 71 lakhs due to 'very large' bonus payments made in the 'prevailing Calcutta situation' and the uneconomic working of the sewing machine factory. With a substantial reduction in taxation, net profit was slightly higher at Rs 26 lakhs (Rs 25 lakhs) to cover the equity dividend lowered by two points to 8 per cent 1.4 times and to give a return of 2.6 per cent on total funds employed in business. Production at the sewing machine factory has been stopped since January on account of 'militant labour agitation'. Operations of the fan factory were maintained under difficult conditions, which became worse on account of shortage of castings due to stoppage of production in the sewing machine factory's foundry. The Hyderabad unit continued to improve its operations. Operations at Agra were started during the year, and it is hoped that with these two factories the company may be able to maintain supplies for exports and the domestic market. Operations of Usha Ceylon continued satisfactorily, but outlook for future is affected by the 'cost-price squeeze situation developing in Ceylon'. The directors expect a major re-orientation in the industrial policy of the new Ceylonese government which assumed office in April last.

BOMBAY SUBURBAN ELECTRIC, relying heavily on deposit borrowing, intends to soon raise further long-term capital — Rs 50 lakhs by way of rights equity issue and Rs one crore by a public issue of debentures. Stressing the need to inject external finance in expanding undertakings from time to time, R P Aiyer, chairman, says it has become more acute in recent years because of the continuous rise in cost of electrical equipment. The company's gross block has grown from Rs 406 lakhs to Rs 1,523 lakhs over the past decade. Continued growth in its area of supply, and the construction programme necessary for such load growth call for additional investment. During its 41st year, ended March 1970, Bombay Suburban's power system re-

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corded increases of 18.71 per cent in K V A demand and 16.42 per cent in sale of energy — a growth which is more than normal — in spite of restrictions on power supply systems in the Bombay-Poona region in the first 4 months of the period. To meet the increase in demands of residential, industrial and commercial users, appropriate construction programmes have been instituted and are in the process of implementation. Net earnings from sale of energy advanced from Rs 5.45 crores to Rs 7.01 crores, and gross profit from Rs 1.17 crores to Rs 1.68 crores. Net profit was Rs 82 lakhs (Rs 54 lakhs), out of which the usual dividend on preference shares and the unchanged 11 per cent on equity will together absorb Rs 38 lakhs. These goods results were partly due to rate increases on all classes of supply, except for lights and fans in residential premises and for public lamps, from September 1969, consequent to the

increase in bulk supply charges by 20 per cent from that date.

INDIA PAPER PULP increased its production of paper from 16,647 tonnes to 17,175 tonnes and sales from Rs 334 lakhs to Rs 369 lakhs in the year ended March 1970, but the outcome was a bigger trading deficit of Rs 10 lakhs against Rs 8 lakhs in the previous year. After depreciation, the deficit increased to Rs 32 lakhs (Rs 34 lakhs), which raised the accumulated deficit to Rs 94 lakhs. This was reduced to Rs 93 lakhs by a withdrawal from reserves. The company has a scheme of balancing equipment, estimated to cost Rs 1.20 crores, to increase production to 21,000 tonnes. This is proposed to be financed by loans from IFCI, ICICI and a bank. The company has also submitted to Government proposals for further increase in production to 24,000 tonnes.

manufacturer has his own computer language, and many American universities are developing their own. However, there are certain languages which are commonly used (with minor variations) by the majority of computer users:

- (1) COBOL (Common Business Oriented Language) for commercial users.
- (2) FORTRAN (Formulae Translation) for scientific purposes. (ALGOL is equally popular in Europe for these purposes.)
- (3) PL-I (Programming Language One) for scientific and commercial purposes on IBM 360 Computers.

These languages are easy to learn and, with experience, easy to use. However, instructions written in COBOL and FORTRAN are not the most efficient in terms of execution speed and computer memory required. Each computer has its own 'machine' language. This is usually difficult to learn and quite tedious and time-consuming to use. However, a programme written in machine language is executed faster, and generally requires less computed memory than if it had been written in some other, 'higher-level' language.

FROM OUR CORRESPONDENTS

Export of Computer Software

From a Special Correspondent

RECENT newspaper reports suggest that Government is proposing to take steps to encourage export of computer software. Among the steps under consideration is the allocation of foreign exchange for import of computers.

Is there a potential for export of software by India? And if so, what are the major difficulties which have so far prevented the exploitation of this potential? What kinds of software would be most suitable for us to develop for the export market?

A computer system basically consists of electronic and electro-mechanical equipment such as card readers, processors, disk and tape drives, printers, terminal typewriters and visual display units. This is known as 'hardware'. In order to make these hardware units perform a job, viz, accept data, manipulate it, and print out results, detailed instructions have to be given to the computer system. These instructions, written in a 'computer language', are known as a computer 'programme'.

The programme may be applications oriented, e.g, calculating and printing invoices (commercial) or an optimal gear design (engineering). Then there

are 'utility' programmes, e.g, to read data from punched cards and transfer it to a magnetic tape, or to retrieve data from a tape and output it on a printer. Other examples are programmes which 'sort' information in any desired sequence, e.g, orders can be sorted according to customers, or products, or machine centres, or sales territories, etc. A third and very important set of computer programmes form 'Operating Systems'. These are basically master schedulers which reside in third generation computers and enable 'multi-programming' and 'time-sharing' to be done. These Operating Systems initiate input-output, interrupt current processing if a higher priority job arrives, and in general they ensure that housekeeping functions within the computer are looked after.

Computer programmes, such as the ones described above, are known collectively as 'software'. Fundamentally, software is the means by which human beings control the working and use of the computer system. It is the 'man-machine inter-face'. Software is written in computer language. There are a great number of computer languages. Each

DEMAND FOR SOFTWARE

Since a computer cannot function usefully without being programmed by a human being, the demand for programmers is growing at a fantastic rate. Computers are being manufactured and installed at a much faster rate than programmers are being trained. In magazines like *Fortune* one often comes across articles with titles such as "Wanted 50,000 Programmers". The demand in the future is likely to be even greater as shown by the following estimates:

MONEY SPENT ON PROGRAMMING (\$ million)

	Manufacturers	Users
1960	200	350
1963	620	1300
1967	1150	3800
1972 (Forecast)	2100	8000

Source: EDP "Industry Report", May 13, 1968.

Further, a new factor has been introduced: IBM will now charge separately for software and hardware. According to another EDP Industry Report (published by the International Data Corporation): "The separate pricing of computer software and services by IBM could open between \$ 150 mil-

lion and \$200 million in additional business to independent software companies during 1969, bringing their market to the \$500 million level. That would be double the \$250 million estimated to have been spent on independent software during 1968."

As a result of this excess of demand over supply, the following phenomena have been observed:

- (1) Programmers' salaries in the US and, to a lesser extent, in Europe are highly inflated.
- (2) The basic educational qualification of programmers is dropping, as companies are forced to lower their standards. It is quite common to find high school graduates who are programmers.
- (3) Since the demand for systems analysts is also increasing, programmers tend to get promoted as analysts within 2 or 3 years — hence programmers actually on the job tend to have less than 3 years' experience.
- (4) There are a number of highly qualified and experienced programmers in the US; however, they tend to be either employed by manufacturers or software companies. In either case, they have ceased to do applications programming and have become software specialists. Thus actual users find it difficult to employ and retain top programmers.

The result of all this is that the cost of hardware is decreasing and that of software increasing, both in relative and absolute terms.

OPPORTUNITY FOR EXPORT

This situation presents an incredibly good opportunity for India to earn foreign exchange. We have potentially and, to a lesser degree in actual fact, a much more highly educated person willing to specialise as a programmer than in the US. It is not uncommon to find first class Master's degree holders from the Indian Institutes of Technology becoming programmers. Thus the quality of our software effort has a good chance of being superior. Further, once trained, they tend to stick to programming. Thus we have more experienced programmers.

Further, the salaries paid in India are approximately eight times lower than in the US. Thus the cost of our software will be decidedly lower, since the main cost is that of manpower.

Our universities are also producing graduates at a much faster rate than industry can employ — the lack of jobs

for even first class engineering graduates is well known; the same situation obtains for people qualified in statistics and mathematics. Thus the quantity of top rate programmers which we can deploy is unconstrained from the supply point of view.

DIFFICULTIES

Given the fact that potentially there are more, better, and cheaper programmers available, what are the difficulties in training these potential programmers? Fortunately, all training can be done in India. There are excellent manuals and programmed instruction books available. To learn the language (say PL-1 or BAL 360), would take less than three months; to become proficient, another six months.

The question naturally arises: Why aren't we doing this? Why isn't anyone producing software in India and selling it abroad?

There has been a lot of talk in India amongst computer professionals about exporting software. However, there has been no serious attempt at actually doing it. By far the great majority of computers installed in the US are IBM 360 computers; thus 80 per cent of the demand for software is specifically for these computers. There is not a single IBM 360 installed in India as of date. The Defence Ministry is installing an IBM 360/Model 30 but this will not be available to other users. It is believed that a couple of IBM 360/44 (which are mainly scientific computers) will be located at the Indian Institute of Science, Bangalore, and at the Physical Research Laboratory, Ahmedabad. Beyond this, it is doubtful if any commercial user will have an IBM 360 for the next 2 years, since the Government has still not licensed IBM to manufacture and/or assemble these computers in India. Thus access to IBM 360 Computers, which is essential to test and "debug" programmes, is the main bottleneck.

Computer programmes are, moreover, written to precise specifications. These are defined by the systems analyst who interprets the need of the ultimate user of the computer programme. This user could be, say, a production or marketing manager, and he needs an applications programme to schedule production or forecast demand. At the other end of the scale it could be a computer hardware designer who wants a particular type of operating system to run on his computer. In either case, it is notorious how often systems specifications change. Now, if the systems were being designed in the US and program-

med in India there would be a communications problem. This difficulty in quick and accurate communication would lead to faulty and slow programming.

Last but not the least, what software should one write and how should it be marketed? If the right type of software is developed the communications problem is largely overcome.

TYPE OF SOFTWARE TO BE DEVELOPED

Utility Programmes: It is clear that programmers would find it very difficult to design Operating Systems in India since these systems are written in very close collaboration with the computer hardware designer. Operating Systems are such an intimate part of computers that the manufacturer is best placed to develop his own Operating Systems. However, peripheral improvements and modifications could be taken up by independent software houses.

There are two jobs which take up about 80 per cent of computer time on all commercial computer installations, and these are:

- (a) sorting routines; and,
- (b) information updating and retrieval.

Manufacturers normally supply sorting routines with the computer. However, these are generalised programmes which may not be suitable for a particular sorting application. Sorting efficiency depends on factors such as data record length, control key locations and size, central processor storage capacity, number of disk and tape units, etc. Therefore, given a specific sorting application which is to be regularly run on a particular computer configuration, it would not be difficult to develop a sorting algorithm which would reduce computer time and storage required, thus bringing substantial benefits to users.

A major portion of data processing work in a commercial computer centre involves

- (i) creating data files on inventories, customers, etc;
- (ii) adding and/or deleting records from these files; and,
- (iii) retrieving information from these files, perhaps summarising, or averaging important variables, and printing out management reports.

In most installations, separate programmes have to be written to get at selected information from data files and for other functions mentioned above. However, it is possible to develop a software package which completely obviates the need for a programmer. The user simply fills in a form giving relevant

details such as data file name, information wanted, etc.

A package programme such as this has been most successfully marketed in the US by Informatics Inc. The package, called MARK IV, interfaces with IBM 360 operating systems. It sells for \$30,000 and is used by virtually all major commercial installations in the US. It would be possible to develop and market such a software package at a much lower cost if access to a system 360 was available in India for testing and debugging programmes.

Conversion from IBM 1401 to System 360: There are a number of users in the US and Europe who have replaced their IBM 1401 computers with IBM 360 systems, and yet are running 1401 programmes in an emulation (or simulation) mode on the 360 because they cannot find programmers to rewrite the programmes in a 360 language such as PL-1 or BAL. This is obviously a very inefficient use of 360 computers. In India we have 1401 programmers as good as any in the world. It would be easy for them to rewrite these programmes in a 360 language.

Software for operational research techniques: A number of sophisticated mathematical solutions to commercial and industrial problems are being published every month. Some of these techniques require extensive computations, and even the fastest and biggest computers may not be good enough. Thus a huge market has developed for a software package to use operational research techniques. The consulting

ASSAM

Wages of Evasion

THE Prime Minister will have visited Assam by the time this appears in print. The political object of the visit is to choose a successor to the convalescing Chaliha, who is recovering but is not yet well enough to get back to work. Mohendra Mohan Chaudhury has been trying his best to win the Prime Minister's confidence. He is believed to enjoy the support of the majority in the Congress legislature party. But Indira Gandhi's choice is not yet made, for she has to see that the interests of her party do not suffer. Will Chaudhury's election lead to the break-up of the party? How loyal is Chaudhury to her? What will be the impact of his leadership on the State electorate? All these considerations will weigh with her when she

firm of Bonner and Moore in the US have a big reputation for Linear Programming Software, other firms specialise in inventory control techniques or forecasting systems, or simulation languages. There is one software house in the US which does only integer programming. These software packages would be easy to produce in India.

It will be noticed that if software is developed as suggested above, the communications problem becomes unimportant because detailed programming specifications are known and are not likely to change. Thus, at the most, a small liaison office would be necessary in the US and Europe. This office could market software, handle communications, and if necessary make software changes on the spot if they are of a minor nature.

It would be essential to develop software for System 360 computers rather than any other system as the market is immeasurably greater. Given access to a System 360 there is every reason to believe that a software house in India would earn substantial foreign exchange through exports.

The prerequisite for developing software for export, therefore, would be having an in-house System 360 computer, or at least regular access to one in India. Software programmes are complicated to develop and a considerable amount of testing and "debugging" on a 360 computer would be necessary to ensure that they are in fact error-free and perform the tasks they are supposed to efficiently and accurately.

takes a decision on the issue.

Organisational elections are due to be held in Assam Congress in the near future. Interestingly enough, Bijoy Chandra Bhagwati seems to be no longer Chaudhury's inevitable opponent for the Chief Ministership. Bhagwati also seems not of one mind about his nominee for the post of party president. Chaudhury is a better manoeuvrer, but his mercurial changes of political positions often render his leadership vulnerable. At the time of the Congress split, he was clearly not with the Indicate; but once it was clear that Indira Gandhi was not going to let the Assam party have its own way he changed his tune. Congress(O) in Assam, however, still claims Chaudhury for its leader.

During her visit, Indira Gandhi will also have to tackle another complicated issue. On the refinery issue, the Central Minister for Industrial Development, Dinesh Singh, has not committed himself beyond what is provided in the Fourth Plan document. This means that the capacity of the Noonmati refinery will be increased by a million tonnes, but the demand for a second 2 million tonne refinery has not been conceded. This has led to widespread dissatisfaction among political parties in the State. A civil disobedience movement has been threatened if the Central Government does not change its position. The experts' opinion that oil wells in the State may soon dry up has been ignored simply because the people know how unreliable the experts' estimates of the oil potential of Assam and NEFA (Urapasiam) have proved to be in the past. Not very long ago, ONGC's own exports had given out that nearly 4 million tonnes of crude per annum would be available from new oil wells in the State.

BREATHING SPACE NEEDED

Indira Gandhi can no longer bypass the refinery demand; she will have to choose between straight denial and ready acquiescence. So long as Assam's economy remains stagnant and the population and unemployment problems remain explosive, every demand, whether right or wrong, will draw sustenance from the dissatisfaction generated by these problems. Birth control is no remedy, for the large number of illiterate Muslim immigrants cannot be covered by the programme. The only way to control population in Assam is to stop outside immigration for the next 15 years to allow the economy a breathing space to recover.

The green revolution has touched only the very fringe of agriculture in the State. Very few villages have been provided with electricity to permit installation of pumpsets for irrigation and only in a small proportion of the farms have the new seeds been sown. An agricultural university has been established, but it has little live contact with farmers and the fields. Land reform does not exist even at the level of ideas and intentions in the villages; the panchayat leaders, who are the vote-catchers for Indira Gandhi's party, are mostly landholders. The expanding educational industry is producing large numbers of unemployed persons every year. The only employment they can look forward to is joining the periodic agitations and going to jails.

EAST AFRICA

Integration via Forced Marriage?

LAST week in Zanzibar four young Asian girls were forcibly taken from their homes and rushed through a ceremony of marriage with elderly members of the Revolutionary Council that has ruled the island since the revolution in 1964. The girls protested, and their parents and relatives questioned the validity of the marriages as well as the credentials of the Kadhi, the officiating priest. For their pains they were charged with obstruction and locked up. The incident raised a storm of protest throughout East Africa, particularly among Muslim organisations. The President of Zanzibar, Abeed Karume, reacted by saying that the people of Zanzibar were free and would not heed what malicious people outside said about them. He had plans, he said, for more such mixed marriages, which he saw as the only way to the integration of the various races living in Zanzibar. If anyone in Zanzibar was not satisfied with what was happening there, he was quite free to pack up and leave.

POSITION OF MINORITIES

Karume's actions are bound to have wide repercussions. In particular, they highlight two issues.

There is, first, the position of minorities, which in this context means primarily the Asians, or more precisely, the Indo-Pakistanis. In colonial East Africa, they had occupied a position midway between the Europeans at the top and the Africans at the bottom. They were mostly civil servants or traders, and in both capacities they were resented by the Africans, who thought that the traders exploited them and the civil servants obstructed their own advance in a civil service career. The Asians had moreover kept to themselves, and their exclusionist practices had further aggravated matters, earning them the hostility of the Africans. So it was not surprising that, when these countries became independent, they launched strong attacks on the Asian community, asking them to revise their superior and exclusionist attitudes and to identify themselves with the African people. At the same time, the new governments pursued actively and vigorously policies of Africanisation in the public services and in commerce, whereby Asians were displaced by Africans. So successful has this process been,

especially in Kenya and Uganda, that the new African bourgeoisie is quite satisfied with its new position and the official pressure on the Asian community to integrate socially with the Africans has all but disappeared. Most Asians now feel much less compulsion to assimilate than they did three years ago, and their communal organisations seem to have taken a new lease of life. But not so in Zanzibar.

RELATIONS WITH MAINLAND

Karume has committed the island to a policy of active racial integration, in which there is no respite for the Asians. A reign of terror has been established and, under the pressures and threats that the community has been subjected to, conformity comes almost mechanically. The community has put up with much arbitrariness and injustice, afraid to resist or retort. Now, at last, they have taken a stand, worried about the security of their womenfolk. Though Zanzibar has set a model of forced integration, it is unlikely that it will appeal to many Africans in the mainland countries — few of whom have expressed other than opposition to what Karume is doing. Yet, the whole incident highlights the vulnerability of the Asian community in the new societies of East Africa and the continuing uncertainty of their future status and prospects.

The second, and perhaps more important, aspect of the incident concerns Zanzibar's position in the United Republic of Tanzania. Zanzibar was united with Tanganyika soon after the revolution in 1964 which overthrew the Sultan. The constitutional instruments that accompanied the union provided for considerable autonomy for the island, the Union Government taking over only a small and specified list of subjects. For the rest, Zanzibar is free to do what and as it wants. And it has done so. Originally it was intended and so provided that, within a year of the union, a final constitutional settlement would be made. Since then, however, there has been a growing divergence of philosophy and methods, and the task of final settlement has thus been postponed indefinitely.

Meanwhile, the differences in the styles of government have become em-

barrassingly obvious. Serious attempts have been made on the mainland to create a just and honest political system, with a large measure of democracy and a firm commitment to human rights and human dignity. The strong position of Julius Nyerere in Tanganyika has not hindered this. In international affairs, Tanzania has sought to lead the fight against the tyrannical regimes in Southern Africa. Zanzibar, on the other hand, had degenerated into a system of personal tyranny, where the processes of law have been suspended and human rights have been suppressed under the force of arms. The people on the mainland have been worried about these practices for some time, and university students have questioned Nyerere on the compatibility of Zanzibar's way of government and administration with the ideals and objectives of the ruling party, TANU. Nyerere has always sought refuge in legalistic reasons, arguing that, under the constitution, Zanzibar is free to do what it likes in areas of 'non-union' subjects. But the argument is beginning to wear a bit thin, especially now that the mainland is about to have its second general election since independence, while Karume refuses his electorate any choice of rulers and denounces elections as an 'imperialist' invention. His action over forced marriages has brought issues to a head. There has been an unprecedented outcry over it in East Africa.

RIGHT OF TYRANNY

Next week, Nyerere goes to the UN to make a plea for the restoration of human rights in Southern Africa. It is not unlikely that he will have to struggle through a crowd of demonstrators to get to the UN buildings. He will surely wish to avoid that. Not only would such a demonstration make a mockery of what he might say in the General Assembly, but what is happening in Zanzibar is too distinctly contrary to what he is trying to establish for the Republic: respect for man, and equal rights for men and women. He may therefore be forced into action, at long last, on the Zanzibar issue. At the time he recognised Biafra, Nyerere asserted the right of Zanzibar to secede from the Union. Yet, perhaps, he ought to draw a distinction between the desires of the people of Zanzibar and those of the Revolutionary Council who have arrogated to themselves the right of tyranny over the island.

October 2

SOUTHERN AFRICA

New Look in the Church?

A K Essack

IT was expected that, sooner or later, the World Council of Churches would be forced to take up a position with regard to the armed struggle in Southern Africa. The decision of the Council to donate 1,400,000 shillings to Freedom Fighters suggested that it had at last made up its mind. The amount is nominal, both in relation to the Church's vast financial resources and the needs of the Freedom Fighters. But its contribution signifies that the Church has 'chosen' now between the Fascist white minority regimes of Vorster, Smith and Caetano, and the national liberation movements. The donation was accompanied by much fanfare. And it was this which underscored the fact that the choice has been motivated more by the desire to save the Church in Southern Africa than by any wish to help the national movements here. The World Council of Churches has never thought of donating anything for the rehabilitation of the people in Indo-China. In fact, not humanitarianism so much as self-preservation has dictated its new stance in Southern Africa.

Armed struggle in Southern Africa broke out first in Angola, in 1961. From there it spread to Mozambique, Namibia and Zimbabwe. During those years of struggle the Fascist regimes wreaked havoc on the populations of these countries. The Church remained silent. It was inevitable, therefore, that the Church would come to be identified with the establishment and rulers in these countries. This was a blow to the image of the Church. After all, in the English colonial part of Southern Africa, the Church had taken pains to establish strong links with the leadership of the African national movements. Most of the high schools and much of university education was in the hands of the Church. Fort Hare in South Africa was the only university that catered to Africans in the whole of Southern, Eastern and Central Africa. In South Africa's non-violent phase, which included passive resistance, prominent Church leaders like Michael Scott and Father Huddleston had condemned apartheid and actively identified themselves with the Africans' struggle. In England Canon Collins had done the same. The Church, however, had publicly withdrawn its support when the national li-

beration movement entered its armed and more uncompromising phase.

It was then that the national liberation movements gravitated definitely towards the independent African states and the socialist countries. But the African states were poor and could hardly meet the needs of the Freedom Fighters who require both arms and medical facilities. The 41 OAU states had until recently contributed only some £0.75 million to the Fighters, and only a few states were up-to-date with their contributions. On the other hand, South Africa was annually spending £175 million on a similar budget and Portugal was spending over £80 million. The Freedom Fighters therefore turned to China and Russia.

The Church had miscalculated the nature of the struggle, which it had considered to be the operation of "bands of terrorists" and the struggle's veering towards China and Russia had confirmed it in its belief. But soon the "terrorists" were liberating large areas and beginning to establish parallel administrations. In those new areas, the Church had no place, for it had been with the oppressors. As the liberation struggles became prolonged the farther was the move away from the Church.

At this stage, an attempt made by the farsighted sections of the Church to save it became apparent. A worldwide campaign was set afoot by them to denounce apartheid and Portuguese tyranny in the colonies. But this by the late sixties, was not enough. For, it was also apparent by then that the very powers who were ostensibly denouncing apartheid, were also arming the Fascist regimes and bolstering them up economically. The Church, therefore, went farther and began to help the families of victims of apartheid and to provide legal defence for those who were being tried under the notorious 'anti-communist and anti-terrorist' laws. It also established refugee committees and provided scholarships to those who had escaped from the Southern African territories.

But by this time such assistance did not measure up to what the national liberation movements demanded. The Church had to commit itself openly to the side of the Freedom Fighters. The most conscious of the Church leaders thus began to openly identify them-

ves with the armed struggle. This was still done on an individual basis, though the Church hierarchy was giving them deliberate leash. The Reverend Morris, until recently attached to the Church of Zambia wrote openly that the Church should support the armed struggle in Southern Africa. Torres, the Roman Catholic priest in Bolivia, had already done so in South America and had paid for it with his life. Such individual acts gave the Church a longer lease of life in those territories. The Pope decided to receive leaders of the national liberation movements of Mozambique, Angola, and Guinea Bissau.

Yet, how far was the Church really committed? After the Pope had received the nationalist leaders, Church leaders in Southern Africa actually came out implicitly against him. Archbishop Hurley of South Africa, reputedly a Church leader who has been a 'strong opponent' of apartheid, immediately repudiated his own spiritual head by condemning the armed struggle and all those who undermined law and order by violent means. Nause, of the Christian Institute of South Africa, who was evidently persecuted and hounded out of the Dutch Reformed Church for questioning some aspects of apartheid, said of the World Council's decision: "We absolutely rejected violence as an effective way of changing the situation of racial injustice to Southern Africa. My own contribution [at the World Council of Churches meeting] was that it is basically wrong and is counter-productive". The Catholic Bishops in the three Portuguese colonies refuse to disassociate themselves from the Caetano regime, let alone support the guerilla movements. At the same time, be it noted, too, that the Church leaders who support reaction are not heretics in the eyes of their overseas leaders. The policy seems to be that, while the World body (the World Council of Churches) supports the armed struggle, the local constituents identify themselves with the rulers of the country and engage in only constitutional protests.

This ambivalence is not surprising. The Church in many countries has been a bastion of reaction. It has been a prop for the regimes in Spain and Portugal, as well as for the military juntas in the South American states. In South Africa the Church enforces segregation voluntarily. Elite private schools run by the Churches admit only whites; applications by non-whites have been turned down on the most trivial excuses. No Church leader has unequivocally come out in favour of full democratic rights

for all, irrespective of race, colour, or creed. Significantly no church leader has been banned or imprisoned by the White establishment. The Church in Southern Africa has been in fact — for the purposes of the Freedom Fighters — part and parcel of the whole machinery of oppression, and Christianity has become identified as the religion of the oppressors. African leaders like Kenneth Kaunda take a philosophic view of it all. At a Press conference at the meeting of the non-aligned countries he said, "Christianity is a revolutionary movement not a conservative one. The Freedom Fighters are doing what the Church did. They are fighting against oppression".

But, of course, the Church's meagre generosity has been outdone by other interested parties in Southern America who spend munificently on the "Freedom movements". A recent survey by an American journal showed that the American Central Intelligence Agency (CIA) was second only to the Portuguese secret police in providing secret funds to liberation movements. The report says, "The Portuguese did so, so as to disrupt and cause dissension, while the American purpose is to get to know the potential leaders and win friendship by clandestine display of sympathy, which defence commitments do not permit to be done openly". The report is not quite accurate, however. America has also split the liberation movements and turned them into obedient puppets. Grace in Angola is one instance. In South Sudan the southerners are also being incited to overthrow the anti-Imperialist government of Nimeiry. The Church is slow and unsuited by comparison.

Indian Rubber Regenerating

INDIAN Rubber Regenerating has had another good year to March 1970, in spite of all-round increases in costs. With a 14 per cent rise in production, sales were up from Rs 88 lakhs to Rs 98 lakhs and gross profit from Rs 13 lakhs to Rs 16 lakhs. Net profit was Rs five lakhs (Rs four lakhs) to cover the dividend stepped up from 7.6 per cent to 12 per cent on the capital enlarged by a third to Rs 35 lakhs. This was done by capitalising part of reserves and increasing the paid-up value of shares from Rs 75 to Rs 100 each. The management is striving to maximise output and further improve profitability by effecting economy at all levels.

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THE FOURTH ESTATE

Viewing without Mobility

Nireekshak

"KERALA" as *National Herald* said, "makes bold political experiments, and the rest of the country watches with profound interest". Certainly, the interest that the land of *kathakali* and *kayakalpa* evokes in the minds of political observers is unmistakably there. The mid-term poll brought out the best in sub-editors and editorial writers, even though that editorial best may not have been nearly good enough.

In fact, the reporting of the election and of the campaign that preceded it was far less exciting than might have been expected. Most reporters showed a marked disinclination to venture out of their base camps in Trivandrum or Ernakulam. This might have had something to do with the inclement weather, but it inevitably robbed the reporting of depth and colour. The nearest approach to mobility in reporting came from the AIR correspondent, who proudly announced that he had travelled all of 16 km from Calicut to Malappuram on election day! The lack of exciting feedback did not, however, dampen the pronouncements of the editorial columns.

If editorial comments are any guide, Kerala not only makes bold political experiments but also produces stunning and confusing results which appear as inexplicable to the commentators as *kathakali* 'mudras' must appear to the uninitiated. So, while *National Herald* thought "the victory of the Congress and the CPI front combination is the victory of the democratic and socialist forces" and "the defeat of the reactionary forces", *Statesman* opined that "more important than the triple alliance's victory . . . is the CPI(M)'s reverse and the Congress(O)'s rout". The vote in Kerala, *Statesman* said, "is a vote against lawlessness There has apparently been a reaction in Kerala to the Marxists' arrogance whether in power or out of it . . . but the CPI(M) has at least retained, by and large, its committed vote although the CPI and the Muslim League votes, which went to the Marxists in 1967, were switched to the triple alliance. The Congress(O)'s plight is a lot worse However, it said, "Mrs Gandhi and her colleagues would be well advised not to let their success in Kerala go to their heads". *Deccan Herald* and *Hindustan*

Standard, too, expressed somewhat contradictory opinions. "If the Marxist setback was unexpected," wrote *Herald*, "even more so was the striking performance of the Congress(R) which holds out bright promise for the future, and of parliamentary democracy". This "truly creditable" success, the paper argued, "is largely due to the bold and imaginative policy adopted by the leadership . . .". *Hindustan Standard*, on the other hand, said that "if the defeat of the CPI(M) is decisive, the victory of the Congress(R)-Mini Front combine is not. It is more spectacular than workable. It is more resounding than solid. The majority is indeed gossamer-thin". Speculating on the possibility of Ministry-making, *Standard* said that, in case the Congress decided to "give the Ministry support from without, that would be just as efficient and convenient as back-seat driving". *Hindu* was somewhat more optimistic. "Out of the confusing political cross currents and a three-front contest in the Kerala mid-term poll, has emerged a verdict that is perhaps less unintelligent than there were reasons to expect", it wrote. "Kerala voters, after being left in the lurch by various combinations of the Right and extreme Left, have cautiously voted for a government with a slight Leftist bias. But they are no doubt asking themselves right now as to why on earth they did not exert themselves enough to vote a stabler combination to power than seems likely". Surely, it is nothing short of revolutionary that *Hindu* should regard CPI, which it rightly anticipated would form the Government, as having only "a slight Leftist bias".

Turning from domestic to foreign issues, a lot of attention was paid by the Press to the civil-war crisis in Jordan. "Jordan is the peril", declared *Hitavada*. "It is obvious that, while Arab fights Arab, Israel, the target of Arab hostility, gets respite and is the gainer". But there were relieving factors in the situation. For instance, King Hussein, who "has perhaps an unequalled record of a monarch braving recurring crises" could still "save Jordan from its present peril". The Central Committee of the Front for Liberation of Palestine, *Hitavada* said, has "as one of its aims the establishment of a better government in Jordan

with King Hussein as its head". And this "acceptance of King Hussein's personal position in the Arab world leaves a ray of hope for an early end to the fighting . . .". Piecing together statements made by Palestinian commandos, King Hussein, and a report in *The Times* (London), *Tribune* came up with the theory that "the real aim of the guerillas (may be) not so much Israel as Jordan and UAR which have been associated with the negotiations for a settlement with Israel". And, "if the guerilla movement is such an insurmountable obstacle to settlement and if it is the prime object of their hijacking exploits and their operations in Jordan to prove the point, nothing would suit the Israelis better". Many newspapers viewed the crisis as a blow to Arab unity. *Hindustan Times*, for example, concluded that "the fighting between the Palestinian commandos and the Jordanian army has practically eroded whatever remained of the concept of Arab unity Whether the skirmishes between the commandos and the Royal Jordanian troops continue or give way to another ceasefire . . . the disarray in the Arab ranks will take months, if not years, to be repaired. This, in a nutshell, is the balance-sheet of the commando tactics".

While a civil war was raging in Jordan was there also a threat developing to India's integrity? According to some newspapers, the DMK's demand for State autonomy, made at the State Autonomy Conference convened by it in Madras, could be regarded as such a threat. *Hindustan Times* called the demand a "recipe for disintegration", while *Amrita Bazar Patrika* described it as "startling". Even those who have "nothing but sympathy for the demand for greater autonomy," *Patrika* said, "will recoil at the very suggestion of changing the constitution lock, stock and barrel". What was required was "greater respect for the constitution and a more equitable distribution of revenue-yielding resources between the Centre and the States and among the States." In the view of *Nagpur Times*, the DMK leaders' "persistence in having all things their own way has created apprehensions in the minds of thinkers elsewhere about the bona fides of their intentions. The present measure of autonomy is "far from enough — and States have the right to be strong, but the Centre must remain perpetually stronger, which factor alone can put the nation together". A pat recipe for integration!

Economists' Case against Liner Conferences

S N Sanklecha

ALTHOUGH in recent years the freight rates and practices of the liner Conferences have been the subject of quite a few studies, there is a dearth of studies on economics of liner service pricing. Ezra Bennathan and A A Walters, who are economists with a background of shipping economics, are therefore to be congratulated for bringing out a valuable study on the subject.*

Although the title of the book is "Economics of Ocean Freight Rates", the book deals with the economic principles on the basis of which freight rates under the cartels of liner shipping companies are fixed. The world shipping industry is divided in two distinct sectors. One sector sells its shipping services on the open market under conditions of competition and includes in its fold the fleets of conventional tramps, bulk carriers and tankers. The other sector, which consists of fleets providing liner services, is controlled by Conferences of liner shipping companies on various trade routes. The freight rates in this cartelised sector are set by the Conferences. The two sectors are not wholly water-tight because there is scope for some substitution at the margin on the supply side (supply of shipping services) as well as on the demand side (demand for shipper services) between the two sectors.

IMPACT ON EXPORTS

It has been the complaint not only of the developing countries but also of the most developed country, the US, that Conferences set freight rates at levels which are injurious to their exports. If the developing countries and the most developed country have the same complaint against Conferences, many of which consist of liners belonging to different nations, mostly developed nations, it appears that there is a *prima facie* case for investigation.

The objective of Conferences is to maximise the profits of their member lines consistent with what they deem to be their long-term interests and in so doing they follow the "what the traffic will bear" principle. The freight rates are set having regard to the elasticities of demand of the various goods for

shipping services and the total freight on different commodities and goods must cover the cost of providing the liner services including a return on the capital invested. The conferences eliminate price competition between the lines who are members of the Conferences and also in many cases allocate among the members the shares in the market by fixing quotas on sailings and/or cargo and by pooling of revenues. The Conferences also seek to do away with outside competition from operators of tramp ships or non-Conference liners by the grant of deferred rebates or by lower rates of freight to those shippers who give all their shipments for carriage exclusively to members of the Conferences. They also restrict the entry of outside lines into the Conferences and usually admit to membership only such lines as are capable of engaging in protracted rate wars with the Conferences.

Usually freight forms a small proportion of the end-price (c.i.f. price) of high-value goods and therefore in many cases increases in freight rates may not proportionately reduce the demand for such goods and the derived demand for transportation of such goods. They are therefore considered to have low elasticity of demand. Fixing freight rates on "what the traffic will bear" principle involves a judgment of the elasticities of demand which is to some extent subjective — "an art rather than a science" — and may in many cases be influenced by lack of adequate data, prejudices, etc. The Conferences in rate-making tend to follow broadly the principles "the higher the value of the goods, the higher the freight rate" and "the larger the volume of shipments, the lower the freight rate". The lower limit to the rates of freight is set by the costs of providing the liner service. The upper limit is set by the likely effect of the rise in the freight rates on the flow of goods which may shrink bringing about reduction in freight revenue or by competition, actual or potential, from operators of tramp ships or non-Conference lines.

The authors say that discrimination between different kinds of goods, ports and in some cases even between shippers is inherent in the pricing policies of Conferences as rate-making is based

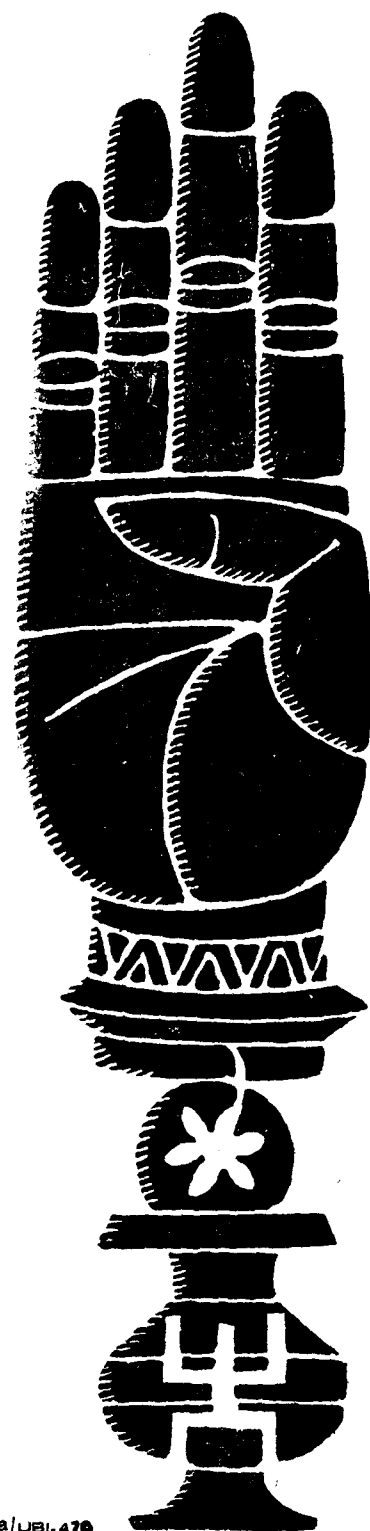
on the "what the traffic will bear" and the upper limit to the rates is set in practice by competition or potential competition from tramp ships or outside liners. Not only the advanced maritime nations which have stakes in the liner shipping trades but many other countries also seem to accept this principle of discrimination in the liner freight-making policies. The problem however arises when this discrimination under certain patterns of trade and in the absence of actual or potential competition leads to a structure of rates which is deemed injurious to the promotion of exports of some countries.

A CASE STUDY

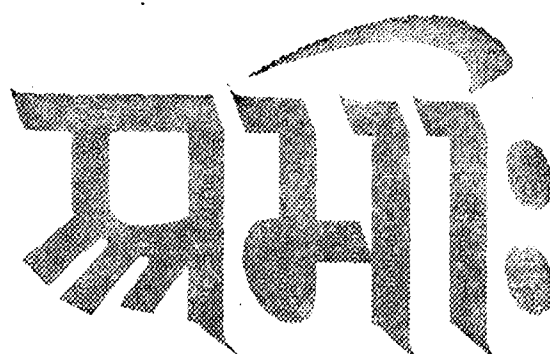
The authors have constructed a model on the behaviour of liner freight rates and have tested it by making a case study of the North Atlantic Route controversy. In the United States in the hearings before the Congressional Committee the theory was persistently advanced that the liner Conferences on certain routes were discriminating against US exporters and indeed against US exports as a whole. This was alleged to be done by charging, on the average of all trade as well as on identical commodities moving both ways, higher rates in the outbound than in the inbound trades of the USA. In 1965 at an advanced stage of the Congressional hearings on 'Discriminatory Ocean Freight Rates and the Balance of Payments', the United States Federal Maritime Commission (FMC) was ready with statistical analysis of cargo movement both ways on one important route, viz, United States North Atlantic route to British and Irish ports. The FMC had collected data on the rates, the volume of cargo, value of cargo, cost of carriage and competition of other vessels. Their analysis showed that freight revenue per ton was \$35.93 for the outbound Conferences against only \$27.30 for the inbound Conferences. The FMC came to the conclusion that "In this particular trade American exporters were not only paying more than their fair share of the round trip costs of transportation but, in fact were subsidising foreign exporters to this country".

It was repeatedly stated in the Congressional Committee hearings that the

* "The Economics of Ocean Freight Rates" by Ezra Bennathan and A A Walters; Frederick A Praeger, New York, 1969, pp. 135.



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*"Give unto us a new birth
that will lead us away
from fear to the world of
fearlessness,
from poverty to the land of
eternal wealth,
from doubt to the domain
of truth,
from stagnation to a
new life."*

United Bank of India



Head Office
4, NARENDRA CHANDRA DATTA SARANI,
CALCUTTA-1

observed price discrimination was due to collusion between the two Conferences in both of which the British lines had working majorities. Six British lines were members of both the Conferences and these six British lines formed 6/11 of the west-bound (inbound) and 6/12 of the east-bound (outbound) Conferences.

The authors have ably analysed the trade and competitive situation on both legs of the route. Their conclusion is that whether there was collusion between the two Conferences or not, the trading patterns and the competitive situations which were conditioned by the Conferences explained the structure of freight rates on the two legs of the route. If collusion did exist on the North Atlantic route and if it was suppressed, according to the authors' analysis, things might still go on there much as they did before. The authors have shed more light on the problem than was done by the statements, counter-statements and exchanges between the interested parties to the controversy.

CONFERENCES' ARGUMENT

The authors have examined the argument that in liner shipping fixed costs form a high proportion of total cost of providing the liner services and therefore if "ruinous competition" among liners existed, the freight rates would be forced to the level of variable costs in the short run. Liners would therefore make heavy losses and would be forced out of business with the result that there will be no regular liner sailings available to shippers and freight rates would also fluctuate violently to the detriment of the interest of shippers. Under the circumstances, it becomes essential to eliminate or control competition by the formation of Conferences on the various liner trade routes. The authors after examination of the argument have come to the conclusion that there is neither a compelling theoretical reason nor any empirical evidence to support the argument and that there is no reason why competition should not bring about adjustment of demand and supply without causing disruption of liner services.

The authors have also dealt with the argument that Conferences ensure stability of freight rates. As far as the argument of stability of freight rates is concerned, it is known that liner freight rates have risen periodically and continuously in the post-War years. The argument, therefore, refers to the short-run stability of liner freight rates which are deemed to be in the interest of

shippers who can plan their shipments on the basis of stable transportation costs. Liner freight rates are stable in the short-run as compared with the open market or tramp rates. The authors have examined the reasons which underlie this stability of rates, such as, price-maintenance by elimination of competition, stickiness of rates because any alteration in rates must be decided by the voting process among the members of the Conferences, deferred rebates and dual freight rates which make the liner freight rates reflect not merely present market conditions but also past favours and future options as against the 'one-shot' affair of tramps. Due to this last operational aspect liner freight rates average out conditions over time, so to speak, whereas tramp freight rates reflect the market of the moment. The question is also raised whether all shippers or a substantial body of shippers require this stability at the cost which has to be paid for providing this stability.

ALTERNATIVE TO CONFERENCE SYSTEM

Is there any alternative way to secure the stability of freight rates? "If freight rates stability is desired by shippers, they would, in the absence of Conferences, be able to buy it. A futures market would come into existence in which brokers would sell cover to hedgers. The brokers might, of course, be the shipowners themselves; tramp owners offer cover in the form of different options of charter. Such markets exist for a wide variety of transactions and are accessible to producers and buyers in developed as well as developing countries; some of the latter run their own markets, such as the cotton futures market in Karachi."

This is indeed a very interesting alternative which in the absence of Conferences would have perhaps developed to provide stability of rates to those shippers who require it. In contrast, all the shippers pay under the Conference system for stability of rates which may be desired by only some of them. The authors have then discussed the cost of providing the stable rates for the Conferences and for the brokers (shipowners) who might give this option-cover to the shippers. Incidentally, it may be mentioned that whilst the Conferences do provide stable rates to shippers in the short run, they do not assure guaranteed space to the shippers. The shippers by entering into futures contract with shipowners (agreement to provide shipping space at a future date) will get not only stable

rates but also guaranteed space to ship their goods.

Then there is the question of wider costs involved in the Conference system. Liner Conference rates reduce the mobility of carrying capacity into and out of given trades and into and out of operation which underlie the stability of rates and of capacity. This constitutes obstruction to adaption of supply patterns to variations in demand. According to the authors: "the wider costs of the rate stability that Conferences provide the costs or benefits of it to people beyond the immediate group of shippers and shipowners or brokers. There are costs involved in not letting the spot rates fall or rise to equate the demand and supply. Equipment may be underutilised in a depression and shippers' and producers' receipts may be kept lower than needed; in a boom shippers may have to compete for space. Even if all cargo is taken at rising costs, the receipts of shippers and producers are raised higher than they would be otherwise. The arrangement of uniform stability thus tends to destabilise other prices and incomes. If all costs are counted, and if the earlier argument about the balance of private costs of providing cover with or without a cartelised market is re-evaluated, the argument for cartels as cheap sources of price stability will be found rather weak."

The authors also deal with the argument that the liner shipping companies in general have not been earning excessive profits and that the average rate of profit on capital is low. This, according to the argument, indicates that Conference freight rates are fair. The authors say that low profits are in no sense evidence that the Conference rates are fair. Low profits may be evidence of the induced mediocrity of cartel rate-support policies. Under the Conference system there is some inhibition on the part of enterprise against innovation and technological change. An interpretation of rapid innovations in tankers and tramps (bulk carriers) as evidence of the speed of technological advance in a free competitive market would be tempting. The authors say that this energetic enterprise can be compared with the delays and hesitations with which dry cargo liners have adopted various innovations. The authors feel that this subject requires detailed investigation. In other fields of economic activity price maintenance agreements have seriously impeded innovation. The authors cite the case of price maintenance agreements in retail

distribution trade in developed countries. When it prevailed, profits were low. However, after the abolition of the price agreements, there was innovation and increase in efficiency among the retailing firms. There was a revolution in retailing when super markets were established and the whole trade was induced to adopt more efficient methods which resulted in lower prices. The profits also increased. The disappearance of the Conference policies, the authors say, may generate the twin blessings of lower freight rates and higher profits through the stimulus of competition and innovation.

GOVERNMENT POLICIES

Having analysed the characteristic shipping competition and behaviour of Conferences the authors review the policies followed by Governments *vis-a-vis* Conferences in their liner trades. Direct regulation or policing of Conferences as followed by the US Government has not succeeded, according to the authors, in achieving the objective of securing fair freight rates in the liner trades of the US. If the most powerful and sophisticated country in the world, namely the US, could not succeed, it is much more difficult for other countries to regulate the Conferences satisfactorily. This is so because the Conferences consist of member lines of various nationalities and are supported by some powerful governments of countries whose lines have large stakes in the conference trades. The formation of shippers' councils sponsored and supported by the governments through the organisation of shippers may increase the bargaining power of shippers *vis-a-vis* Conferences and bring about some improvement in freight rates and terms on which the cargoes are carried by Conference lines. However, there is always a likelihood that the big shippers will dominate the shippers' councils and secure from Conferences concessions for themselves at the cost of the general body of shippers.

The authors feel that the attempts by some governments to achieve participation of the national lines in Conferences for the purposes of influencing the Conference procedures from inside and getting better freight rates for export trade have also not been markedly successful. The cost incurred by the countries concerned must be great because developing countries are chronically short of capital and foreign exchange. The tying up of huge capital in the capital intensive shipping industry and

the losses sustained by the national lines due to their inexperience are unfavourable factors. The ships have to be purchased from abroad by these countries for which payments must be made in foreign exchange. Therefore, even net foreign exchange earnings by operation of ships will not be very large.

PATTERN OF FINANCING

It appears that the authors have overlooked the pattern of financing prevalent in shipping. The shipping lines are usually required to pay only 20 per cent of the building cost of the ship before delivery. The balance 80 per cent constitutes the shipbuilders' credit which is liquidated in about 8 years after delivery of the ship. The incidence of the capital cost is, therefore, very much lower and the shipbuilders' credit is also in effect paid out of the net foreign exchange earnings of the ships themselves. If Indian experience is any guide, shipping is one of the best earners of foreign exchange. The Indian lines in the various Conferences in India's liner trades have been able to moderate and dampen the periodical freight increases imposed by the Conferences. It must however be conceded that as national flag lines have to operate within the framework of the Conference there is limited scope for bringing about the improvement in the working of the Conferences.

The authors thereafter deal with the power of the Governments as major exporters and importers to extract advantages for themselves from the Conferences in regard to their shipments. The authors point out that such an arrangement introduces more rigidity in rate-making and strengthens the Conferences against its competitors. The advantages obtained by the Government as shippers may also be at the cost of other shippers in the liner trades of the country, who may be subjected to more unfavourable terms. At times Governments, using their negotiating strength as large importers and exporters, may be able to make Conferences agree to formula agreements under which the rates may be varied in accordance with the alterations in the costs of operation of Conference lines. Although this may well be the best course for a country to take under certain circumstances, the cost of foregoing competition and the benefits that tramps and independent liners, if patronised with Government cargo, could offer, should be taken into consideration.

The authors have also referred to a suggestion that the shipping industry should form itself into an inter-Governmental international cartel like that of the air transport operators. The shipping cartel would offer to carry cargo at standard rates per ton on any route on the analogy of air fares for passengers. This solution would, according to the authors, 'equalise the misery' and would be, therefore, most unsuitable.

THREAT OF COMPETITION

According to the authors, the most effective way of disciplining the Conferences is to threaten them with potential competition of both tramp ships and independent liners. The Governments should therefore aim at removing the barriers to entry into the Conferences by insisting on removal of rules that threaten collective boycotts on agents and shippers and by banning the deferred and loyalty rebates used by the Conference system. The Governments may provide subsidies for new entrants during a specific period to combat the retaliation of the Conferences. Such a subsidy could be fixed at the difference between the Conference rate before entrance and the retaliation rate of the Conference. Outside competition by tramps and independent liners will discipline the behaviour of Conferences by exerting competitive pressures. As calls of tramps and outside liners are not in sufficient numbers or in sufficient frequency, their calls may be subsidised by using the proceeds of a port tax (a tax on calls of ships rather than a tax per ton of traffic). According to the authors, this procedure may conceivably result in lower rates throughout.

The long-term solution, according to the authors, is to induce the main ship-owning countries to look at shipping Conferences in much the same light in which they now tend to look at other restrictive conventions in their trade and commerce. This will be facilitated and ultimately legislation on arrangements in restraint of trade might be considered if developing countries unitedly sponsor such a move and support it by diplomatic approaches and in the international organisations. This proposal, according to the authors, "seems consistent with the general trend towards liberalising trade, lowering tariffs, and establishing freer and more flexible international arrangements for trade and capital flows". The authors conclude their case as follows: "Altering the constitution of a great international industry is not an easy task, but the re-

wards in terms of increased trade and innovations and improvement in shipping is well worth the effort."

This reviewer is not convinced that the alternative to the conferences system suggested by the authors, namely a futures market would efficiently provide freight cover for hundreds of heterogeneous products moving in small parcels in liners. Fragments of shipping space to suit the requirements of hundreds of heterogeneous goods moving in parcels of small and varying sizes would have to be dealt with on the futures market. Tramp owners no doubt offer cover in the form of different options of charter but then tramp cargoes, that is, bulk cargoes are carried in shiploads. An entire ship therefore is fixed for future transport performance in the form of voyage charter or time charter or even long-term freight contracts, the last of which may not specify ships but can be fulfilled by means of entire ship units. Secondly, future markets have sprung up in those commodities in which there are only a few categories or grades which can be precisely described and traded on the exchanges. It may perhaps be difficult to have a future market for hundreds of heterogeneous products with different stowage and handling characteristics which move by liners in varying sizes. It is difficult to imagine the setting up of an exchange for futures trading for liner cargoes and space on the lines of the Baltic Exchange where tramp ships and cargoes are fixed.

It is also a debatable point whether free and unrestricted competition can produce an alternative which is superior to the present pricing of liner services in which the freight rates are fixed on "what the traffic will bear" principle. Assuming that administered prices rather than prices determined under free competition are preferable, what are the alternatives for liner service pricing? Pricing of liner services is a difficult question because only a small part of the costs such as handling costs can be directly attributed to the different products carried. Voyage costs and cost attributable to the overall operation of the shipping enterprise have to be arbitrarily allocated to the products having different stowage, handling and other characteristics. The other possibilities of pricing in such a situation include the charging of an equal freight rate per unit in terms of either per dollar value, ton, cubic feet, package, etc, for all products carried. The second alternative is the fixing of freight rates

in such a way that they bear a fixed relationship to the directly attributable costs in transporting each individual product. The third alternative is to make freight rates equal to the directly attributable costs for each product plus a fixed addition to cover the unallocable costs. The present basis of liner service pricing, viz., "what the traffic will bear" principle, which means that freight rates are fixed on the basis of the elasticity of demand of each product appears to be superior to the other three methods. All the four methods involve an element of arbitrariness. However, the method which relates freight rates to the capacity of the products to bear freight appears to be in the interest of international trade as well as shipping.*

DELICATE BALANCING

It is not possible to predict how the mode of liner service pricing will be affected under free and unrestricted competition. If liner shipping at all requires administered prices, then "what the traffic will bear" principle as a basis of liner service pricing appears to be good. If this principle has not worked out well in the formulation of liner freight rates, it has been due chiefly to the deficiencies of the Conference system. Hence, the dilemma has arisen. Whilst administered freight rates require some sort of regulation of competition which has been provided by the Conference system, the Conference system itself in its present form, has led in many cases to fixation of freight rates which are not considered satisfactory. Any improvement in the Conference system, short of abolition of the system, must, therefore, be based on the delicate balancing of the introduction of an element of competition with the requirement of continued provision of liner services by the liner operators. The conferences should submit periodically cost, revenue and traffic data to the Governments and/or independent and impartial bodies specially set up for the purpose. These data should be subjected to continuous analysis and scrutiny to ensure that the liner service pricing under the Conference system

* A detailed discussion is not possible here. But the reader is referred to an interesting discussion of this subject in the Chapter on Discrimination in Ocean Freight Rates in the Report issued by the UNCTAD Secretariat on Level and Structure of Freight Rates, Conference Practices and Adequacy of Shipping Services, published by United Nations, New York in 1969.

does not work to the detriment of international trade, or to the detriment of trade of some of the countries.

The abolition of the Conference system is now being suggested by a growing number of people. The two factors which have accelerated this trend are refusal of the Conferences to hasten the pace of reform of Conference behaviour and withholding of all material information and data on the inner working of the Conferences including their costs, freight rate making procedures, market sharing arrangements, entry restrictions, etc. Even the Rochdale Committee which recently inquired into the working of the British shipping industry, which has the largest stake in the Conference system as it owns 25 per cent of the world liner tonnage, has come to the conclusion that a code of conduct on such matters as admission of new members, furnishing of information on revenues and costs, consultation with shippers and consultation with governments is essential for working of the Conferences. The authors of this study themselves have mentioned at a number of places that further detailed investigations are necessary on such matters as collusion between Conferences, costs, freight revenue and trading patterns, competitive situation on some of the important liner routes and also on the question whether Conference pricing inhibits innovation and technological change.

It is therefore felt that further investigations by international organisations like UNCTAD may be carried out before any final conclusions are reached as to whether the Conference system can be sufficiently reformed to suit the requirements of international trade. The Conferences, however, must realise that opposition to them is mounting and their very existence will be in danger unless they improve the patterns of their working and behaviour in the light of the criticism levelled at them. Especially, they should discard their secretive methods and co-operate fully and make available required information and data for the purposes of such investigations.

The authors have made a significant contribution in presenting the economists' case against the liner Conferences. The exchange of opposing views and standpoints and further studies and investigations which will be stimulated by the publication of this study will throw more light on the Conference system and may help in the process of bringing about a radical reformation of the Conference system.

Regional Distribution of Bank Credit

A Critical View

G A Pai

An analysis of the latest trends in State-wise and industry-wise distribution of bank advances is necessary in order to formulate appropriate follow-up measures and also to plan credit for the future. Only after gathering such information can one plan for higher growth rate of deposits in underdeveloped States or for certain regions within a State — and then correspondingly plan for the credit requirements of these States or regions.

An attempt is made in this article to analyse the trends in credit-deposit ratios, the comparative rise in deposits and credit over the two-year period ending 1968, and the percentage share of deposits and credit of districts within a State.

Suggestions are then broadly made to suggest future lines for action to correct the imbalances and provide opportunities for growth.

THE CONTEXT

PRIME Minister Indira Gandhi, in her concluding address to the Conference of the Ruling Congress Party held in New Delhi on May 28, 1970, declared that Government would announce follow-up measures on bank nationalisation. She further declared that, in a democratic system, policies cannot be hustled through. She did not indicate the nature of the follow-up steps that were to be taken. In the context of this statement of intent, however, it becomes necessary to analyse the latest trends in State-wise and industry-wise distribution of bank advances. Such an analysis will be of importance not only in framing appropriate follow-up measures but also in credit planning. For, only after gathering such information can one plan for higher growth rate of deposits in the underdeveloped States and for certain regions within the State and then, correspondingly, for the credit requirements of these States and the regions. Economic planning, in fact, is impossible without credit planning. Lack of credit facilities to the neglected sectors of agriculture, represented by the thousands of small farmers and small-scale industries both traditional and modern, can be as harmful as excessive credit extended to the privileged sectors of wholesale trade and large-scale industry.

THE ANALYSIS

For three years in succession, district-wise and centre-wise figures relating to deposits and credit of the commercial banks have been published in the Reserve Bank of India publication, "Statistical Tables Relating to Banks in India". A detailed attempt has been

made in this study to analyse the trends in credit-deposit ratios, the comparative rise in deposits and credit over the two-year period ending 1968, and the percentage share of deposits and credit of districts within a State.

DISTRICT AS BASIC UNIT

It has been suggested in the Report of the Study Group appointed by the National Credit Council under the chairmanship of D R Gadgil, Deputy Chairman of the Planning Commission, that "In the existing circumstances, the lowest unit under an area approach has to be necessarily identified with the District. The District is the main administrative unit. It is the unit in relation to which the co-operative structure is at present organised and operative. Most statistical and other data are available at the District level and not usually at lower levels. Finally, the number of Districts in the country is not too large to think in terms of an effort being made for evolving plans for each District" (p 62).

ROLE OF BANKS

The Study Group Report further suggests that "In formulating and implementing plans of development of credit and banking in each District, it is necessary to bring together all concerned elements. By this are meant the Reserve Bank of India, commercial banks in the nationalised and non-nationalised sectors, the co-operative structure of the District, including land development banks and the purchase, sale, supply, marketing and processing organisations, the State Governments, and the financial institutions set up by the State such as State Financial Corporation, the

Agro-Industries Corporation, the Small-Scale Industries Development Corporation and many others. While all these elements and their operations have to be brought together, the leading part in formulating the plan will have to be taken by the commercial banks — scheduled and non-scheduled and nationalised and non-nationalised — operating within the District as well as by the Co-operative central banks and co-operative land development banks" (p 62).

LEAD BANK SCHEME

In pursuance of this decision, the Reserve Bank of India has already formulated, the 'Lead Bank Scheme', to be implemented at the District level, by assigning the commercial bank selected for the purpose the role of preparing comprehensive plans for branch expansion in the District and for credit distribution to agriculture and industry. According to a recent circular issued by the Reserve Bank of India to the State Bank and the 14 nationalised banks, the 'Lead Banks' have been asked to increase their owned resources throughout so as to create surpluses from additional production financed from the banking system, to examine the facilities for the marketing of agricultural produce and industrial production, and to examine the linking of credit with marketing in the District and recruitment and training of staff. A 'Lead Bank' will be expected to assume the major role in the development of banking and credit in the allocated District. It has therefore become relevant to analyse the latest trends in the banking facilities available in rural Districts and centres and

Continued on page 1695, Col 1

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS.

ANNOUNCEMENT REGARDING ISSUE OF EQUITY SHARES AND REDEEMABLE CUMULATIVE PREFERENCE SHARES.

Persons interested in the issue announced herein may obtain copies of the Prospectus and Application Forms from the Underwriters, Bankers to the Issue and Brokers herein mentioned.

The subscription list will open at the commencement of banking hours on 20th October, 1970 and will close at the close of banking hours on 2nd November, 1970 or earlier at the discretion of the Board of Directors of the Company but not before the close of banking hours on 22nd October, 1970.

श्री SHREE SYNTHETICS LIMITED

(Incorporated on 15th February 1969 under the Companies Act, 1956.)
Registered Office: Naulakhi Road, Dist. Ujjain, (M.P.)

PROPOSED ACTIVITIES AND OBJECTS OF THE ISSUE:

The Company was incorporated with the objects, *inter alia*, to carry on the business of manufacturers, producers, processors, importers, exporters, buyers, sellers and dealers in all kinds of yarns and fabrics including the synthetic yarns like Nylon and Polyester. It proposes to set up a plant for the manufacture of Nylon Yarn (which is used for the manufacture of a wide variety of fabrics) of an installed capacity of 3 tonnes per day. It plans to manufacture also Polyester Filament Yarn to the extent of 25 per cent of its installed capacity mentioned above.

The Company has entered into technical collaboration with Chemtex Fibers Inc and Chemtex Overseas Inc, both of USA, for the installation of the plant mentioned above. In the same connection the Company has entered into another agreement with Chemtex Inc of USA which is the holding company of Chemtex Fibers Inc and Chemtex Overseas Inc. The organisations of Chemtex Inc, Chemtex Fibers Inc and Chemtex Overseas Inc identify themselves exclusively with man-made fibre and filament industry and are responsible for many nylon filament yarn manufacturing installations at different places of the world.

The amount of the present issue will provide a part of the finance required for the project of the Company.

LOCATION OF THE PLANT

The Company's factory will be located at Naulakhi on Maksi Road, which is about five miles from Ujjain in Madhya Pradesh and for that purpose the Company has obtained a grant of lease from the Governor of the State of Madhya Pradesh of land measuring about 115 acres from the Naulakhi Beed area, Ujjain for a term of 99 years. It is expected that the Company's plant will go into production in approximately 24 months from the commencement of the civil construction of the factory buildings which would start by the end of 1970.

BOARD OF DIRECTORS:

SHRI GOBIND LALL BANGUR (Chairman)
Industrialist,
8, Lyons Range, Calcutta-1.

SHRI NARSING DASS BANGUR
Industrialist,
21, Strand Road, Calcutta-1.
(Alternate to Shri Gobind Lall Bangur)

SHRI GOKUL CHAND BANGUR
Industrialist,
14, Netaji Subhas Road, Calcutta-1.

IR BIRENDRA NATH MOOKERJEE

Company Director,
7, Harrington Street, Calcutta-16.
SIR UDAYCHAND MAHTAB,
Landlord,
2, Judge's Court Road, Alipore, Calcutta-27.

SHRI AMIYA KUMAR SEN,
Company Director,
8/8, Alipore Road, Calcutta-27.

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Route 2, Anderson Lane, Hendersonville, Tennessee USA.

MR. SANAT PRANJIVAN MEHTA,
Lawyer,
114, Churchgate Reclamation, Bombay-20.
(Alternate to Mr Peter G Prater).

SECRETARIES
BANGUR BROTHERS LTD
14, Netaji Subhas Road, Calcutta-1.

TECHNICAL CONSULTANTS
CHEMTX INC,
850, Third Avenue, New York, USA.

SHARE CAPITAL		Rs	Rs
Authorised:			
40,00,000	Equity Shares of Rs 10 each	4,00,00,000	
1,00,000	Preference Shares of Rs 100 each	1,00,00,000	5,00,00,000
Issued & Subscribed			
12,20,000	Equity Shares of Rs 10 each		1,22,00,000
Paid-up			
700	Equity Shares of Rs 10 each fully paid-up in cash	7,000	
6,19,300	Equity Shares of Rs 10 each paid-up @ Rs 5 per share in cash	30,96,500	
6,00,000	Equity Shares of Rs 10 each allotted to Chemtex Fibers Inc New York, USA in part payment of		

the cost of Plant & Machinery being supplied by them to the Company.		60,00,000	91,03,500
Present Issue			
12,17,500	Equity Shares of Rs 10 each at par	1,21,75,000	
81,250	9.5 per cent (free of Company's tax but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference Shares of Rs 100 each, at par	81,25,000	2,03,00,000
Out of the Present Issue			
55,000	Equity Shares of Rs 10 each have been kept reserved for allotment to Industrial Development Bank of India for cash at par	5,50,000	
50,000	Equity Shares of Rs 10 each have been kept reserved for allotment to Industrial Finance Corporation of India for cash at par	5,00,000	10,50,000
Now offered to the Public for subscription for cash at par			
11,12,500	Equity Shares of Rs 10 each	1,11,25,000	
81,250	9.5 per cent (free of Company's tax but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference Shares of Rs 100 each	81,25,000	1,92,50,000

APPLICATION AND TERMS OF PAYMENT

Application for Shares must be for a minimum of 50 Shares or multiples thereof in the case of Equity Shares and for 5 Shares or multiples thereof in the case of Redeemable Cumulative Preference Shares and the amount payable on the respective Shares shall be as follows:—

	Equity Shares	Redeemable Cumulative Preference Shares
On application	Rs 2.50P per Share	Rs 25 per Share

On allotment Rs 2.50P per Share Rs 25 per Share
The balance Rs 5 per Equity Share and Rs 50 per Redeemable Cumulative Preference Share shall be payable in such calls as may be determined by the Board of Directors of the Company provided that no call shall exceed one-fourth of the nominal amount of the Share or be made payable within one month after the last preceding call was payable.

UNDERWRITERS

The Shares offered to the public for subscription have been fully underwritten by the following Underwriters:—
Name & Address of the Underwriters.

	Nominal value of Equity Shares Underwritten.	Nominal value of Redeemable Cumulative Preference Shares Underwritten.
	Rs (in Lakhs)	Rs (in Lakhs)
THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LTD, 163, Backbay Reclamation, Bombay-20. BR.	30.00	30.00
MADHYA PRADESH AUDYOGIK VIKAS NIGAM LTD., 'A' Block, Old Secretariat, Bhopal, MP.	35.00	15.00
LIFE INSURANCE CORPORATION OF INDIA, Yogakshema, Jivan Bima Marg, Bombay-20. BR.	15.00	15.00
INDUSTRIAL DEVELOPMENT BANK OF INDIA, New India House, 17, Cooperage, Bombay-1.	9.50	7.50
INDUSTRIAL FINANCE CORPORATION OF INDIA, Bunnah-Shell House, Annexe 11, Connaught Circus, New Delhi.	10.00	6.25
UNIT TRUST OF INDIA, Bombay Life Building, 45, Veer Nariman Road, Bombay.	5.00	5.00
HARKISONDASS LUKHMIDASS, Stock Exchange Building, 5th Floor, Apollo Street, Fort, Bombay.	4.00	2.50
PLACE SIDDONS & COUGH (PRIVATE) LTD, 6, Lyons Range, Calcutta-1.	2.75	—
	111.25	81.25

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BANK OF BARODA

India Exchange, Calcutta-1.

THE NEW BANK OF INDIA LTD,

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National Insurance Bldg.,

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BHATT & PARIKH,

Chartered Accountants,

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Copies of the Prospectus and Application Forms can also be obtained (i) from the main offices of Punjab National Bank at Ahmedabad, Bombay, Bangalore, Bhopal, Delhi, Hyderabad, Indore, Jabalpur, Jaipur, Kanpur, Lucknow, Madras, Nagpur, New Delhi, Patna and Ujjain; (ii) from the main offices of Union Bank of India at Ahmedabad, Bombay, Bangalore, Baroda, Bhopal, Cochin, Delhi, Hyderabad, Indore, Jaipur, Kanpur, Madras, New Delhi, Poona and Ujjain; (iii) from the main offices of Bank of India at Ahmedabad, Bombay and Madras; (iv) from the main office of Bank of Baroda at Bombay, and (v) from the main offices of The New Bank of India Ltd, at Amritsar, Bombay, Chandigarh, Didwana, Jaipur, and New Delhi.

ECONOMIC AND POLITICAL WEEKLY

October 10, 1970

TABLE 1 : STATE-WISE CLASSIFICATION OF DISTRICTS ACCORDING TO NUMBER OF BRANCHES OF COMMERCIAL BANKS AS ON DECEMBER 31, 1968

State	Above 100 Branches	75-99 Branches	50-74 Branches	25-49 Branches	Below 24 Branches	Districts without Branches	Total Districts
Andhra	—	1	1	6	12	—	20
Assam	—	—	—	—	10	1	11
Bihar	—	—	—	1	16	—	17
Gujarat	1	—	2	7	8	1	19
Haryana	—	—	—	5	2	—	7
Jammu and Kashmir	—	—	—	—	7	2	9
Kerala	2	—	2	5	—	—	9
MP	—	—	—	1	42	—	43
Maharashtra	1	1	1	8	15	—	26
Mysore	2	—	2	5	10	—	19
Orissa	—	—	—	—	13	—	13
Punjab	—	—	1	4	6	—	11
Rajasthan	—	—	1	1	24	—	26
Tamil Nadu	4	1	2	4	2	—	13
UP	—	—	1	8	43	2	54
West Bengal	1	—	—	3	12	—	16
Nagaland	—	—	—	—	1	2	3
Union Territories	1	—	—	1	13	5	20
Total	12	3	13	59	236	13	336
Percentage to Total	4	1	4	17	70	4	100

TABLE 2 : STATE-WISE CLASSIFICATION OF DISTRICTS ACCORDING TO CREDIT-DEPOSIT RATIOS IN 1968

State	Above 70	50-69	25-49	Below 24	Not Available	Districts without Branches	Total Districts
Andhra	5	4	6	5	—	—	20
Assam	—	—	4	3	3	1	11
Bihar	1	—	5	10	1	—	17
Gujarat	1	—	6	10	1	1	19
Haryana	—	—	5	—	2	—	17
Jammu and Kashmir	—	—	—	2	5	2	9
Kerala	2	2	4	1	—	—	9
MP	6	3	7	2	25	—	43
Maharashtra	7	4	10	3	2	—	26
Mysore	4	2	10	2	1	—	19
Orissa	2	—	1	2	8	—	13
Punjab	—	—	9	2	—	—	11
Rajasthan	3	3	7	3	10	—	26
Tamil Nadu	7	3	3	—	—	—	13
UP	3	1	14	22	12	2	54
West Bengal	1	—	2	10	3	—	16
Nagaland	—	—	—	1	—	2	3
Union Territories	—	2	3	6	4	5	20
Total	42	24	96	84	77	13	336
Percentage to Total	13	7	28	25	23	4	100

the credit distribution at the District level in different States.

UNBANKED TOWNS AND VILLAGES

According to a comprehensive report, prepared by the Ministry of Finance in October 1969, "Commercial banks serve only 5,000 of a total of 5,64,000 villages in the country". According to the report, the magnitude of the under-development of banking in India can be gauged from the fact that the average population 'served' by commercial bank offices in India is as high as 75,000 against 4,000 in Britain, 7,000 in the US, 15,000 in Japan and 11,000 in

Iran. The Report points out that, commercial bank deposits and credit as proportions of National Income are only 14 per cent and 10 per cent in India compared to 84 per cent and 79 per cent in Japan, 56 per cent and 36 per cent in the US, and 49 per cent and 25 per cent in Canada (*Economic Times*, October 28, 1969).

Altogether, there are 453 towns where there are no offices of commercial banks, and 827 other centres which are devoid of commercial banking facilities but which offer potentialities for development of agriculture and agro-industries. Tamil Nadu has the largest

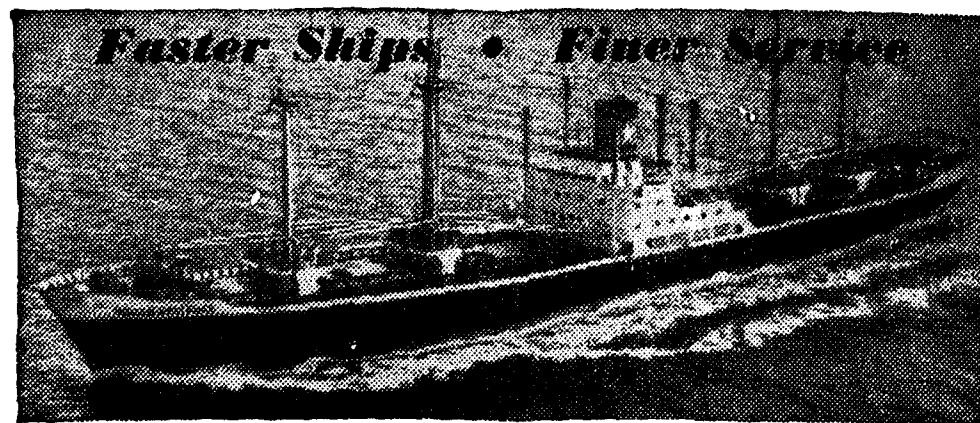
number of towns, 91 in number, without any office of commercial banking, followed by MP, 79, West Bengal, 64, and UP, 59.

State-wise classification of Districts according to the number of branches of commercial banks operating in them, indicates that, out of 336 Districts in the country, 70 per cent (236) Districts had less than 24 branches each, 17 per cent (59) Districts had branches between 25 and 49, 4 per cent (13) Districts had branches between 50 and 74, 1 per cent (3) Districts had branches between 75 and 99, and 4 per cent (12) Districts had more than 100 branches. There were 13 Districts without any branches of commercial banks at all. Of course, cities with more than one lakh population are located in the 100 Districts which have over 25 branches each. This highlights the fact that there is vast scope for opening branches of commercial banks at the Taluka levels which have regulated markets and business centres but which are dominated by the agriculturist and professional moneylenders.

According to the statement issued by the Minister of State for Finance, P C Sethi, in the Lok Sabha on May 13, 1970, it is proposed to open 1,300 branches of the nationalised banks in the current year (*Economic Times*, May 14, 1970). In the first instance, all towns will have to be covered by banking facilities, then steps will have to be taken to extend these facilities to busy centres having a population of more than 5,000 but not classified as towns. All these steps, besides leading to monetisation of the rural economy, will open up avenues of employment to educated youth. The greatest challenge before the nationalised banks is to develop a service economy, by linking and integrating the marketing societies with the credit societies.

STATE-WISE ANALYSIS

State-wise analysis of deposits and credit indicates that there is glaring unevenness of banking facilities. Of the total bank deposits and credit outstanding at the end of 1968, Maharashtra accounted for 24.6 per cent and 31.1 per cent, West Bengal accounted for 13.5 per cent and 21.1 per cent and Tamil Nadu 6.3 per cent and 10.0 per cent, respectively. Thus the three industrially advanced States together accounted for 44.4 per cent of the deposits and 62.2 per cent of the credit. Gujarat's share in total deposits and credit was 8.4 per cent and 5.7 per cent, that of Punjab 4.3 per cent and



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TABLE 3 : STATE-WISE CLASSIFICATION OF DISTRICTS ACCORDING TO PERCENTAGE INCREASE IN DEPOSITS DURING TWO YEARS ENDING 1968

State	Above 23 Per Cent	12.22 Per Cent	Below 11.1 Per Cent	Not Available	Total Districts
Andhra	13	6	1	—	20
Assam	3	2	2	4	11
Bihar	10	6	—	1	17
Gujarat	15	2	—	2	19
Haryana	4	1	—	2	7
Jammu and Kashmir	2	—	—	7	9
Kerala	1	6	2	—	9
MP	8	8	2	25	43
Maharashtra	19	5	—	2	26
Mysore	11	6	1	1	19
Orissa	3	2	—	8	13
Punjab	11	—	—	—	11
Rajasthan	11	4	1	10	26
Tamil Nadu	5	5	3	—	13
UP	37	3	—	14	54
West Bengal	10	3	—	3	16
Nagaland	—	—	—	3	3
Union Territories	11	—	—	9	20
Total	174	59	12	91	336
Percentage to Total	52	17	4	27	100

TABLE 4 : STATE-WISE CLASSIFICATION OF DISTRICTS ACCORDING TO PERCENTAGE INCREASE/DECREASE IN CREDITS DURING TWO YEARS ENDING 1968

State	Above 23 Per Cent	12.22 Per Cent	11.1 Per Cent	Below 1 Per Cent	No Change/ Nega- tive	Not Avai- lable	Total
Andhra	6	4	4	2	4	—	20
Assam	4	—	—	3	—	4	11
Bihar	2	1	—	13	—	1	17
Gujarat	4	5	4	3	1	2	19
Haryana	2	1	—	2	—	2	7
Jammu and Kashmir	2	—	—	—	—	7	9
Kerala	5	3	1	—	—	—	9
MP	7	2	—	7	—	27	43
Maharashtra	15	6	2	1	—	2	26
Mysore	9	7	2	—	—	1	19
Orissa	3	2	—	—	—	8	13
Punjab	6	2	—	3	—	—	11
Rajasthan	7	2	1	4	—	12	26
Tamil Nadu	10	3	—	—	—	—	13
UP	7	1	5	22	5	14	54
West Bengal	1	5	1	5	1	3	16
Nagaland	—	—	—	—	—	3	3
Union Territories	3	—	—	1	7	9	20
Total	93	44	20	66	18	95	336
Percentage to Total	28	13	6	20	5	28	100

1.7 per cent, respectively. Correspondingly, the credit-deposit ratio for Gujarat was 48 and that for Punjab was 28. The position in respect of other backward States like UP, Bihar, and Orissa, was not different. It should be possible to accelerate the industrial and agricultural activities in these States if the credit-deposit ratio could be raised, say, to 70.

What this means is that, deposits collected in backward States and even in the two industrially advanced States of Gujarat and Punjab, are being diverted to the industrially advanced

States of Maharashtra, West Bengal and Tamil Nadu. This process will have to be checked if industrial and agricultural development is to be achieved in other States and if the regional imbalances are to be removed. However, there is a powerful school of thought, represented by bankers, economists, and politicians, which disapproves of this concept and thinks that deposit centres are quite different from credit centres and that the present distribution of credit is quite in tune with the industrial growth of the country as a whole.

In this context it is worthwhile to recall the view expressed by V P Naik, Chief Minister of Maharashtra, at a recent meeting of the National Development Council held in New Delhi on March 21, 1970, that, "If fair play and economic sense are to be the guidelines, then 'non-Plan or Special Accommodation' should be distributed amongst all States according to the agreed common formula" (*Economic Times*, March 22, 1970). He criticised the recommendation of the Planning Commission that the Central Government should render special assistance of Rs 800 crores, by way of loans during the Fourth Plan period outside the Plan, on an *ad hoc* basis, to the weaker States such as West Bengal, Andhra, Mysore, Kerala, Rajasthan, Orissa, MP, Assam and probably Jammu and Kashmir.

It would be possible to implement the suggestion of Maharashtra's Chief Minister, if it is decided to reorganise the 14 nationalised banks at the State level with specific instructions to the effect that 70 per cent of the deposits collected in the State should be ploughed back in the same State for its economic development. If this measure is accepted, and implemented, it will be possible to do away with special assistance to backward States. To do this, however, steps will also have to be taken to withdraw excess credit (beyond 70 per cent of total deposits in the State) of Rs 208.66 crores in Maharashtra, 241.16 crores in West Bengal and 119.18 crores in Tamil Nadu, and to divert it to those States such as Punjab, Orissa, UP, MP, and others, where the credit-deposit ratio is below the all-India average of 70. It may not be possible to reduce regional imbalances among the different States and among the different regions within the State unless steps are taken to utilise 70 per cent of deposits collected in the region and/or in the District in the same territory. In fact, a realistic and pragmatic approach demands that regional growth must be achieved by regional savings. Now that the District has been accepted as the regional unit for planning, it must be easier to achieve this.

CREDIT-DEPOSIT RATIOS

The credit-deposit ratio of all commercial banks at the all-India level increased from 68 in 1966 to 70 in 1968. The credit-deposit ratio in respect of four States, viz, Maharashtra, West Bengal, Tamil Nadu and Andhra Pradesh was above 70. Credit-deposit

TABLE 5 : CONCENTRATION OF CREDIT IN THE TOP FIVE DISTRICTS IN THE STATES IN 1968

State	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total for 5
Andhra	50.7	8.0	6.5	7.6	6.1	78.9
Assam	30.6	38.1	18.6	4.1	4.7	96.1
Bihar	31.9	21.4	9.7	9.6	6.0	78.6
Gujarat	57.6	11.6	5.0	4.8	4.5	83.3
Haryana	35.5	13.3	14.4	16.0	20.8	100.0
Jammu and Kashmir	57.3	42.7	—	—	—	100.0
Kerala	43.0	12.9	9.1	7.7	6.7	79.4
Madhya Pradesh	25.8	13.0	11.0	4.5	3.9	58.2
Maharashtra	88.8	3.7	1.3	—	—	93.8
Mysore	52.4	12.2	8.2	4.5	3.9	70.2
Orissa	45.8	24.3	15.4	8.0	6.5	100.0
Punjab	22.6	17.9	14.5	12.2	10.0	77.4
Rajasthan	35.7	15.6	9.3	8.0	6.0	74.6
Tamil Nadu	56.7	15.4	6.6	3.8	3.7	86.2
Uttar Pradesh	30.6	12.4	8.4	4.5	3.4	48.3
West Bengal	97.6	—	—	—	—	97.6

ratio in respect of the remaining States was below 70. The credit-deposit ratio in respect of an industrially advanced State such as Punjab was as low as 29, that of Gujarat was 48. The credit-deposit ratio of an industrially backward State like Bihar was 29 while that of Kashmir was 8. Further analysis indicates that, during the two-year period ending 1968, the credit-deposit ratio in respect of seven States and Union Territories had an increasing trend while for the remaining 10 States it had a declining trend.

State-wise classification of Districts, according to the credit-deposit ratios, indicates that out of 336 Districts 13 per cent (42) Districts had a credit deposit-ratio exceeding 70, the credit-deposit ratio varied between 50 and 69 in 7 per cent (24) Districts, between 25 and 49 in 28 per cent (96) Districts, while it was below 24 in 25 per cent (85) Districts. The credit-deposit ratio was not available for 23 per cent (73) Districts, as credit and deposits in these Districts were not disclosed by the Reserve Bank as these Districts had a branch of only any one commercial bank. Incidentally, it must be pointed out that, cities with more than a lakh of population were located in 66 Districts where the credit-deposit ratio was above 50; but at the same time, the credit-deposit ratio in the remaining 40 Districts, where cities with more than one lakh population were located, was less than 50.

GROWTH OF DEPOSITS AND CREDIT

A comparative study of the growth of deposits and credit indicates that, at the all-India level, deposits increased by 23.7 per cent while credit increased by 28.6 per cent during the two-year pe-

riod ending 1968. Bihar topped the list by showing the highest growth rate of deposits at 46.6 per cent, while in Assam growth rate of deposits was lowest at 8.8 per cent. Growth rate in respect of industrially advanced States such as Maharashtra, West Bengal, and Tamil Nadu, was less than the overall growth rate of 23.7 per cent.

Growth rate of credit in six States and the Union Territories, taken together, was higher than the all-India growth rate of credit at 28.6 per cent. Also, credit increased faster than deposits in these States and Union Territories. In Jammu and Kashmir, credit declined by 24.4 per cent in 1968 as compared to 1966. In industrially backward States like Bihar, Orissa, and UP deposits increased faster as compared to credit.

Further analysis at the District level, according to percentage increase and/or decrease in deposits and credit during the two-year period ending 1968, indicates that deposits in industrially backward rural Districts numbering 175 increased by more than 23 per cent whereas credit increased by more than 23 per cent in 93 Districts having cities with more than one lakh population. Between 12 per cent and 22 per cent deposit increase took place in 59 Districts and credit in 44 Districts. There were as many as 66 Districts where credit declined by one per cent to 16 per cent, and by even more than 16 per cent in some backward Districts. UP topped the list with 22 Districts where credit declined, followed by Bihar with 13 Districts, and MP with 7 Districts, in 1968 as compared to that in 1966. Nineteen Districts recorded no change in the total quantum of credit available in 1968 as compared to

that in 1966. Percentage change in credit in respect of 94 Districts was not available because either there were branches there of only one commercial bank or in 13 of the Districts there were no branches at all.

THE URBAN ORIENTATION

The urban orientation of the banking system is also evident from the fact that, there is a high degree of concentration of credit in cities with more than one lakh of population. In fact, the share of these cities in deposits is much less than their share of credit. Two cities, Bombay and Calcutta, with a population of about 10 million accounted for 20.5 per cent of deposits and 48.2 per cent of credit, respectively. The top 20 cities, with a population of 20 million, accounted for 55.5 per cent of deposits and 77.1 per cent of credit, and 106 cities, with a population of less than 40 million, accounted for 72.0 per cent of deposits and 85.4 per cent of credit.

State-wise analysis indicates that, even within a State, there was high degree of concentration of credit in cities having more than one lakh of population. In Maharashtra, Bombay city alone accounted for 89 per cent of credit available for the State as on December 31, 1968. In West Bengal, Calcutta alone accounted for 97 per cent of total credit for the State. In Tamil Nadu, Madras city accounted for 57 per cent of credit. Trends in respect of the remaining States were no different, where cities with more than a lakh of population accounted for more than 60 per cent credit. Only in respect of 7 States, cities accounted for less than 60 per cent credit.

Ranking of Districts according to their share in the total credit for the State, indicates that more than 70 per cent credit was concentrated in the first five Districts, exceptions being UP and MP. This again goes to show that intensive efforts will have to be made to increase banking facilities by opening branches in rural centres and ploughing back at least 50 per cent deposits collected in each District to finance marketing operations of foodgrains and cash crops and to extend credit facilities to farmers who hitherto have been denied credit from co-operative societies. It will be worthwhile to introduce the credit-card system introduced by the Syndicate Bank in South Kanara on an extensive scale — first in selected Districts in every State, and then in the remaining Districts. Financing of agro-industries, such as cotton ginning, oil,

TABLE 6 : PURPOSE-WISE DISTRIBUTION OF ADVANCES BY SCHEDULED COMMERCIAL BANKS AS AT THE
END OF MONTH INDICATED

	April 1961			March 1968			Percentage Increase in 1968 over 1961	
	Number of Accounts	Amount (in Rs Crores)	Average per Account (in Rs lakhs)	Number of Accounts	Amount (in Rs crores)	Average per Account (in Rs lakhs)	Loan Amount	Average Loan per Account
Cotton, ginning, pressing, spinning and weaving, etc	4699	145	3.09	6349	317	4.99	119	61
Jute	164	32	1.95	362	95	2.63	197	35
Other textiles	3838	20	0.52	4866	73	1.50	265	188
Iron and steel	760	34	4.46	2526	114	4.51	235	1
Coal, other mining and quarrying	699	13	1.80	892	51	5.71	292	217
Engineering	5023	110	2.18	12114	480	3.95	336	81
i) Heavy	375	46	12.29	2127	272	12.78	491	4
ii) Light	4648	64	1.37	9987	208	2.08	225	52
Sugar	1223	101	8.24	646	161	24.98	59	203
Vegetable oils, including vanaspati and soaps	3018	27	0.91	2089	43	2.07	59	127
Chemicals, dyes, drugs, fertilisers, pharmaceuticals	1413	33	2.34	2367	185	4.22	460	80
Public utilities, (transport, communication, electricity, etc)	2779	27	0.96	3846	54	1.40	100	46
Cement	126	19	14.71	193	39	20.42	105	39
Paper and paper products	491	14	2.87	1454	48	3.31	243	15
Rubber products	501	7	1.37	662	20	3.04	186	121
Others	23717	83	0.35	36599	386	1.05	365	200
Total	48451	664	1.37	76965	2067	2.68	211	96

pressing, and handlooms through industrial co-operatives will go a long way to create employment for local people.

BORROWERS DECLINE

Although the outstanding credit of scheduled commercial banks has increased from Rs 1,426 crores in 1962 to Rs 3,146 crores in 1968, deposits have increased from Rs 1,783 crores to 3,773 crores, and the number of offices have increased from 4,608 to 7,445, the number of accounts of bank credit has declined from 12.41 lakhs to 11.27 lakhs over the same period. If the number of loan accounts are reduced to number of individual borrowers, even this figure, which has been estimated to be somewhere between 7 to 7.5 lakhs, has been declining over the years.

The Gadgil Committee Report, commenting on this aspect states, "In interpreting these figures, it is essential to keep in mind the fact that the number of accounts cannot be equated with the number of borrowers because the same borrower may have more than one account. Assuming, however, that the average number of accounts per borrower has remained the same, we can infer that the number of borrowers of commercial banks has declined over the last few years... Banks, in spite of considerable increase in their resources, have not succeeded in making credit facilities available to a wider section of

the population even though the needs of the economy demanded wider dispersal of credit" (pp 10-11). In view of this, the greatest challenge before the nationalised banks will be to increase the number of borrowers. In fact, this will be the yardstick of success or otherwise of the nationalised banks in the future.

INDUSTRY-WISE ANALYSIS

An industry-wise analysis of the distribution of credit indicates that, at no time, have credit needs of industry been ignored by the banks. The share of industry in bank credit increased from 50.8 per cent in 1961 to 67.5 per cent in 1968. In terms of actual amount, industrial credit during the seven-year period, ending 1968, increased by 211 per cent, from Rs 664 crores in 1961 to Rs 2,067 crores in 1968.

Loan per account in 1968 for sugar industry was highest at Rs 24.98 lakhs, followed by cement at Rs 20.42 lakhs, heavy engineering industry at Rs 12.78 lakhs, coal and other mining and quarrying at Rs 5.71 lakhs. Loan per account in 1968 for any industry was more than one lakh, for all industries put together it was Rs 2.68 lakhs. Over the years since 1961, loan per account as well as total loan for each industry has increased even though there has been no corresponding increase in production. Mention must be made of the textile

industry, jute, sugar, and vanaspati.

Overall, industrial production, as indicated by the general index, increased by 49 per cent, from 109 in 1961 to 181 in 1968. In other words, this meant that credit increased faster compared to production. According to Government report, the big 500 borrowers have cornered nearly 50 per cent of the over Rs 800 crores of industrial credit (*Economic Times*, August 13, 1969).

Commenting on this aspect, it is stated in the Study Group Report of the National Credit Council under the chairmanship of V T Dehejia: "Bank Credit expanded during this period (1960-61 to 1968-67) at a higher rate than the rise in industrial output valued at current prices.... Between 1961-62 and 1966-67, the rise in value of inventories with industry was 80 per cent while the rise in short-term credit was as much as 130 per cent. The ratio of short-term borrowings to inventories went up from 40 per cent in 1961-62 to 52 per cent in 1966-67.... In the absence of specific restraints, there was a tendency on the part of industry generally to avail itself of short-term credit from banks in excess of the amount based on the growth in production and/or inventories in value terms.... The lending system as is prevalent in Indian banking would appear to have greatly assisted certain units in industry on increased reliance on short-term debt

to finance their non-current investment.... In the present system of bank lending in India, certain type of credit facilities can result in double or multiple financing of stocks" (RBI Bulletin, November 1969, pp 1792-1798). Various useful suggestions have been made in the report to regulate industrial credit. But unfortunately, the full text of the report has not been published till now by the Reserve Bank. It would, however, be useful if this report is published, in the interests of bankers, industry and the public at large.

The suggestion made by the Reserve Bank Governor, L K Jha, in his inaugural address to the Madras Chamber of Commerce, that banks should be relieved of the responsibility of providing long-term credit and that the task of supplying long-term finance should be assigned to financial institutions, deserves to be given serious consideration (*Economic Times*, March 24, 1970).

The unorganised money market is becoming increasingly powerful day by day. Consequently, monetary measures initiated by the Reserve Bank of India, aimed at controlling prices, have be-

come more ineffective. If commercial banks have strengthened the hands of the private industrial financiers, co-operative credit societies have strengthened the hands of the agriculturist moneylenders. So new entrepreneurs, small industrialists, and farmers, are paying high rates of interest to financiers and moneylenders. Commission agents and traders are controlling nearly 90 per cent of marketing activities in cash crops and foodgrains. Credit has been used for speculative activity instead of for productive activity. Strict implementation of credit norms at the time of sanctioning credit, and direct financing by the banks to potential borrowers, might alter the situation. The foremost task before the nationalised banks is to develop the 'service economy' by eliminating traders and commission agents and organising marketing activities through co-operatives and to monetise the rural economy by extending banking facilities and eliminating moneylenders.

It is difficult at this stage to suggest follow-up measures, beyond what has been suggested by the Gadgil Commit-

tee Report and the Dehejia Committee Report, except the following:

- (1) Use of computers to assess the credit needs of industrial units, checking multiple financing of stocks and tracking the loan accounts of big borrowers in respect of repayment of loans, and additional claims of loans.
- (2) Reorganisation of the 14 nationalised banks at the District level and at the State level. Recognition of the State Bank of India as the 'Lead Bank' at the State level.
- (3) Establishment of Credit Planning Committees at District level, consisting of representatives of 'Lead Bank', District Co-operative Bank, Land Mortgage Bank, Marketing Co-operatives, State Financial Corporation, and State Small-Scale Industries Development Corporation, Agro-Industries Corporation and such other bodies formed in the State.
- (4) Gradual elimination of moneylenders by denying institutional credit to them, and of industrial financiers by withdrawing excess credit given to them.

Some Aspects of Decision-Making in Panchayati Raj

G Ram Reddy

Although the legal framework within which decisions are to be made at the Panchayat Samithi level is comprehensive, this study shows the distinct pressures that influence the politicians at the Samithi level and the executive officers working with them to circumvent the barriers set up through regulations. Specific instances such as the allocation of subsidies for the digging of wells and the introduction of intensive agricultural programmes are used as illustrations to highlight the various factors which operate in the decision-making process. Group politics plays a large part in the distribution of scarce resources in the face of many demands. In this process the President of the Panchayat Samithi and the Block Development Officer are the key figures.

This paper is based on data collected by the author in two districts of Andhra Pradesh during 1963-65 and 1967-68.

DECISION-making is one of the major functions that administrators (or managers or executives) perform.¹ It is the central activity in management and involves selecting from certain alternatives both the goals of organisation and the best way of achieving them. In all organisations, decision-making is an act of choice.² Its process involves facts, values and un-anticipated consequences. Decision-making, therefore, is the selection of one behaviour alternative from two or more possible alternatives.³

In public organisations, decision-making is a complex process and is subjected to various pressures and pulls.

As Secklar-Hudson points out "unlike the bold, swift, unadorned factual decisions of business, decision in government must be made cautiously, deliberately, and often present a blend of the factual with many other real or imagined values".⁴ The acts of the public officials are subjected to scrutiny. The decisions in such organisations are, therefore, not usually the product of an individual mind.⁵ The decision may be pronounced by one person but many participants assist in some measure in the process of arriving at the decisions.⁶ The decision-makers realise that their decisions will be less risky

if they take the opinions of other officials also. Besides, they would like to take decisions on the basis of adequate and accurate factual data and also within the existing legal limitations. Appropriate weight must be attached to special interest groups who may stand to gain or lose through the decision.⁷

In the Panchayati Raj set-up of Andhra Pradesh, the Samithi is the key unit. It is this agency which plans and implements most of the development programmes. However, in most cases, the areas for which Panchayati Raj bodies should plan are determined

by the State Government. The Samithi is concerned with local planning. But even within local planning, the priorities for development programmes and schemes and the pattern of each scheme are worked out in detail at the State level. The Samithi is concerned only with taking decisions regarding the selection of locations and beneficiaries. The Panchayat Samithi functions primarily as an allocating or distributing agency; deciding where a primary school or a primary health centre should be located, or who should get a taccavi loan, while the number of schools and health centres, the details of staff, equipment, buildings for these and the amount of taccavi loans to be sanctioned in their areas, are decided at the State level.⁸ The Panchayat Samithis are entrusted with this decision-making power because their knowledge of local conditions and needs is greater than that of a State authority. The decisions of the Samithis should aim at making the best use of the resources placed at their disposal for developing the villages in their areas.

In this connection a number of related questions deserve to be considered. Most important of these is the relative role played by the decision-makers. As decision-making is a collective activity it is necessary to know the roles of various decision-makers, their motivations and approaches. The other important question that should be considered is the process of decision-making. Thirdly, the factors that are taken into account while making decisions merit attention, as the relative weight of the different factors has far-reaching effects on the nature and tenor of the decisions. Finally, the factors that inhibit quick, timely and effective decision-making deserve to be high-lighted.

Decision-making at the block level is a collective activity. No one person or body has the sole monopoly of decision-making. In the Panchayat Samithi, the non-officials are expected to formulate the policies and make decisions and the officials are to help them in the performance of these functions. The Panchayat Samithi is the supreme body at the block level. It has power to deal with all the matters that are transferred to the Samithi by the State Government. The Block Development Officer and the other staff deputed and employed are subordinate to the Samithi. The Samithi has powers to accord administrative sanction to works and schemes from Rs 10,000 to Rs 30,000 in respect of each item of non-recurring expenditure and from Rs

5,000 to Rs 10,000 in respect of recurring expenditure, and to grant-in-aid non-recurring Rs 5,000 and recurring Rs 2,000. These and other powers of the Samithi establish, in law, its primacy in decision-making at the block level. Next to the Panchayat Samithi are the Standing Committees. There are seven Standing Committees at the Samithi level in Andhra Pradesh. Each Standing Committee is in charge of certain activities which are specified by the Government in its orders. They have powers to accord administrative sanction up to Rs 10,000 of non-recurring expenditure and Rs 5,000 of recurring expenditure. Since most of the functions at the block level are within this range of financial ceiling, the Standing Committees generally decide a great majority of the cases. The President of the Samithi is the chairman of both the Samithi and the Standing Committees. He has administrative control over block administration. In case of emergency, he may, in consultation with the Block Development Officer, direct the execution of any work which requires the sanction of the Samithi or its Standing Committees. The President's powers are mainly administrative such as dismissal or removal from service or reduction to a lower post of all the staff whose jurisdiction is less than the whole block. The President has no power to accord any administrative sanction to proposals. In theory, this lack of authority to accord administrative sanction considerably weakens the operative authority of the President.⁹

Of the officials, the Block Development Officer is closely associated with decision-making. He is the chief executive officer of the Samithi and is entitled to take part in the discussions of the Panchayat Samithi and the Standing Committee meetings. He has power to impose penalties on the staff working under him.

Thus, we notice that policies are meant to be formulated and decisions made not by the President of the Samithi or the Block Development Officer but by the Committees and the Samithi. The President is the Chairman of both the bodies and the Block Development Officer their executive officer.

But in the blocks studied by us the more important role in decision-making is played by the Block Development Officer and the President of the Samithi. The initiative in decision-making is generally taken by the Block Development Officer. Since he is responsible for the functioning of the block

administration to the State Government and can be pulled up by the latter for complacency or negligence more easily than the non-officials, the Block Development Officer takes the first step in making decisions. He has at times to persuade the other decision-makers to make speedy decisions without which the work of the block would be held up. The Block Development Officer is also the person who advises the other members on the rules which they should follow in arriving at decisions. In view of his education, experience and technical competence, the other decision-makers look to him for guidance. Clearly the dominant role in decision-making is that of the Block Development Officer.

Next in importance is the President of the Panchayat Samithi. Since he is the political head of the block, the members of the Samithi expect direction from him.¹⁰ Most of the problems are discussed between the Block Development Officer and the President in the first instance before taking them to other decision-makers. All the thorny aspects of the issues are thrashed out at this level and presented to the Samithi or the Standing Committees. The President is in a position to influence decision-making because he is the political head of the Samithi and also the supervisor of administration. His group's absolute majority in the Samithi and his relations with district officials make him a powerful force in the Samithi. However, his involvement in taluka and district politics, and management of his own domestic affairs hardly leave any time for decision-making at the Samithi. He gives general directions to the Block Development Officer. As he is not in a position to devote sufficient time to decision-making, the initiative is left to the Block Development Officer. The President, nevertheless, shows keen interest at the final stages of decision-making.

The role of the Samithi and the Standing Committees, though important, is not effective in decision-making. In the Samithis studied, the Presidents had overwhelming majority support. Although there were two groups in the Samithis, the role of the opposition was not effective. The existence of perfect unity in the President's group has contributed to the weaker role of the Samithi and the Standing Committees. Both these organs have, for all practical purposes, become rubber stamps in the hands of the President. They approve whatever is proposed by the President and there is hardly any case of

either rejecting or substantially modifying a proposal which has received presidential blessings.

The district officers have a role to play in decision-making at the block level. In some cases the decisions made by the Samithi are not final and require technical approval by the concerned district heads. The Samithi gives administrative approval and the district officers give technical approval. Then only the decision is final. Therefore, the role played by the technical heads of district departments is not a negligible one.

Besides these, there are others who help in making decisions at the block level. The Extension Officers are associated with the preparation and processing of cases for decisions. They also give technical advice to the decision-makers. In the initial stages of most cases, the VLWs (Village Level Workers) play a significant role. They are connected with the gathering of information and facts relating to cases. Speedy decision-making depends to a large extent on the VLWs making facts available to the Samithi in time.

It is evident from the foregoing account, that the decisions are the product of a joint effort. However, the most important role in decision-making is played by the Block Development Officer and the President of the Panchayat Samithi. The initiative is with them and they dominate the scene. The Standing Committees and the Panchayat Samithis are not the chief role-players in decision-making where Presidents have an absolute majority.

THE DECISION-MAKING PROCESS

The detailed procedure in decision-making varies from one case to another. In some cases, facts from the field have to be collected and only then are decisions made. In other cases, data is available at the headquarters and decisions are made on the basis of that data. Various government circulars prescribe the procedure to be followed in decision-making. This again differs from one case to another. But generally speaking there are the following stages in the decision-making process: initiation, fact gathering, inspection, processing, consultation and submission. Initiation is the first stage. It is a stage at which the Block Development Officer on hearing of the sanction of a scheme or project by the State Government or Zilla Parishad, starts preparing for a decision. He discusses the proposal with the Extension Officer concerned and decides the course of action to be followed. The Block Development

Officer either writes to the VLWs or tells them about the scheme in the monthly staff meetings. He also tells the members of the Standing Committees and Panchayat Samithi about the scheme. The second stage starts with fact gathering. The EOs and the VLWs are told to collect applications from the people or gather the data required for decision-making. The third stage is inspection or verification of facts stated in the application or seeing whether the applicants fulfil the conditions. Processing of data is the fourth stage where the case is prepared and those applications not fulfilling the conditions are rejected. The fifth stage is consultation with the President. The BDO discusses various aspects of the problem with the President. This stage of decision-making is a crucial one, for it is here that the real decisions are made. At this stage, the proposal is still in a raw shape and the proposal is moulded according to the views of the President. While preparing the cases the officials are mainly guided by the rules, whereas the President, in approving it, is guided by political factors. He looks at the proposal from political angles. Being the representative of the people he indicates popular feelings. This stage in decision-making is important from another point of view also. The President can point out loopholes in the proposals. Once it gets the green signal at the hands of the President, the later stages are a matter of formality, at any rate in these blocks. The final stage is submission of the case. The proposal then goes to the Standing Committee/Panchayat Samithi for final approval. If the President has already seen it, there is practically no discussion on it and it is approved. On the other hand, if the proposal had not been seen by the President owing to his other engagements, and he sees it for the first time in the Standing Committee meeting, some discussion and pruning can be expected. The President himself would lead such discussions and make changes in the proposals as has happened in the case of pack-age villages.¹¹ After incorporating such changes the Block Development Officer sends it for technical approval to the district officer concerned, if needed in cases where technical approval is required, the Block Development Officer issues administrative orders for the commencement of work.

The liberalised loan-cum-subsidy scheme which was initiated by the State Government a few years ago illustrates the steps mentioned in decision-making process. With a view to giving

more financial help to the farmers, the Government of Andhra Pradesh introduced a new scheme, in 1963, known as liberalised loan-cum-subsidy for the construction of wells.¹² The main object of the scheme was to secure "rapid increases in agricultural production". The Government sanctioned Rs 100 lakhs in the plan budget of 1963-64. In the first instance, the Government sanctioned the construction of 10,000 wells during 1963-64 at the rate of Rs 2,000 per well. The State Government stipulated certain conditions for the sanction of loans to the farmers such as loans should be granted to those who do not have any well; the wells should be undertaken preferably in areas liable to recurrence of frequent scarcity conditions; the applicants should be required to furnish adequate security.

The State Government laid down the procedure to be followed in collecting the applications for the loan, sanctioning and disbursing. It said that the agency for implementing the scheme would be the Block Development Officer in the Samithi areas. He would also be the inspecting officer. Before the loan was sanctioned the Block Development Officer's approval of the work site was required. The Block Development Officer was to satisfy himself that there was a reasonably good possibility of tapping an adequate quantity of water for irrigation purposes. The areas, says the Government Order, which past experience had shown to be infructuous should be excluded. The BDO should conduct inquiries into the loan applications to ascertain the *bonafides* and the solvency of the applicants, the value of the land/s or other collateral security offered for the loans. After inquiry, the names of the ryots who deserve loan-cum-subsidy should be arranged in order of priority according to their means so that the poorer man who fulfilled the conditions could get the loan earlier. The BDO should, after inquiry, place loan applications along with the record of inquiry and his recommendations before the concerned Standing Committee and the Standing Committee of Finance. The Standing Committee was to take decisions on the applications. If there was a difference of opinion between Standing Committees I and V, a joint meeting of the two should be held and get the problem solved. The sanction orders were to be issued by the BDO to the farmers. The BDO was advised to inspect the wells at an appropriate time for the release of second instalments and also for the conversion of 37% per

On the other applications, the BDO proceeded to conduct local inquiries. In the villages the BDO would depend mainly on the Patwari for collecting the data relating to the lands of the applicants. The BDO would also visit the land where the applicant proposed to dig a well under the scheme of liberalised subsidy.

The BDO completed the local inquiry for all applications by the middle of February. After the inquiries were completed the BDO with the help of the EO (Agriculture) processed the applications. Some of the applications for this loan were transferred to other categories of loans where the loan amount and the subsidy were less. Thereafter, a list of eligible names were prepared. The BDO discussed the list with the President before the meeting of the Standing Committee. The Standing Committee which met in the third week of February approved the list of 13 names for the loan-cum-subsidy.

There are several factors which are taken into consideration while making decisions. Foremost among these are the Act, the rules laid down and the instructions issued by the State Government to the Samithis. The State Government while sanctioning schemes and programmes sends detailed instructions and conditions to be followed by the Panchayat Samithis in making decisions. The powers of the decision-makers are, therefore, limited by such conditions. For instance, in the mid-day meal programme certain conditions are to be fulfilled before it is introduced in any school. It is laid down that for introducing a mid-day meal programme a school should have 50 beneficiaries. There should be adequate funds or public contributions for utensils and incidental expenses. The school should be

The officials while making decisions are particular about the government rules and as far as possible prepare the cases according to the rules. Before taking decisions they advise the non-officials about the rules relating to the cases. The officials' desire to take decisions according to the rules is mainly due to their fear of superior officers and also the auditors. If a decision is not according to the rules it would be pointed out by the auditors and the State Government would hold the officers responsible for the irregularities committed. Understandably, the officials at the block level try to see that the decisions to be taken are at least remotely connected with government rules.

The second important consideration in making decisions is the group interest. The President while taking important decisions sees whether they help him in strengthening his own position and group or not. The President keeps his group united by taking decisions favourable to his group members. In the absence of any ideological or other affinity, decision-making takes this aspect into account. There are instances of officials who instead of pointing out such discrimination have remained silent for fear of victimisation. This was evident, for instance, in the case of package villages in a certain Samithi area. The Government of Andhra Pradesh introduced a modified package scheme in 1963-64. The idea behind it was to "set-up" food production. Under this scheme the cultivators were to be provided more facilities for agriculture. The government proposed that the scheme should be introduced in three phases in the blocks. First year 20 per cent, second year 40 per cent, and third year the remaining 40 per cent of the villages were to be covered. It was pointed out that at the time of selecting the villages for a

package area, they should see that it was a compact and contiguous area: the villages with perennial sources of water should be given preference.

In 1964, the BDO of a Samithi with the assistance of the EO (Agriculture) selected a compact area of 18 villages for the second phase of the scheme. In it he included two villages of the opposition group, one of which had a perennial source of water and also fertile land. The list of the villages could not be discussed by the BDO with the President as he was out of station before the Standing Committee meeting. The President saw the list in the meeting and struck off the two opposition villages and included two villages of his own group. The Standing Committee approved the altered list of villages.

Another consideration in decision-making is the wooing of opposition members. By giving some concessions to wavering opposition members in deciding cases and winning them over to their side, the majority group would fortify their strength. There are instances where opposition members were sanctioned subsidy wells on the understanding that they would join the majority group. This device has been mainly responsible for weakening the opposition groups in some Samithis. In the Panchayat elections this factor also played an important role. The people in the villages had felt that if they voted for the opposition they would not hope to get anything from the Samithi.¹³ They had been seeing that persons and villages belonging to the President's group were favoured in various ways by the Samithi.¹⁴ Decision-making at the block level is, therefore, very much conditioned by group interests.¹⁵

Besides this, the interests of the Standing Committee members are also taken into account. As one BDO put it: "as far as possible we accommodate the individual interests of the members of the Standing Committee. This makes the decision-making process smooth sailing".¹⁶

Another consideration of some importance is the performance of village Panchayats or Sarpanches. In allotting works, the President and BDO are interested in quick and efficient execution. Those villages and Sarpanches who proved to be efficient in their work are favoured in the allocation of work by the President and the BDO. They generally do not decide in favour of persons who have previously proved to be inefficient and lacked interest. There are works in the Samithi area

Previous commitments or the fulfilment of promises already made is also one of the factors shaping decision-making at the block level. Decisions on the liberalised subsidy loans were partly guided by this factor. As we have seen earlier, under this scheme the loan was to the tune of Rs 2,000 out of which Rs 750 were to be treated as subsidy on the completion of the well. Since the subsidy in the loan was very attractive, there was acute competition for the loan. In one Samithi area out of the 13 wells, 3 were reserved for the scheduled castes and scheduled tribes. Besides this, the BDO and the President thought that they should give 2 loans to two persons who had given their land for the construction of a road. These two persons had lost some fertile land in connection with laying of the road which was passing through their fields. Unless their land was obtained the road could not be built. When the owners of the land raised objections against constructing the road through their fields, they were told that it was an important road connecting their block with the neighbouring district. They were promised compensation in the shape of a subsidy under the liberalised subsidy scheme. This was promised to them by the block authorities long before a decision was taken on the liberalised subsidy. These two persons were asked to apply for the loan. The block authorities had to honour this promise at the time of taking a decision on the application relating to the scheme.

Long term development of the block is no trivial factor in decision-making. The building of a long road connecting a block with an important town was considered on the basis of merits and development of the block.

The achievement of targets or disbursing the money allotted to the bloc is also a factor of some importance. The officials are eager to show results to their superiors and in such cases they follow the principle of first come, first served.¹⁷ Further when funds are plentiful and users are few, there is no question of choice; a decision is made in favour of anyone who applies.

Decision-making at the block level is not always smooth-sailing. There are several barriers to judicious and timely decision-making. Some of the barriers

have already been discussed such as group feelings and previous commitments.

Communications from the top is another impediment to timely decision-making. For instance, one block was told by the Government that a pilot project scheme to repair minor irrigation tanks and increase afforestation was sanctioned and the BDO was instructed to receive applications and keep all the data ready for the final decision. The BDO got everything ready but the amount was released very late when the financial year was about to close.

The procedure and formalities to be completed have their own share in delaying decisions. To get a loan under the Intensive Manuring Scheme (IMS) a ryot has to fill in about 12 forms. These forms are prescribed under the Madras Taccavi Act. They are time-consuming and laborious. Since most of the cultivators cannot read and write they have to depend upon "some educated men who also, sometimes, do not understand the language of the forms. Therefore the ryots rely upon the VLWs and the block officers. Once the forms are completed and sent to the block office, it takes much of the AEO's time to scrutinise them. It is pointed out by some AEOs that the IMS forms of the old Hyderabad state were simpler and fewer in number. The rules governing loans are also complicated and require clearance from several departments. For instance, in order to apply for a loan from the Samithi, the ryot has to get certificates from the Village Panchwari about the land in his possession from the Registrar's Office stating that the land is free from encumbrance and from the Revenue Department about

from the Revenue Department as to the nature and extent of the land. It is not easy to obtain clearances from all these organisations. Not only do the ryot have to run around offices but he also has to spend money in getting the work expedited.¹⁸ The rules are such that only persons who can run about and spend money can hope to get any benefit from the Samithi. Another difficulty encountered in obtaining loans from the Samithi is the existence of a peculiar type of ownership of land in this part of the State. If a person has purchased land he becomes the owner, but he is not entitled to apply for any loans until the title of the land, called *patta*, is also transferred to him. The sale deed does not help him. There are thousands of such

cases and all of them cannot hope to get any benefit from the Samithis. The effect of all this is the enormous delay caused in deciding cases at the block level.

Another barrier of no small importance is the non-availability of the President at the block headquarters. Although there is a government rule that the President should attend the office at least two days in a week, the rule is invariably not observed. Being a busy politician he does not find time to come to the Samithi office frequently. The result has been that decisions are delayed. To obviate this the BDO sends the urgent files to the President's villa but it depends on chance whether he is even available there.

Added to all these is the deliberate postponement of decisions in order to accommodate group interests. If the applications of some influential members of the President's group are not submitted in time, the decision is postponed till the submission of their applications. In the sanctioning of subsidy for wells under community development in 1964 in one block the BDO had prepared a list of those who had applied before the last date fixed for receiving applications. But some persons who had requested the President informally for loans had not sent in their applications. The discussion of this issue in the Standing Committee was postponed twice to enable them to send their applications.

There are other barriers to decision making relating to problems such as transfers and postings of teachers and the VLWs. This barrier mainly takes the shape of political interference in administration.¹⁹ The decision-making is so greatly conditioned by political forces that the BDO has to take several factors into account before either transferring or taking disciplinary action against a subordinate. He has to see whether the person concerned is politically well connected, in which case the BDO may feel unable to take action, although on merits of the case he may think otherwise. Local politics, the joint family system and caste have greatly diluted objectivity and rationality in decision-making. It is not difficult for a subordinate officer to establish contacts with some influential politician and get those decisions of his superior, which adversely affect him, reversed. As a result, the officers in the block are reluctant to take decisions for fear that their decisions might be reversed by higher authorities and leave them in a humiliating situation. The

would rather not take a decision than face humiliation. By not taking decisions they avoid unpleasantness with subordinates.

CONCLUSION

The foregoing analysis reveals that decision-making in Panchayati Raj, as in other public organisations, is subjected to several pressures and pulls. In law, the Panchayat Samithi and the Standing Committees are the important decision-makers but in practice the decisions are made by the President and the BDO. Because of the absolute majority of the President's group in the Samithi, decision-making by the Samithi and the Standing Committees has become a mere formality.

It is also observed that in Panchayati Raj decision-making is not very swift; there are a number of stages in the decision-making process. The preparation of the case, which includes initiation, fact-gathering, inspection, processing, is done by the officials. The non-officials do not play any part at this stage. Before the submission of the cases to the Samithi and the Standing Committees, the BDO usually discusses them with the President.

Further, there are several factors which are taken into account by the decision-makers while making decisions. Most important of these are the rules governing the cases; interests of the President's group in the Samithi, wooing the members of the opposition group, performance of the Panchayats or Sarpanches, previous commitments made by the President and the BDO and the anxiety to achieve the targets given by higher authorities. The degree of influence of these factors varies from one case to another.

Judicious and timely decision-making is also impeded by inadequate and vague communications sent by the higher authorities to the block officials. The legal formalities to be completed by the ryots and the deliberate postponement of decision-making come in the way. Occasionally, the political consequences have to be assessed by the officials before they take an administrative decision. All these go to prove that decision-making in Panchayati Raj is not an isolated phenomenon; it bears the imprint of social and political factors which sometimes nullify the effect of neatly issued and detailed rules and instructions of the State Government. Democratic bodies at all levels are subjected to such pressures and pulls but their intensity is greater at the grass-roots level.

NOTES

- 1 Dill, William R: "Administrative Decision-Making" in Mailick, Sydney and Van Ness, Edward H, eds, "Concepts and Issues in Administrative Behaviour"; Prentice-Hall, Inc. Englewood Cliffs, 1962, p 29.
- 2 Pfiffner, John M and Presthus, Vance R: "Public Administration"; Ronald Press, New York, 1960, pp 114-131, (revised edition).
- 3 Terry, George R: "Principles of Management"; Richard D Irwin, Inc, Illinois, 1964, (fourth edition), pp 107-108.
- 4 Secklar-Hudson, Catheryn: "Organisation and Management: Theory and Practice"; American University Press, Washington, DC, 1955, p 29.
- 5 Pfiffner and Presthus: *op cit*, p 114.
- 6 Secklar-Hudson: *op cit*, p 29.
- 7 *Ibid*, p 29.
- 8 Nath, V: "Planning by Panchayati Raj Institution": a paper presented at the Seminar on Panchayati Raj, Planning and Democracy, organised by the Department of Economics and Public Administration, University of Rajasthan, Jaipur, 1965.
- 8 Dubhashi, P R: "Panchayati Raj Personnel", *Indian Journal of Public Administration*, October-December, 1962, Vol VIII, p 537.
- 10 See Jain, S C: "Community Development and Panchayati Raj in India"; Allied, Bombay, 1967, pp 312-335.
- 11 Discussed later in this paper.
- 12 Government of Andhra Pradesh (Food and Agriculture Department): GOMs No 1206, dated 22-5-1963.
- 13 One BDO commenting on the success of a President's group in the 1964 elections said: "It shows that people have realised the futility of supporting the opposition group. People know that if they support the opposition candidates they will not get anything from the Samithi".
- 14 Details are discussed in Reddy, G Ram: "Panchayati Raj elections in Andhra Pradesh" in Moorthy, M V, ed, "Sociological Aspects of Community Development", Andhra University Press, Waltair, 1965.
- 15 The President of a Samithi frankly said: "We have to take into account our group's interests; otherwise we cannot survive in local politics. It happens at all levels — district, State and Central. This is the price one has to pay for democracy".
- 16 In one Panchayat Samithi, the President who is popular with members and people made the members of the Standing Committee pass a self-denying ordinance that they would not apply for certain facilities provided by the Samithi. They would first give preference to other people.
- 17 A BDO commented: "Our work is evaluated at the Zilla Parishad and State Government levels. Therefore sometimes we have to act very

speedily and spend the money given to us. If we do not do it there are two disadvantages: firstly the officer concerned is dubbed inefficient and secondly, the sanctioned amount lapses".

- 18 A report issued by the State Evaluation Committee says: "Defraying from the sum of Rs 750 charges towards: registration of mortgage deed, cost of non-encumbrance certificate and other incidental charges in connection with the obtaining of the loan, it would be reasonable to expect that the ryot would actually receive not more than Rs 650 and this would be far from adequate for the sinking of a well. This is one important reason why the poorer sections of the community did not derive adequate benefit under this programme". Planning and Panchayati Raj Department: "Study on the Working of the New Well Subsidy Scheme in Andhra Pradesh", pp 37-38.
- 19 The Minister for Planning and Panchayati Raj drew the attention of the Presidents of Panchayati Samithis to this fact.

Indian Tool Manufacturers

INDIAN Tool Manufacturers produced less in the year to March last but, with increase in selling prices from May 1969, net sales increased from Rs 209 lakhs to Rs 234 lakhs and the outcome was a trading surplus of Rs 19 lakhs against a deficit of Rs 3 lakhs in the previous year. After depreciation, there was left a net surplus of Rs 6 lakhs compared to last year's deficit of Rs 20 lakhs. Equity dividend is skipped and the usual distribution on preference capital will take a little over Rs 2 lakhs. The company has received Reserve Bank approval for investing a little over Rs 2 lakhs in the share capital of a wholly-owned subsidiary in the US to be established for promotion of exports. Export sales at Rs 17 lakhs were lower compared to the last year because of resistance to higher prices. Production at the electronic instrument unit, established in 1969-70, has commenced but the results have yet not been encouraging due to non-availability of indigenous components. Selling prices have been again increased from early August last following rise in costs. The current year's results are expected to be still better. Herramientas Daga de Colombia, a company promoted in Colombia in collaboration with Corporation Financiera de Caldas, has made satisfactory progress but it will be some time before it starts production in full swing.

FROM THE CHAIR

Industrial Finance Corporation of India

Statement by the Chairman, Shri C D Khanna

THE following is the Statement made by Shri C D Khanna, Chairman, Industrial Finance Corporation of India, at the Twenty-second Annual General Meeting of the Shareholders of the Corporation held on September 30, 1970:

FRIENDS,

This is my first opportunity of placing before you this report since taking over charge of the Corporation on the 19th May, 1970 as its Chairman. It is my privilege and pleasure, soon after my taking over, to present to you the Annual Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June, 1970. The printed copies of the Accounts and the Report have been circulated to all the shareholders and I shall, with your permission, take them as read.

CHANGES IN THE BOARD

During the year, a number of changes have taken place in the composition of the Board of Directors of the Corporation. Shri N D Nangia relinquished office as Chairman on the 18th May, 1970. I would like to express my sincere appreciation of the valuable services rendered by Shri Nangia during his tenure of office.

At the last Annual General Meeting of the Corporation, Shri S J Utamsing was elected as a director to represent Scheduled Banks in the vacancy caused by the resignation of Shri C H Bhabha with effect from the 27th June, 1969. At the same meeting, Sardar Santokh Singh was elected as a director to represent Insurance concerns, Investment Trusts, and other like financial institutions vice Smt Raksha Saran, who retired. Shri N A Kalyani was re-elected as a director to represent Co-operative Banks. The Central Government nominated Shri T Swaminathan, Secretary to the Government of India, Department of Industrial Development, Ministry of Industrial Development and Internal Trade, in place of Shri N N Wanchoo with effect from the 16th February, 1970. The Industrial Development Bank of India nominated Shri S L N Simha as a director in place of Shri P K Dasgupta with effect from the 27th April, 1970. They have recently nominated Shri F K F Nariman in place of Shri Charat Ram with effect from the 14th September, 1970. Since the close

of the year, Shri S D Srinivasan representing Insurance concerns, Investment Trusts and other like financial institutions, resigned with effect from the 30th July, 1970 and the vacancy caused by his resignation is going to be filled at today's meeting.

I take this opportunity to place on record the valuable services rendered by Smt Raksha Saran, Shri N N Wanchoo, Shri P K Dasgupta, Shri Charat Ram and Shri S D Srinivasan while they were associated with the Corporation. I also place on record my thanks to all the present Directors on the Board for their valuable co-operation and wise counsel.

ECONOMIC SITUATION

The overall economic situation in 1969-70, the first year of the Fourth Five-Year Plan, has been satisfactory. The rate of growth in national income, at constant prices has been estimated at 5 to 5½ per cent compared to the increase of about 2 per cent in 1968-69. The output of foodgrains in 1969-70, at about 100 million tonnes, was higher than the level of production in 1968-69 by about 6 million tonnes. Though the production of some of the commercial crops was also higher than in the previous year, it was not sufficient for meeting the entire requirements of the industrial sector and shortages were pronounced in respect of supplies of cotton and oil seeds.

Industrial activity has picked up considerably and the economy has recovered from the effects of the recession. During the year under review, there has been a notable improvement in the utilisation of existing capacity in many industries assisted by the Corporation, viz, paper, caustic soda, sulphuric acid, aluminium, tractors, artificial fibres, cement, refractories, steel castings, steel forgings, etc. The cotton textile industry did not fare well because of a steep rise in the prices of cotton and shortage of working capital. Jute industry also did not do well because of certain adverse factors including a sudden fall in the demand for carpet backing cloth in the US market.

The balance of trade has also improved during the year, with exports at a higher level and imports showing a welcome reduction. At the end of June, 1970, the foreign exchange reserves at

Rs 837 crores were higher by Rs 209 crores compared with the position obtaining during the same month of the previous year.

While the capital market appeared to be active, buoyancy was confined to a few selected shares. It would appear that there are plenty of investible funds, while promising scrips are relatively few which explains partly the recent spurt in the price of some industrial securities.

The Annual Plan for 1970-71 has already been announced. It aims at a growth rate of 5.5 per cent in the national income to be achieved from a 5 per cent increase in the agricultural output and an 8 per cent increase in industrial production. The green revolution is still in stride, and the agricultural situation could be regarded as satisfactory. The new industrial policy announced by Government is expected to give an impetus to production, particularly, in the small and medium scale sectors and to stimulate exports. The reorientation of lending policies of nationalised banks and financial institutions aimed at meeting the credit requirements of all sectors of economy and encouraging new entrepreneurship, is a significant development. The economy, on the whole, has a promise of better health.

SANCTIONS AND DISBURSEMENTS DURING THE YEAR

During the year 1969-70, the Corporation sanctioned total financial assistance of Rs 19.38 crores to 49 industrial units made up of rupee loans of Rs 13.63 crores, foreign currency loans of Rs 2.07 crores, underwriting of shares and debentures of Rs 1.68 crores and guarantees for foreign currency loans and for deferred payments on imported plant and machinery of Rs 2 crores.

Assistance disbursed during the year aggregated Rs 18.05 crores, of which cash disbursements, i.e, excluding guarantees issued, totalled Rs 17.71 crores.

WORKING RESULTS FOR THE YEAR

The Corporation's total income for the year under review was higher at Rs 12.82 crores as compared to Rs 11.94 crores in 1968-69. Interest paid by the Corporation on its borrowings and discount and brokerage paid on bonds were higher at Rs 7.95 crores as against Rs 7.57 crores in the previous

year. The gross profit registered an increase of Rs 41 lakhs, being Rs 4.33 crores as against Rs 3.92 crores in the previous year. After making provision for taxation to the extent of Rs 2.37 crores, as against Rs 2.22 crores in the previous year, the net profit was higher at Rs 1.96 crores as compared to Rs 1.70 crores in 1968-69.

PROVISION FOR INCOME-TAX

With the continuous increase in the gross profits of the Corporation from year to year, higher provision is being made for taxation. Since its inception on the 1st July, 1948, till the 30th June, 1968, i.e., over a period of 20 years, the income-tax paid by the Corporation aggregated Rs 11.19 crores. For the subsequent two years, viz, 1968-69 and 1969-70, for which assessments have not yet been completed, the provision for taxation has been made to the extent of Rs 4.59 crores. These figures are a measure of the contribution which the Corporation has made to the national exchequer.

CORPORATION'S RESERVES

During the year, additions made to reserves out of the profits were to the extent of Rs 1.71 crores. The total reserves of the Corporation, including the General Reserve of Rs 7.60 crores, now amount to Rs 12.65 crores, which figure exceeds the Paid-up Capital by Rs 4.30 crores.

CUMULATIVE SANCTIONS AND DISBURSEMENTS

The net amount of cumulative assistance sanctioned by the Corporation, since its inception in July, 1948, i.e., after accounting for cancellations and withdrawals, amounted to Rs 337.08 crores. This comprised rupee loans of Rs 216.35 crores, foreign currency loans of Rs 39.29 crores, underwritings and direct subscription to shares and debentures of Rs 28.08 crores and guarantees to the extent of Rs 53.36 crores. Of the total assistance sanctioned for 505 projects, new projects numbering 333 claimed assistance of the order of Rs 214.27 crores and the balance assistance of Rs 122.81 crores was sanctioned for expansion, modernisation or diversification. The aggregate capital cost of the 505 projects for which the Corporation has so far sanctioned financial assistance is estimated at Rs 1,450 crores which is an index of the overall resources mobilised for the implementation of the projects. In the case of a development bank like the Industrial Finance Corporation of India, the number of industrial projects which the Corporation can help finance, along with contributions from other sources,

rather than the absolute amount of the Corporation's own assistance, should, in my opinion, be regarded as the true measure of the Corporation's contribution to the economic development of the country.

As against the aggregate net assistance sanctioned to the extent of Rs 337.08 crores, assistance actually disbursed up to the end of the year under review amounted to Rs 301.39 crores, constituting about 89 per cent of the total sanctions. This could be considered as quite satisfactory.

FOREIGN CURRENCY LOANS

During the year, the Corporation was allocated a further loan of DM 5 million, being the eighth line of credit, under an Inter-Governmental Agreement between the Governments of the Federal Republic of Germany and India, signed on the 25th July, 1969. The relative Loan Agreement between the Corporation and the Kreditaustalt für Wiederaufbau has since been signed. With the execution of this agreement, the eight lines of West German credit to the Corporation aggregated DM 102.5 million. A notable feature of the DM lines of credit is that they can now be utilised for the import of capital goods, engineering knowhow and services, etc., not only from West Germany but also from other countries, except certain countries specifically excluded.

As on the 30th June, 1970, the Corporation had sanctioned effective sub-loans aggregating DM 86.16 million, US \$ 27.08 million and FF 12.32 million against the respective lines of foreign credits available with it. While the lines of credit from the US AID had been fully committed, the credits from the Kreditaustalt to the extent of DM 16.35 million were still available for sanctioning further sub-loans. During the past 2 months, we have sanctioned further sub-loans of DM 4.76 million. Of late, there have been a number of inquiries for the DM sub-loans and it is hoped that the balance of the DM lines of credit would be fully committed in the near future. In fact, having regard to the number of applications and inquiries pending with us for DM sub-loans, we have already moved the Central Government for allocation of a further DM line of credit.

Recently under the UK/India Capital Investment Loan 1969, the Government of India have allocated to the Corporation £1 million to enable it to finance the import of capital goods by eligible industrial concerns from the UK. Though this is a tied credit, it is to be welcomed, as it is for the first time that sterling resources have been placed at the disposal of the Corpora-

tion for meeting the requirements of its constituents.

INDUSTRIES FINANCED DURING THE YEAR

The Corporation continues to cover in its operations, as large an area of the industrial sector as possible. During the year under review, sugar, cotton textiles, non-ferrous metals, artificial fibres and jute textiles were the principal beneficiaries of financial assistance from the Corporation. A number of other industries, viz, engineering products, rubber products, fertilisers, electrical machinery, glass, paper, motor vehicles, cement, basic industrial chemicals, ceramics and hotels, also received financial assistance from the Corporation.

ASSISTANCE TO UNDERDEVELOPED AREAS

The Corporation has been giving special consideration to applications for financial assistance emanating from relatively less-developed parts of the country. Of the total assistance of Rs 337.08 crores sanctioned for 505 industrial projects up to the end of the year under review, roughly about 32 per cent, viz, Rs 106.89 crores, spread over 140 industrial units, was accounted for by Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Uttar Pradesh, Andaman and Nicobar Islands and Goa, which have been classified as less-developed States/Territories. During 1969-70, industrial projects in the above-mentioned relatively less-developed States/Territories claimed a total assistance of Rs 4.68 crores, i.e., 24.2 per cent of the total assistance sanctioned during the year.

CONCESSIONAL FINANCE FOR UNDERDEVELOPED AREAS

In consultation with the Industrial Development Bank of India, the Corporation announced on the 23rd July, 1970, a scheme of concessional finance to small and medium sized industrial enterprises to be located in the industrially underdeveloped districts where the infra-structural facilities for industrial development exist, in the various States and Union Territories selected for such assistance by the Central Government in consultation with the concerned State Governments. The concessions include reduction in the normal lending rate of the Corporation, longer initial grace period, longer amortisation period, reduced margin of security, lower contribution from the promoters to the financing of a project, larger participation by the Corporation in the share capital of the industrial concerns by way of underwriting or otherwise, and reduction in the Corporation's service and legal charges. These concessions will

normally be applicable to cases where the total project cost does not exceed Rs 1.00 crore; concessional finance for bigger projects will be considered on a selective basis.

I trust, the concessions offered by the Corporation will help quicken the pace of industrialisation of these selected industrially less-developed areas in the country. The Corporation looks forward to playing an increasing role in extending larger financial assistance to such areas.

FINANCING OF SUGAR AND TEXTILE CO-OPERATIVES

A unique feature of the Corporation's operations is the financing of industrial co-operatives particularly sugar and textiles. During 1969-70, loans aggregating Rs 3.45 crores and Rs 2.22 crores were sanctioned to 5 sugar co-operatives and 6 cotton textile co-operatives respectively. The assistance to sugar and textile co-operatives sanctioned during the year amounted to Rs 5.67 crores, i.e., about 29 per cent of the total assistance.

Up to the 30th June, 1970, the net financial assistance sanctioned to 91 industrial co-operatives aggregated Rs 68.21 crores, which constituted about 31 per cent of the total rupee loan assistance of Rs 216.35 crores. These figures are eloquent proof of the significant part played by this Corporation in fostering the development of rural areas and the dispersal of industries. The impact of this assistance to industrial co-operatives on the economy as a whole can be judged from the fact that for implementing these projects in the co-operative sector, financial resources of the order of Rs 145.17 crores have been mobilised, the Corporation's contribution being 47 per cent. The extent to which savings in the agricultural sector have been mobilised for productive purposes is evident from the fact that in respect of the co-operative sugar factories, the producer members had contributed about Rs 22 crores as share capital, the contribution from others, viz, non-producer members, co-operative institutions and the rest, amounted to Rs 4 crores and assistance from the State Governments, by way of share capital, totalled Rs 15 crores. In addition, over Rs 13 crores had been collected by the co-operative sugar factories, which have gone into production, by way of non-refundable deposits out of the price of sugarcane payable to the growers.

ASSISTANCE TO NEW ENTREPRENEURS AND TECHNOLOGISTS

It has been accepted as an objective of national policy to encourage new entrepreneurs in the industrial field. The

recent changes in the industrial licensing policy of the Government are also calculated to achieve the same objective. The Corporation has been encouraging new entrepreneurs by according special consideration to applications received from them. Besides, the Corporation has also been extending the necessary guidance to the new entrepreneurs and technologists so that the projects sponsored by them become technically and economically viable, thereby qualifying for assistance from the public financial

ASSISTANCE TO PUBLIC SECTOR PROJECTS

I wish to refer to another significant development in the coverage of industrial concerns eligible for financial assistance from the Corporation. In the past, the Corporation's policy had been to assist mainly projects in the private sector as was intended at the time of the setting-up of the Corporation in 1948. This policy has since undergone a change. The Central Government have decided that public financial institutions should be authorised to consider applications for financial assistance for projects in the public sector on the same terms as industrial projects in the private sector. The Corporation accordingly announced in August, 1970, its decision to entertain applications for financial assistance from public sector undertakings (irrespective of the extent of Government's shareholdings in them) on the same basis as applications from concerns in the private sector. Industrial projects in the public sector, which are incorporated as public limited companies are, therefore, now eligible for financial assistance from the Corporation for expansion, modernisation or for the setting up of new projects. The Corporation has also moved the Central Government for amendment of the IFC Act for authorising the Corporation to give financial assistance to private limited companies also, so that public sector projects which are incorporated as private limited companies under the Companies Act may also be eligible for financial assistance from the Corporation.

CONVERSION OF LOANS INTO EQUITY

The right of development banks to convert, at their option, a part of the loan into equity capital of the assisted concern has recently attracted a good deal of public attention. It has been argued that the term-lending institutions want to have their cake and eat it too, that as lenders they should not expect additional rewards. As there is a lot of misconception in the public mind on this subject, a brief explanation of the philosophy and the rationale of the practice of convertibility of loans into equity by development banks may not be out of place.

It is customary with development banks in most of the industrialised countries to make long-term loans with equity features such as convertible loans or such other features as stock options, profit participation or the right to contingent interest payments. The object of conversion is not to interfere in the management of clients' business, or to hold shares so acquired as investments. The objective of the conversion of the loan into equity is to participate in the prosperity of a successful project and this is achieved by timing the exercise of the conversion right in such a way as to enable the shares to be sold at a premium at the earliest appropriate time. This process enables such profit to be made without placing additional burden on the project; while during the period of its construction and getting into profitable operation, fixed interest which is moderate by commercial standards is charged on the loan. The profit made through conversion of loan into equity at a premium helps the development bank to strengthen its reserves, to cover occasional losses and to provide further funds for re-lending.

It may be relevant to mention that under Section 23(1)(i) of the IFC Act, the Industrial Finance Corporation of India was vested as early as December, 1960 with the power of "granting loans or advances to, or subscribing to debentures of, an industrial concern, which may at the option of the Corporation be convertible into stock or shares of that concern within the period the loan, advance or debenture is repayable." The All-India term-lending institutions are currently charging an effective rate of interest of 8 per cent on rupee loans which is low indeed compared with the rates which the commercial banks charge on short or medium-term advances. The cost of rupee funds to the IFC is a little over 6 per cent. The spread between the cost of funds and the lending rate is quite small. The Corporation also pays income-tax on its profits like any joint-stock company. It is, therefore, reasonable that the Corporation as a development bank should share in the prosperity of an industrial concern which has been the recipient of substantial assistance from it out of public funds. In the case of new ventures, long-term financial institutions today are financing upto 75 per cent to 80 per cent of the capital cost of the project in the form of long-term loans and underwriting of share capital, the contribution of promoters being not more than 20 to 25 per cent of the capital cost of the project by way of equity participation. Public financial institutions are thus major financial partners in the projects which they finance and come right

to share in the prosperity and the growth of the project cannot be considered as unreasonable.

In this connection, I would like to clarify that the right of conversion wherever exercised will be on terms and conditions negotiated or agreed upon in advance, having regard to the merits of each case. These would cover the amount of the loan to be converted, the period during which option for conversion may be exercised and the issue price at which loan would be converted into equity shares.

It may be added that the right of conversion will not apply to past loans except that the financial institutions will have discretion to negotiate conversion in cases of default. As a matter of fact, the Corporation has in several recent cases already converted a portion of its overdues into equity as part of the rehabilitation schemes of certain projects which got into difficulties.

DEFAULTS

As on the 30th June, 1970, interest in default amounted to Rs 372.72 lakhs and the principal in default to Rs 313.21 lakhs representing 2.43 per cent and 2.04 per cent respectively of the outstanding loans of Rs 153.22 crores. While there has been a marginal increase in the number of concerns in default from 47 to 51, the increase in the amounts of principal and interest in default was higher on account of repeated defaults committed by a few concerns. However, the amount in default in respect of deferred instalments guaranteed by the Corporation declined from Rs 527.43 lakhs as on the 30th June, 1969 to Rs 293.84 lakhs as on the 30th June, 1970, as a result of a rehabilitation scheme in respect of a paper project in which the Corporation has a large financial stake. The largest number of defaulting concerns was in the textile industry where the number of concerns in default increased from 12 to 14 during the year. The working of the cotton textile concerns in general continued to be unsatisfactory on account of a steep rise in the cost of raw materials and manufacturing costs, without a commensurate increase in the sales realisation. In some cases there were other difficulties also such as, shortage of working capital, inefficient management and labour trouble.

GENERAL APPROACH TO DEFAULTS

The Corporation's general approach in cases of default has been to find a constructive solution for bringing about an improvement in the working of the concerns by strengthening the existing management or by bringing about a change in management, where necessary, by financial reconstruction, by re-

scheduling of existing loans, by conversion of short-term liabilities into long-term obligations, or in suitable cases, by conversion of a part of the overdues into equity capital with a view to reducing the burden of interest and repayment of the loan. In the interest of maintaining employment, the Corporation's policy is to avoid any step which may have the effect of closing down a running unit. However, in the case of a few factories which had already closed due to inefficient management, financial difficulties, or as a result of legal action for winding-up initiated by unsecured creditors, the Corporation has been obliged to take legal action for the realisation of its dues.

The Corporation had initiated legal action against two of the defaulting paper projects. In one case, the project could not be completed due to financial and other difficulties and, in another case, the project was lying closed due to uneconomic working. In both the cases, the Corporation has taken steps for their rehabilitation. In case of one project which was causing considerable concern to the Corporation, in view of its large financial stake, the rehabilitation proposal has been finalised with the co-operation of the State Governments of Bihar and Assam. The project would be operated as a joint venture of the two State Governments. In the other case, negotiations for rehabilitation of the project under a new management have been approved by the Corporation in consultation with the Government of Bihar. In another case, proposals for financial reconstruction of the company have been finalised in consultation with the financial institutions involved in the project and with the co-operation of the State Government concerned which has also financial interest in the company. It is expected that with the implementation of the rehabilitation schemes in the case of these three projects and some other defaulting concerns, the outstanding defaults will be substantially reduced in the course of this year.

BOND ISSUE

To maintain a steady pace of lending operations, a constant inflow of funds is required. The main sources of funds of the Corporation, other than its own capital, retained earnings, repayment of loans and sale of investments, are borrowings from the market by issue of bonds, loans from the Central Government and foreign credits. With a view to meet the existing and future commitments on rupee loans, as also with a view to reduce its dependence on borrowings from the Central Government, the Corporation has decided to go to

the market again this year with a bond issue of Rs 4.50 crores. The details of the issue will be announced shortly. I trust that, as on previous occasions, the shareholders of the Corporation as well as other investors will lend us their maximum support, and help make the issue a success.

REVISED INSTRUCTIONS ON QUESTIONS OF POLICY

In exercise of the powers conferred by the IFC Act, the IDBI issued to the Corporation at the end of July, 1970, revised instructions on questions of policy in supersession of the earlier instructions, which had been issued by the Central Government from time to time and later adopted by the IDBI in October, 1964. The revised instructions are, *inter alia*, aimed at achieving greater operational flexibility and are in keeping with current concepts and practices followed by development banks.

RECOMMENDATIONS OF THE PARLIAMENTARY COMMITTEE ON PUBLIC UNDERTAKINGS

At the last Annual General Meeting of the Corporation, it was mentioned that the Parliamentary Committee on Public Undertakings (1968-69) — Fourth Lok Sabha — had examined the working of the Corporation upto the year ended the 30th June, 1968 and its report was presented to the Lok Sabha on the 29th April, 1969. One of the important recommendations of the Committee was that a stage had reached where the IFC and the IDBI should be merged. The Industrial Licensing Policy Inquiry Committee had also recommended that the IFC should either be merged with the IDBI or its operations should be confined to projects of a certain size and those of IDBI to projects above that size. These recommendations were of great importance to the future of the Corporation. After careful consideration of the recommendations of the Committee on Public Undertakings as well as the recommendations of the Industrial Licensing Policy Inquiry Committee, the Central Government have come to the conclusion that the two institutions, *viz*, the Industrial Finance Corporation of India and the Industrial Development Bank of India need not be merged at this stage.

ADDITIONAL OFFICES OF THE CORPORATION

In view of the increase in the number of projects financed by the Corporation and for exercising more effective supervision and follow-up of its existing and future investments as also for

rendering guidance and technical assistance particularly to new entrepreneurs, the Board of Directors of the Corporation has decided to open new Branches and sub-offices of the Corporation, particularly in underdeveloped States. Proposals in this behalf have been sent to the Industrial Development Bank of India for approval.

STREAMLINING OF PROCEDURES

Over the last several years, the Corporation has been streamlining its procedures with a view to reducing delays both in the sanction and disbursement of loans. We have now standardised and introduced printed loan agreements for different types of facilities as also for various deeds of security. We have introduced a printed mortgage deed for long-term loans. Introduction of standard printed forms of loan agreements and documents of security has brought about a striking improvement in the matter of reducing delays in legal documentation in the Corporation. We have also recently introduced standard questionnaires in simplified forms for financial assistance from the Corporation for industrial projects in various fields, such as sugar, textiles, jute, heavy industrial projects, light industrial projects, foreign currency loans, etc. All these innovations have been greatly appreciated by our clients. Efforts are being continuously made for further streamlining of procedures and for improving the efficiency and productivity of staff with a view to render prompt and efficient service to our constituents. In this connection, I acknowledge with gratitude the constructive suggestions which the various Chambers of Commerce have made to us in the course of our discussions with them for improving our procedures and our service to our assisted concerns. In order to disseminate information about our requirements and procedures, we have recently brought out a series of brochures containing guidelines for applicants for financial assistance from the Corporation.

SOME REFLECTIONS

The Corporation has now accumulated 22 years of experience in development banking. As a result of experience gained in the financing of over 500 industrial enterprises, the Corporation has had firsthand opportunity of appraising many of the problems involved in establishing new projects and expansion of existing undertakings. I may pause to make a few observations based on our experience about the problems involved in the financing of industrial projects.

It has been the experience of the Corporation that the importance of adequate management for any industrial

undertaking is frequently not fully realised. It has been observed that failure of management is one of the important and frequent causes of the failure of the project. Success in modern industry calls not only for complicated technical skills, efficient plant and equipment and up-to-date technology, but also executive management capable of dealing with complex problems of financial planning and control, marketing, taxation, labour, public relations, sound organisational structure and adequate supervision and training of personnel. In modern business, financial management has become as important as technical management. The lack of sound financial management is reflected in the building up of fixed assets out of short-term liabilities and frequently at the cost of working capital. Internal cash flows are utilised on capital expenditure at the cost of sound liquidity. The importance of a sound capital structure both for new enterprises and for expansion is underestimated. Frequently a balanced and sound capital structure is sacrificed for an undue proportion of debt in order to improve future value of the equity. Optimism of the promoters in estimating the total financial requirements of a project is common. Overruns in capital costs are a frequent phenomenon; under inflationary conditions, overruns tend to increase. Another common error is the failure to provide for sufficient permanent working capital and for initial cash losses which usually occur before the project starts generating funds. Completion of projects is already achieved on schedule, resulting in overruns. Obligations with short-maturities become due before the project starts generating cash to meet such obligations and the period of such obligations is too short to be serviced out of the profits of the concern. Credits extended by suppliers of equipment often fall in this category. These observations emphasise the need for effective executive and financial management in addition to sound technical management for the success of an industrial project.

THE FUTURE

The Annual General Meeting of the Corporation is an appropriate occasion for taking stock of our achievements and our short-comings — for appraising past accomplishments and for measuring the tasks that lie ahead.

Consistent with the national objective of encouraging new entrepreneurship in the industrial field, the Corporation has to expand its advisory services both technical and financial for giving necessary guidance and assistance to new entrepreneurs who lack industrial expe-

rience. Such assistance is necessary not only at the stage of project formulation but also during its execution and operation. Partly with this objective in view, we have decided to post technical officers at our Branches also. It is also our intention to organise an Advisory Services Department at the Head Office of the Corporation for organising and co-ordinating the advisory services. The proposal for opening of additional offices of the Corporation, particularly in comparatively less industrially developed States, is also designed partly to achieve this objective. The Corporation's officers are already being associated with the surveys by the IDBI of the industrial potential of the less-developed regions. The financing of industrial projects in the public sector will place additional responsibilities on the Corporation. For achieving the above objectives, it will be necessary to suitably strengthen the organisation. This matter is already engaging my attention.

STAFF

The Board appointed Shri Baldev Pasricha, Secretary, as the General Manager of the Corporation, with effect from the 29th May, 1970. Shri L Sitarman, Comptroller, was designated Secretary, with effect from the 29th May, 1970, and Shri S N Pai, Manager, was appointed Comptroller, with effect from the 25th July, 1970.

ACKNOWLEDGEMENT

Our appreciation and thanks are due to Kreditanstalt Fur Wiederaufbau of the Federal Republic of Germany with whom our relations have continued to be cordial. We are also grateful to the United States of America Agency for International Development and to the Banque Francaise du Commerce Extérieur of France for the consideration they have shown us.

I would like to express, on behalf of the Board, our thanks to the members of the Advisory Committees who have given freely of their expert knowledge and experience to the Corporation and to the non-official nominees on the Boards of Directors of assisted concerns, for looking after the interests of the Corporation. I would also like to express, on behalf of the Board, our appreciation of the devoted work of the General Manager, other officers and the entire staff of the Corporation, who have put in another year of loyal and devoted service. I am also happy to say that the relations between the staff and the management continued to be cordial during the year.

Friends, I thank you for your presence at this Annual General Meeting, and hope that the Corporation can continue to rely on your co-operation and goodwill in fulfilling its tasks.

The Jay Engineering Works Limited

Speech of the Chairman, Lala Charat Ram

THE following is the Speech delivered by Lala Charat Ram, Chairman, Board of Directors, at the Thirty-third Annual General Meeting of The Jay Engineering Works Limited, held at Calcutta on September 28, 1970:

DEAR FRIENDS,

The accounts and the directors report for the operations of the company for the year ending 31st March 1970 have been in the shareholders' hands for some weeks now. As is customary on the occasion of the annual meeting of the shareholders it would be helpful if we were to take account and note of some of the events during the year which are likely to have an important bearing for all of us. We may also attempt a little crystal-gazing for the year and years ahead of us.

PRODUCTION STOPPAGE

The main event of the year which merits the attention of our shareholders was the fact of the decline and subsequently a complete cessation of production in our Calcutta factories. This event at Jay Engineering, a company whose workers are probably amongst the highest paid in the entire engineering industry of not only Bengal but of India, and a company eminently known for its dealings with its employees and totally ethical dealings commercially, merits the attention and analysis of the shareholders of the company, and may be of the industry, the working class and of the government too. The near-eight months record-setting forced work stoppage at Jay has led to the economic ruination of the workers; their savings were drained away and they had to pawn their domestic durables for their sustenance. For the company the financial loss was colossal, almost crippling, as it must be for any company; it would take a year or more of normal uninterrupted operations for restoring the financial health of the company. The country's export markets for sewing machines and fans were starved and some of these may be lost for a long time to come. The consequence for the small-scale industry, committed for years to a stable demand in feeding the Usha factories, of the work stoppage of eight months were disastrous. It would be naive and conventional to analyse this unprecedented work stoppage in terms of an industrial relations situation. The fate that befell Jay Engineering has been faced in lesser or greater measure by many large and scores of small en-

terprises, the only difference being that Jay case received attention on account of its employment of over 5000 persons and for its being what by many has been called the "Pride of Bengal" industry. As I see it, this situation in Bengal is a story of organised militant movement by trained and dedicated party workers to paralyse the economic, academic, social and cultural life of the people for the achievement of their long term political objectives; to this particular politico-social group, the forced unemployment of the earning members of thousands of families is a welcome situation as helping in their long term political objectives.

On the occasion of our meeting today any more detailed analysis of the situation is not possible. It is for the government of the day to decide what compliance it expects and can command for the laws that it makes, from those whom it governs. It is for the government to analyse these events and their meaning in depth, and to decide as to the form of protection that it can provide to those people who are not in the business of running or demolishing governments, but of running enterprises or following other vocations of life.

Reverting to the specific aspects of our company situation, you will be happy to note that work was resumed in the Calcutta factories about six weeks ago. It may not be imprudent to ask as to who gained by the many months of the forced work stoppage. Clearly everybody, whether it be the workers or the leaders, the industry or the country, could only be a loser by such a work stoppage. A question could be asked as to whether the work could not have been resumed earlier. The answer is that the work resumption was not in the hands of the management at all, nor probably for the matter of that in the hands of the mass of workers who must have been keen to return to work, but in the hands of those few who seem to hold, under threat and intimidation, the reins of labour. The management on its part did not declare a closure or lock-out and kept the factory gates open throughout for the workers to return to work on any day they wanted to. The agreement which has been signed upheld the management's original position almost in its totality. Since, however, after such a prolonged strike it always devolves on the management to provide a base to labour leadership for a settlement, the company has agreed to provide some

marginal benefits to those factory personnel who under the Tripartite Engineering Industry settlement of last year would not have been entitled to any benefit, and some benefit to the marketing section personnel in the Bengal area. The agreement settles for the company many long-outstanding disputes. In the nett I think the agreement should be considered good and it is my hope and prayer that the company may now have a few years lease of a normal working and production situation. I would like to take this opportunity of expressing our thanks to the advisers of the Bengal Government, the officials of the Labour Department, and the conscientious labour leaders, for their untiring effort at bringing this unhappy chapter to a close. I would also like to assure the government and our workers that we carry no rancour in our hearts and that we shall continue to apply our minds and hearts with our work-force for the continued health and profitability of our Calcutta factories.

The financial impact of the work stoppage in our Calcutta factories is shown up in the audited accounts of the company circulated to the shareholders; these indicate a decline in profits by about 30 per cent. This figure however does not represent the true total effect of the work stoppage on the decline in profits, since some profit was made on the normal pipeline stocks carry-over during the period. The actual profit position without what may be called the balance sheet profit, would have been much worse.

MANAGING AGENCY

A landmark in the history of your company along with that of others as a consequence of State policy, was the transition in the company's management from the managing agency-based management. The test of all governmental policies, as of any corporate policy is whether in the long run the objectives sought to be realised have been achieved or not. Whereas time only will show the true position, doubts have been raised about the wisdom of the government's policy in this regard. My own feeling is that the government has acted in this matter somewhat in haste, may be on account of the buffeting from some overeager party members; and that in course of time, the industrial growth of the country will receive a setback and the measure will prove very costly. No system is totally free from some misuses by some people, and

there can be no certainty that the new desired patterns of management will also not be misused by some managements to defraud and mismanage companies. The answer to these situations is not the enactment of more laws with each breach of the law, but to concentrate on an honest and adequate enforcement of the existing law. Speaking for your company's erstwhile managing agents, I would like to say that they had served the company with all the dedication and devotion and ethics that anyone could boast of. The USHA sewing machine has been built up without any foreign collaboration as a national and international byword. In the area of fans, not only the company but may be the country could be proud that the USHA factory is one of the largest fan factories in the world. In the field of exports of precision engineering products, USHA has been the biggest exporter in India. The Company's labour force is about the highest paid in the country. In stating all this, I am not suggesting that possibly better could not have been done. I take this opportunity of thanking the shareholders of the company for all the confidence that they had reposed for over three decades in their managing agents, and hope that this trust has been honourably discharged by them.

CALCUTTA OPERATIONS

Friends, I would like to make a reference to a certain situation pertaining to the company on which there appears to be some mis-information, and would like to make a public statement in this regard. I have heard it mentioned some times that the company is contemplating a progressive closure of its Calcutta factories. Nothing could be far from the truth and company policy in this regard. The company has in fact been advertising for many senior level, and trainee level personnel for its Calcutta factories and has also continued its investment year by year in them. In fact we had made fairly detailed plans for augmenting the already high levels of production achieved in some of the earlier years. The continued nursing of the existing factories however must not be taken to mean for any company the closing of its mind to the planning of new production centres — and this your company has steadily continued to do. While declaring the past and current position of the company for its Calcutta factories, it would be unrealistic to assume that any company could or must run all its operational units in perpetuity irrespective of the financial situation of each of the units, or that the profits of one unit will be used for subsidising the continuing loss of another unit of the company. The financial

situation of the sewing machine unit in Calcutta which was already bad has now been made precarious, and I can do no more than plead with our labour colleagues for a realistic approach with regard to this unit. The winning of financial gains for the workers in this unit have already crossed the danger mark and would be disastrous if these lead to an otherwise avoidable closure of the unit.

ECONOMIC SITUATION

In the national situation scene, the main aspects to watch generally are of political stability and economic growth. The political stability situation seems to grow increasingly blurred and uncertain. It is not clear as to whether well mapped out plans of some people are succeeding, or the well mapped plans of the government are failing in their execution. On the economic growth situation, there should be in my view considerable concern. The slight up-turn in the agricultural situation should not make us forget that continuing attention to this sector is still needed, for the country is still importing large quantities of foodgrains, and rationing and zoning are still continuing in several parts of the country. The industry sector situation however is the one which must make us sit up. As a consequence of increased agricultural income and vastly increased plan outlays, there is a rising tempo of demand. The country is not able to do adequate advance planning and to take advance action to enable supplies being made available before shortages develop. It is entirely for the government to decide as to whom it wishes to produce the goods the people want, i.e. the larger enterprise or the small one, or even the State. What is crucial however is that a practical decision based on achievable capability should be taken without delay in every case. No one can be against ideology, for a man or a nation without ideology is like a body without a soul. But a government may need to temper ideology with practicality, at least in the short run. The entire industry is in the grip of shortages of all kinds — leading to escalating costs and prices, and unavailability of goods for domestic consumption and export. There are shortages of steel, copper, aluminium, oil, cotton and of most other items. Observations such as these are unfortunate, usually not appreciated by the administration, but it needs to be borne in mind that a minimum average period of 2 to 3 years is required after all governmental clearances, for finished goods to roll out of factories for the consumer ministries and departments for getting any scheme totally approved for implementation. The government

should seriously consider the advantage of having an "integrated examination" system for projects from all angles concurrently, inclusive of monopolies act, licensing etc etc. This will help to expediate greatly the industrialisation situation.

I would like to take this occasion to commend wholeheartedly the government's new policy of increasingly lending its support for the development of small scale industry. This is a measure which was long overdue. As all of you are aware, Lala Shri Ramji, the founder of Jay Engineering started the scheme in Jay Engineering of supporting small scale and ancillary industry in a big way over two decades ago. The way to a long-term stable development of the engineering industry particularly is certainly via the small scale industry base. The initial steps in this direction in my opinion need to be for concentrating on the manufacture of precision components, while the larger and sophisticated organisations should have the responsibility for development and quality of finished products. We need to be careful that in the reservation of certain types of industries for the small scale industry, the customer needs of quality and quantity may not suffer.

PROSPECTS

I have earlier on made a reference to the working of the company for the year gone by. A reference to the prospect for the year may be relevant. I am afraid that I am not in a position to paint a bright picture for the year at all. It must be obviously be considered worse than last year. Of the eight month work stoppage, nearly five months spilled over into the current year. We are trying hard to step up production rapidly to recover as much of the lost ground as possible. I have a great deal of confidence in the company's competent and dedicated managerial team — and the factories' work force also is trained and capable of achieving what we may term wonders. But then, as all of us know in Bengal, it is difficult to predict what tomorrow holds for us in store. In the general situation in Bengal and in your factories, there appear to be some bright spots; but one could promise no more than, a more than normal effort by the management team, for that is all that is really in the hands of company managements. To may fellow workers and their leadership, I can only appeal for the best that they are capable of.

Friends, what more may I say on this occasion? The country is passing through what could be called revolutionary era. Conventional thoughts and attitudes need to give way in a spirit

of realism of some of the new emerging directions of thought.

Clearly, there was need for change in our body politics. To the extent that we will be able to absorb these changes

peacefully and with courage, will be indicative of our maturity as a nation. It will need the coolness and sobriety of all of us to be able to weather the storm and sail to new horizons without

the ship of state capsizing.

JAI HIND

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

Seshasayee Paper and Boards Limited

Speech of the Chairman, Sri S Narayanaswamy, MLC

THE following is the Speech of Sri S Narayanaswamy, MLC, Chairman, Seshasayee Paper and Boards Limited, delivered at the Tenth Annual General Meeting of the Company held at the Registered Office at Pallipalayam, Cauvery RS, PO, Erode-7, Salem District, on September 26, 1970:

GENTLEMEN,

I have great pleasure in welcoming you all to this Tenth Annual General Meeting of the Company. The Directors' Report and the audited accounts for the year ended 31st March 1970 have been in your hands for some time and with your permission I will take them as read.

As indicated in my speech at the last Annual General Meeting, there has been considerable improvement in the Company's performance as well as profitability of operation. These have enabled the Company to make adequate profits to write off the entire backlog of depreciation amounting to just under Rs 80 lakhs and to provide depreciation for the last financial year amounting to a little over Rs 50 lakhs, and to carry forward a surplus of Rs 16.88 lakhs. The aggregate of profits before depreciation for the year was Rs 117.66 lakhs which together with the sum of Rs 28.88 lakhs brought forward from the previous year made a sum of Rs 146.54 lakhs available for appropriation.

Some shareholders have written to me or asked me in person as to whether a maiden dividend however small, could not have been declared with the residual profits of the year. Your Board of Directors were most anxious that the Company should come on the list of dividend payers at the earliest. But, at the same time, they wanted that the maiden dividend should be such as to make up, in some measure, for the long period during which the shareholders have had to wait for a return. It was, therefore, decided to carry the residual profits and also keep a close watch on the working of the first half of the current year. I am glad to say that the profits of the first five months of the current year alongside of the

estimate of profits for the month of September are such, as to enable your Directors to make a provision for the entire year's depreciation, amounting to Rs 63 lakhs approximately from out of the half-year's profit and also to declare an interim dividend. Your Board of Directors, at a meeting of the Board held earlier this morning took a decision to declare an interim dividend of 6 per cent for the year 1970-71 on the Company's Paid-Up Capital. I am sure, this decision, which I have been authorised to announce at this meeting, will have your approval.

The Company was incorporated on 22nd June 1960. Construction and machinery erection started towards the middle of 1961 and the first reel of paper rolled out of our plant in November 1962, that is, within a period of 18 months. We had practically no teething trouble and within a short period of commencement of operations, the plant came into commercial production.

In retrospect, it is sad to contemplate that despite the Company's success with commissioning the plant within what is now admitted to be a record time for a heavy industry, the simultaneous operation of price control on the diverse varieties of paper, fixed as far back as 1959 and a steep increase in the production cost of paper, rendered it impossible for the Company to make adequate profits, to provide even depreciation on the straightline method. The prices of paper under the control pattern were unremunerative even for the then established producers, who had written off the bulk of their fixed assets and had therefore, the advantage of being low capitalised companies. In the background, you can visualise the hardships which your Company had to face in having to compete with well established units who were themselves making meagre profits, without having their feet dragged by heavy depreciation commitments such as your Company had.

The high interest charges on our borrowings absorbed the residual margin of meagre profits and thus deprived us of an opportunity of providing depreciation

in the manner we would have liked. Therefore, it must be a matter of no small satisfaction to you, that we have wiped off all arrears of depreciation and found enough funds to provide the depreciation for 1969-70. All these have been made possible by decontrol of paper. Throughout the lean period, the Company has serviced its long term loans without any let up despite poor cash generation.

You can appreciate that the lifting of control over prices announced in May 1968, provided a turning point in the fortunes of your Company, despite the fact that the producers voluntarily decided to effect only a modest increase in paper prices. If the announcement of decontrol had come two years earlier, it would have enabled all paper companies to plough back enough funds to finance sizeable expansions and also to pay handsome dividends to shareholders, such as would have enabled them to invite fresh capital on attractive terms from the same shareholders to finance such expansion.

In the instance of your Company, the announcement of decontrol coincided with the completion of our expansion programme which has enhanced our annual capacity from 18,000 tonnes to 33,000 tonnes, which includes partial diversification for the manufacture of duplex boards to the extent of 10,000 tonnes. We are glad that our expansion programme has been completed in time to assuage, in some measure, the shortage that is acutely felt in the paper market today, apart from contributing substantially to the Company's profits and plough back.

The Paper Industry, among a few other industries, was fulfilling the target fixed by the Planning Commission during the First and Second Plan periods. The deterioration in the position started after the control measures were introduced in 1960 which, in large measure, eliminated the incentive for promoting so capital intensive an industry as paper. A large number of industrial licences issued during the Third Plan Period remained unimplemented by the entrepreneurs. If decontrol had been

announced some time earlier, the prosperity of subsisting units would have been sufficient attraction to entrepreneurs to establish fresh units.

Scarcity conditions are likely to persist in the coming 3 or 4 years, as it will take between 3 and 4 years for any new unit to be planned and established. Is it too much to hope that the Government will take prompt action by either licensing substantial expansion of existing units or by promising massive assistance to those who start fresh units in the form of soft long term loans?

The Government have recently come forward with a "Crash Programme"; but it is now seen that the Government are not interested in substantial increase in the existing installed capacity of established units, but in the latter making minor adjustments in order to secure a marginal expansion of the rated capacity. The gap between the demand and supply of paper is such as to rule out any tinkering with this problem. What is manifestly indicated is a robust and positive approach to the creation of substantial additional capacity within the country.

I want to refer briefly to a few anomalies that have crept in the recent past on the procedural front. The paper and pulp industry is exempted from the licensing procedure prescribed under the Industries (Development and Regulations) Act. At the same time, under the new procedure, all schemes involving a capital expenditure of over Rs 5 crores require industrial licences. Paper is a capital intensive industry and it is not possible to establish an economic sized paper plant within the ambit of a 5-crore outlay. A 100-tonne plant is what is regarded today as an economic unit and at current prices of plant and machinery, the capital expenditure on such a project would amount to about Rs 18 crores. Even a plant of 60-tonne capacity will cost about Rs 12 crores. In the result, the so called exemption of the paper and pulp industry from licensing procedure, is, in a large measure, farcical. At the same time, several of the paper units in the country will attract the provision of the Monopolies and Restrictive Trade Practices Act by reason of the value of their fixed assets. Any proposal to expand the existing units will have, at the outset, to be cleared by the Central Government or the Monopolies Commission and when this is done, the unit will have to apply for an industrial licence by reason of the intended expansion bringing their employed capital beyond the Rs 5-crore limit.

With the abolition of the Managing

Agency System, the 'groups' defined under the Monopolies Act have disappeared and individual companies have come under the management of individuals of proved credentials. The paper industry is no exception. In view of all these and in view of the grave shortage of paper which the consumers are facing today in our country, I appeal to the Government of India to take the paper industry out of the purview of licensing procedure and also the Monopolies Act, which will enable new units to be established and also enable the existing mills to carry out speedy programmes of expansion. The advantage in expansion of subsisting installed capacity is that expansion will cost substantially less than the establishment of new units, while expansion programmes can be carried out in perhaps half the time which it takes for a new unit to come into production. This does not mean that existing paper companies are against new units being commissioned. Indeed they would appeal for every possible measure that will mitigate both short-term and long-term shortages in paper, a task which can only be achieved by speedy action on both fronts. The Government must also not hesitate to licence import of capital goods where abnormal delays are likely to occur in the supply of indigenous equipment as they are tending to do. Otherwise, the very purpose of licensing new units or expansion will be defeated.

Raw materials are still an ever-present problem for the paper industry. Several units have already been doing experiments with soft woods, short fibred hard woods and bagasse in view of the known shortage of bamboo supplies in the country. Your Company, among others, has already started utilising hard woods and bagasse for pulp manufacture. Your Company, has considerable experience in the utilisation of bagasse and is fully acquainted with the technical problems in that behalf. The most important factor in raw materials mobilisation is that they must be reasonably low priced. The present concession given to mills using 40 per cent bagasse pulps has not resulted in any benefit to the mills, because of the practical difficulties in the operation of such a concession.

Your Company is well placed as to raw materials stock. At the moment, the question of revising the seigniorage rates for bamboo supplies from Government forests is the subject matter of discussion between the Company and the Tamil Nadu Government. It is hoped that we would be able to enter into a fresh long-term agreement at slightly increased seigniorage rates with the Go-

vernment. We are beholden to the Tamil Nadu Government for their appreciation of our problems and their co-operation.

The Company has entered into an agreement with the labour unions for a period of three years ending with 31.3.1973. This agreement provides for a substantial upward revision in the rate of Dearness Allowance. Your Board of Directors think it is a reasonable price to pay for the goodwill created among all ranks of employees in the Company. The Board has sanctioned the new agreement.

The cost of production has been continuously increasing as a result of increased cost of coal, railway freight, chemicals and other stores. Maintenance costs have gone up mainly as a result of increase in the cost of steel and some stores. Despite all these handicaps, your Company is continuing to do well in the current year.

There have been frequent comments both in the Press and on the floor of the Parliament about increased paper prices. Over a full ten year period paper units were prohibited from putting up prices despite steady increase in the cost of manufacture. This has created a very heavy backlog of unprovided high costing elements in production. Your Company is only too anxious to maintain the price line. We are practically the first unit in the country to have come out with a public announcement through prominent press advertisements throughout the country, about the prices which the consumers are called upon to pay for the different varieties of paper manufactured by the Company. I am glad to say that your Company's panel of distributors has generally co-operated with us in maintaining these prices.

Messrs Seshasayee, Parsons and Whittemore Private Limited ceased to be Managing Agents of the Company on and from 31st March 1970. Even during the last year of their office, the Managing Agents drew only the minimum remuneration. I think I must express to them on your behalf the very special appreciation of the shareholders for the manner in which they established and operated the plant over a crucial and problem-filled ten year period. During this decade they operated the mill with great competence and circumspection. This enabled the Company to carry out their expansion smoothly and without disturbance to current levels of production.

Mr S Viswanathan, who was a Director of M/s Seshasayee, Parsons and Whittemore Private Limited and who was the Chief architect of the Company

has accepted the invitation of your Board to be the Managing Director of the Company. I can testify from personal knowledge to the strenuous efforts made by Mr Viswanathan to build up this Company from scratch and to bring it to the present position of remunerative working. A resolution relating to his remuneration is now coming up before the General Meeting for approval as required by law. I look forward with confidence to the future of this Company under his wise guidance and stewardship.

I wish to extend my grateful thanks to Mr D V Reddy, the General Manager of the Company, for the excellent

work done by him during the first full year of his office. He has been ably assisted by a team of fine executives and employees at all levels. I must specially thank all those employees who, on the shop floors, have contributed to the excellent output of paper during the year.

I wish to convey your thanks to the USAID and to the Industrial Credit and Investment Corporation of India, to the Industrial Development Bank of India and to the Life Insurance Corporation of India, for their assistance at all times to the Company. I must thank the Company's bankers, namely, United Commercial Bank and Syndicate Bank who

have assisted us with their timely co-operation throughout the period.

I take this opportunity to convey our profound thanks to the Government of Tamil Nadu for their continuous support and encouragement.

I now move for adoption of the Report and Accounts of the Company and in doing so shall be glad to answer any question you may have relating to the Accounts.

I thank you all for your forbearance.

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

New India Fisheries Limited

Statement of the Chairman, Mr P B Advani

THE following is the Statement of Mr P B Advani, Chairman, New India Fisheries Limited, at the Fifteenth Annual General Meeting of the Company held on September 23, 1970:

FRIENDS,

I am glad to welcome you to the 15th Annual General Meeting of your Company. The accounts, Directors' Report and Chairman's Statement have been in your hands for some three weeks now; I will, if you agree, take these as read.

I would, however, like to highlight some of the important points of these papers.

The Company's sales and miscellaneous receipts and stock in trade etc, amounted to a little over Rs 115 lakhs. Its operations resulted in a profit of Rs 14.55 lakhs before providing for depreciation and taxation. The Profits were less by about Rs 6 lakhs as compared to the previous year, and this is entirely due to the sudden and illegal strike of our workers in Cochin.

The Company has taken advantage of a somewhat higher allowance of depreciation allowed by the Tax Authorities. The total provision for this purpose is Rs 9,45,598/-.

The Directors recommended to you payment of 12 per cent dividend on equity share and 7.8 per cent on preference shares.

The reserves of the Company have marginally increased to Rs 25,20,893/- against the paid up capital of Rs 20 lakhs.

During the year we paid back Rs 15.79 lakhs of the remaining term loan.

Two important factors which will favourably effect the operations of your Company this year are that the remaining 8 Japanese members of personnel were repatriated by July of this year, and Government has at long last allowed us and other fishing craft excise-free diesel oil. Both of these will provide us with considerable saving. The former fact also fulfills your desire of full Indianisation.

Expansion Potential: There is, as has been mentioned in the Chairman's Statement very considerable scope for the expansion of the fishing industry in India and earning therefrom the much needed foreign exchange.

In the financial year 1969-70, India exported 31,695 tonnes of marine products and earned Rs 33.46 crores in foreign exchange.

Frozen Shrimp: Continues to head the list of exports of Marine Products. Export of froglegs and lobster tails was on a very much smaller scale, but is increasing. Export of canned shrimp was increasing rapidly.

The target set for export of Marine Products in the final year of the Fourth Plan is Rs 60 crores, which is under a little less than double that of 1969-70.

You will have noted from the papers in your hands that our own exports comprising mostly frozen shrimp realised Rs 83.20 lakhs in foreign exchange.

Canned Shrimp: During the year we took over the canning factory which we had leased for one year to another pro-

cessor. The factory is working satisfactorily and we have during the past few months, exported cans to overseas markets and earned foreign exchange equalling about Rs 9 lakhs.

Export Selling Arrangements: It will have been noted that we have made new overseas selling arrangements. Until about 18 months ago, we had a sole selling arrangement for our frozen shrimp with our collaborators M/s Taiyos. On termination of that agreement we made sales on negotiated prices mostly through Taiyos. This method was found to make for delays. To get over this difficulty and to ensure that we sell our products at the best competitive prices, short term agreements have been entered into with our collaborators for the sale of frozen shrimp in Japan and elsewhere to the extent of 2/3rds of our product in value strictly at competitive prices. To ensure this, 1/3rd of our products will be sold by us to any party of our choice. Our last sale of a sizeable quantum at competitive prices was effected through a well known American firm.

We have no sales agreement for the export of our canned shrimp, lobster tails and frogs legs. We export these through various buyers at the best competitive prices.

Immediate Development Plans: As members know we made a beginning of establishing a base at Veraval recently by acquiring a small ice factory and cold storage and made procurement arrangements in that centre. We have been receiving consignments of table

fish, lobster tails and shrimp from Veraval for which we have found ready sale at remunerative prices. The latter two items, namely, shrimp and lobster tails are frozen by us for export. We have entered into contractual arrangements with many small boat owners to supply to us their whole catch during the present season. We propose to develop this to the fullest possible extent.

Vizagapatnam: Our negotiations with the concerned authorities there have reached a very advanced stage in connection with lease to us of the existing ice factory, cold storages and freezer. It is our understanding that it is very likely that these facilities will be leased to us very shortly. Connected with this lease will also be procurement of catches from fishermen who own motorised boats to whom the authorities have made loans. After this negotiation goes through as we have reason to believe that it may, we will establish a base on the East Coast where our brief survey has shown the existence of big sized shrimp which is a very good foreign exchange earner.

Procurement: We have made a good beginning to augment the catches of our trawlers and to make fuller utilisation

of our freezing cold storage capacity by processing shrimp, etc. During the present fishing season, our procurement in Bombay, Veraval and Cochin amounts to a little over Rs 5 lakhs in value.

Long Term Development: You will have noted during the last few days from newspapers that some well known big firms are entering trawler fishing industry, which we pioneered some 15 years back.

The fishing operations in India including those of your Company are carried out mostly in coastal waters that is in-shore fishing is done.

To increase the catches and exports so as to help to meet the target set to the fishing industry under the Fourth Five-Year Plan, off-shore fishing should also be done on a large scale.

We have plans to do off-shore fishing. As mentioned in the Chairman's Statement, to start with, we propose to acquire a factory-type trawler as well as a trawler specially designed and fitted for tuna fishing, which latter is not being done at present in India. We have been assured by our collaborators that they will render to us all the necessary technical help in both these cases.

We look forward with confidence to

be able to do our part in the development of the fishing industry in India and of the development of our Company in particular, on an international scale.

Before I close I would like to express on behalf of myself as well as the Board, our sincere thanks to the officers and members of the staff both ashore and afloat for their unstinted co-operation and devotion.

Thanks are due also to our collaborators, M/s Taiyo Fishery Co Ltd, who have readily placed their technicians and knowledge at the Company's disposal. We look forward with confidence to their continued help in our new development.

The Company is grateful to the Central and State Governments and the Bombay Port Trust for their ready help and support.

Finally I take this opportunity to convey warm thanks of myself and my colleagues on the Board to the Shareholders for their continued interest, confidence and co-operation which we much appreciate.

P B ADVANI
Chairman

The Travancore-Cochin Chemicals Limited

Speech of the Chairman, Shri N Chandrabhanu, IAS

THE following is the Speech delivered by the Chairman, Shri N Chandrabhanu, IAS, at the Eighteenth Annual General Meeting of the Travancore-Cochin Chemicals Limited, at the Registered Office of the Company at Eloor, Udyogamandal P O, on Saturday, September 26, 1970:

GENTLEMEN,

It gives me great pleasure to extend to you all a cordial welcome to this, the 18th Annual General Meeting of your Company. The Report of the Directors and the audited statements of accounts for the year ended 31st March 1970 have been circulated to you in advance and, with your permission, I shall take them as read.

WORKING RESULTS

In the last year's statement, I had indicated to you how the Company had been able to consolidate the fruits of our Third Stage Expansion

and proceed along the path of progress. I had also given an optimistic note on the working results of this year. The Annual Report and the audited accounts which are in your hand will certainly justify the optimism. The year under review was noteworthy for substantial increase in the sales turnover. The sales turnover of your Company during the year 1969-70 crossed the mark of 4 crores of rupees thereby achieving about one-third increase over the previous year's performance. The net profit also rose to Rs 39.41 lakhs from Rs 16.87 lakhs in the previous year. I am sure you will all agree with me that these are commendable achievements by themselves and will speak high of the Company management and the efforts put in by all concerned. In order to obtain the benefits of Development Rebate in terms of the Income Tax Act 1961, a total sum of Rs 42,29,364 including Rs 2,88,423 relating to the previous

year has been transferred to the Development Rebate Reserve.

In view of this and the need to conserve as much as possible of the internal resources of the Company for the expansion programmes, your Directors have decided not to recommend any dividend for this year and I am sure, all of you would appreciate the wisdom of this decision made in the larger interests of the Company.

I would now like to supplement the Report of the Board of Directors by saying a few words about the major problems of your Company and the future prospects.

The twin problems facing our caustic soda plants have been the limitations for selling caustic soda in lye form and the disposal of chlorine. In my statement for the year ended 31st March 1968, mention was made about the former and it was hoped that the problem could be solved by commissioning the new caustic fusion and

salt recovery plants in 1969-70. But mainly due to delay in getting indigenous equipments, this could not be achieved. Even so with increased sales efforts, your Company has been able to increase the production and sales of caustic soda substantially during the year under review. It is now expected that the Fusion Plant could be commissioned by October, 1970. The utilisation of chlorine and chlorine products could only be increased marginally during the year especially since the question of price for HCl Acid gas supplied to FACT still remains unsettled. Your Company hopes that with the enormous goodwill existing between FACT and TCC, the question will be amicably settled in the near future to the advantage of both.

In addition to the above problems, another issue which might assume serious importance is electricity charges. You will recollect my mentioning a year ago about the additional levy of 33½ per cent surcharge made by the Kerala State Electricity Board. The Electricity Board has since revised the tariff perpetuating the additional 33½ per cent levy. Your Company has taken necessary legal steps against the unilateral revision in the tariff made by the Board in spite of the long-term agreement between your Company and the Board. But this apart, I would like to mention that any additional levy towards electricity will seriously upset the economics of production of caustic soda. The prices of the basic raw materials required for caustic soda production, such as common salt, graphite, mercury, etc, have registered substantial increase. Further, due to several other factors, the cost of production of caustic soda in your unit is considerably higher than that in many other competitive units. To a certain extent this was being mitigated by the comparative low cost of electricity prevailing in this part of the country. This advantage will be taken away by the proposed additional levy thereby adversely affecting the competitive capacity of your Company in caustic soda business. I therefore hope that the State Government will give particular thought to these aspects and favourably consider the question of giving a preferential treatment to your Company.

Even while your Company is thus facing some acute problems in regard to caustic soda, it was possible for it

to make a reasonable return on the total capital employed mainly because of the favourable market conditions for hydrosulphite of soda which existed during this year. The production capacity of this chemical could not be fully utilised due to the short supply of the essential raw material, viz, Sulphur-di-oxide. But the increased cost due to this under-utilisation of capacity was to a great extent offset by the then prevailing favourable price for this product. However, as mentioned in the Directors' Report, the price of this chemical has been steeply reduced subsequently in consultation with the Government of India following the large-scale import of this chemical.

In addition to the above problems, the recent Finance Act has also aggravated the strain on our finances. For quite some time now we have been feeling acute scarcity of metal sheets used for packing our main products and the packing cost is considerably high. Effective from 1-3-1970, a 10 per cent *ad valorem* excise duty has been imposed on metal containers. The existing 5 per cent *ad valorem* duty on caustic soda has also been increased to 10 per cent and for the first time hydrosulphite of soda has also been subjected to a duty of 10 per cent. The value of these products on which duty is reckoned includes the element of packing cost and hence it is obviously unjustifiable to impose a second levy separately on the container.

I have detailed above some of the problems facing us. Despite these, your Company has been trying its best to improve its past performance.

EXPANSION PROGRAMME

With the commissioning of the caustic fusion and salt recovery plants expected by October 1970, the IIIrd Stage Expansion will be complete. The main projects included in the Fourth Stage Expansion programme have been detailed in the Directors' Report. Effective steps are being taken for the implementation of the Scheme. A separate Project Division has been constituted for prompt and effective execution of the Scheme.

It is estimated that the Fourth Stage Expansion will involve an outlay of over seven crores of rupees. This, no doubt, is a very ambitious programme and I hope that liberal appreciation of the problems facing

your Company will be coming forth from Government in order to enable the Company to achieve the targets.

LABOUR RELATIONS

Labour-Management relations in your Company have always been quite cordial. Your Directors have also been alert in keeping up this tradition of harmonious relationship. Mutual discussions and understanding of each other's problems have always been encouraged. This policy has paid rich dividends and the recent finalisation of the new Agreement within a record time of 27 days bears ample testimony to the spirit of goodwill and co-operation existing between the Management and Labour. The new Agreement confers on the employees considerable benefits by way of increase in remuneration, etc. A number of additional welfare schemes are also being given final shape to. It is my expectation that with the spirit of understanding and enthusiasm which now prevails it will be possible to achieve greater prosperity in future.

GENERAL

Before concluding, I would like to thank my colleagues on the Board for their keen interest in the affairs of the Company and also for all the co-operation and assistance they have been extending to me. I would also like, on behalf of the Board of Directors, to acknowledge the able manner in which the affairs of the Company have been managed by our former Managing Director, Shri P M Abraham and the present Managing Director, Shri R Ramachandran Nair. I would like to place on record my appreciation of the hard work done by all the employees and executives of the Company for ensuring the satisfactory and better working of the Company. Further, I will be failing in my duty if I do not acknowledge the debt of gratitude we owe to the Government of Kerala, the Government of India and our Bankers for their continued support and encouragement which facilitated the implementation of the Company's programmes of expansion as well as its day-to-day working.

Thank you.

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

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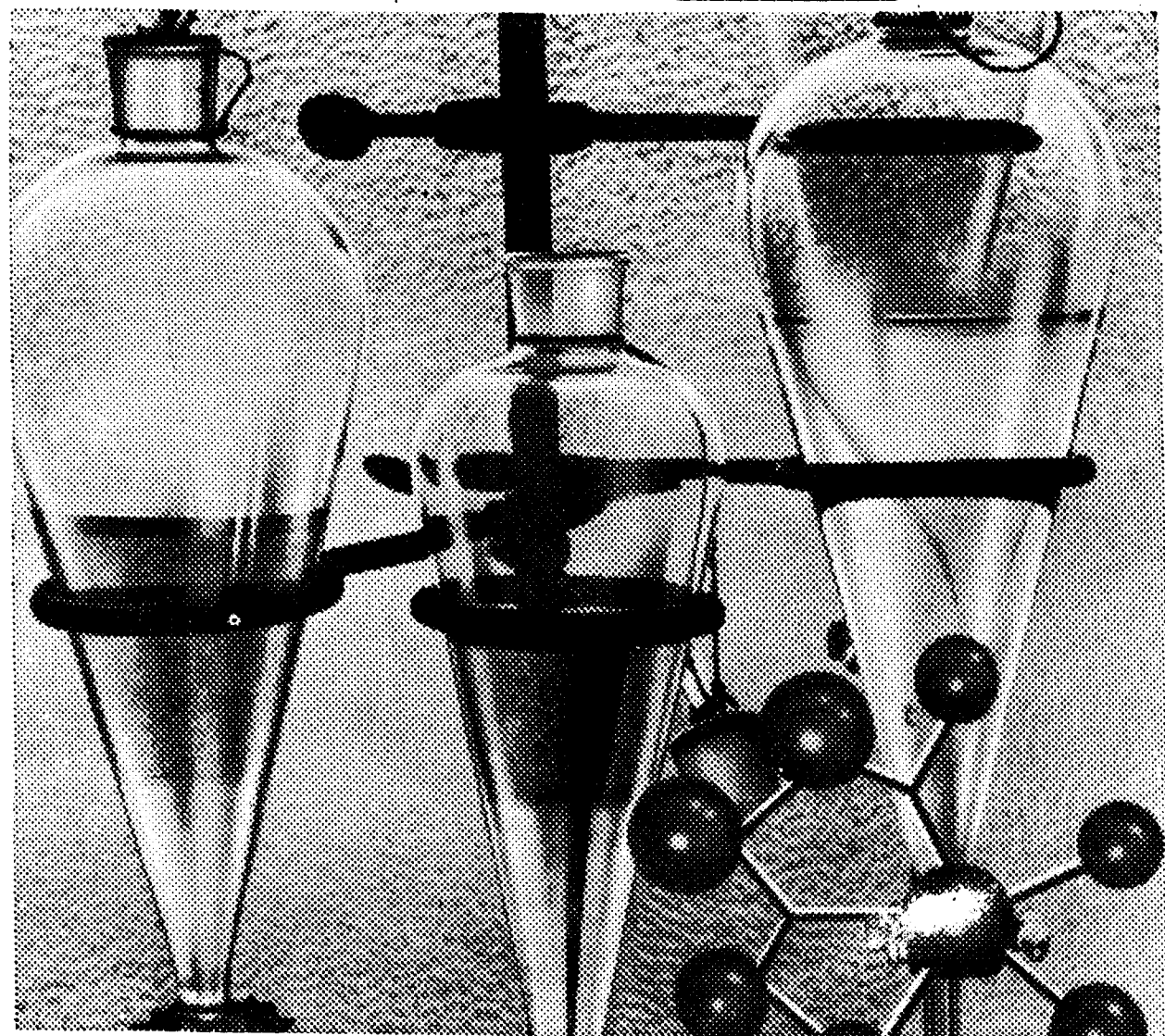
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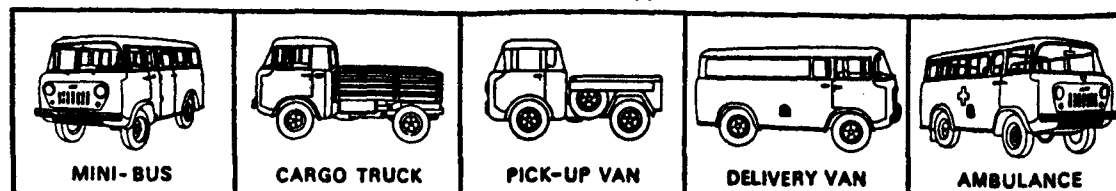
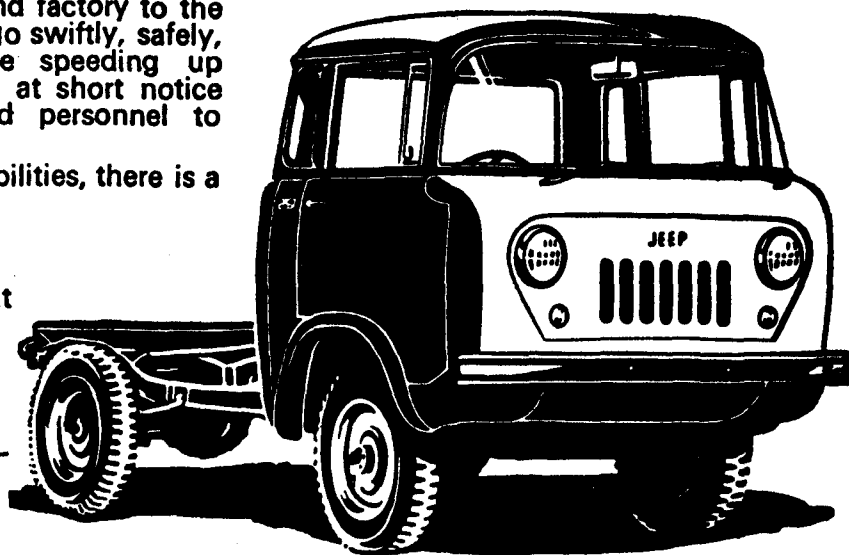
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False Premises

NIXON's well-publicised Vietnam peace proposals soon after his return from his muscle-flexing tour of Europe cannot be dismissed out-of-hand as a propaganda exercise or solely as an attempt at influencing the electors in the Congressional election on November 3. There are two significant departures from the previous American position on Vietnam. An immediate, unconditional cease-fire to be effected simply by the freezing of both sides' military dispositions is proposed for the first time and an unprecedented emphasis is laid on finding a negotiated solution for Indochina as a whole as opposed to Vietnam alone. Additionally, the United States has never before offered to make a public commitment to a firm date for withdrawal of all American troops.

The fixing of a date for US troop withdrawal is still, however, conditional on a mutual agreement to withdraw all foreign troops from South Vietnamese soil. The Communists have never admitted that "foreign" troops are fighting on their side and are unlikely ever to do so. They have never openly agreed that there are North Vietnamese troops fighting by the side of the Viet Cong in South Vietnam. This admission seems unnecessary as quite clearly the National Liberation Front feels that the North Vietnamese can hardly be called foreigners, especially in comparison to the Americans who are from another continent altogether. In fact, on the basis of the American definition of foreigners, such prominent Saigon Government leaders as Vice-President Cao Ky and hundreds of thousands of Vietnamese who migrated from the North to the South in the 50s should also be classified as foreigners. There is still no realisation or admission on the American side that the Vietnam conflict is basically a civil war in which they have interfered to protect the losing side.

Another false premise which continues to enthrall the American Administration is that their temporary military gains put them and their deputies in a politically superior position. One of the most crucial statements in the political section of the President's proposals is the call for "a fair political solution which should reflect the existing relationship of existing [political] forces". This amounts to saying that the present American-backed regime in Saigon is a potent political force which must be counted in any future political equation. Most impartial observers, on the other hand, agree that the Saigon regime has hardly any substantial political base and would therefore collapse without American support. The NLF can scarcely be blamed if it refuses to take these proposals seriously while the Americans continue to see their mirages. A month ago, the leader of the NLF delegation in Paris, Madame Binh, went so far as to suggest that any member of the present Saigon cabinet could be included in an interim coalition government with the exception of President Thieu, Vice-President Ky and Prime Minister Khiem. This concession continues to be dismissed by Nixon as representing NLF's assertion of a "right to exclude whomever they wish" which is "patently unreasonable" and "totally unacceptable" to the United States.

Why then have the Americans chosen to make major changes in their peace offerings? There could be a number of reasons. One could be that they genuinely feel that they now have the upper hand in Vietnam and a policy of 'the carrot and the stick' could have attractions for the 'demoralised' Communists, bring about a quick halt to the War, save American lives and reap political dividends at home for Nixon. Alternatively, it is possible that some American military and political advisers are not so certain about the enemy's weakness and have surmised that with the end of the monsoon there could be a serious stepping-up of Communist military activity, not only in Vietnam, but also in Cambodia and Laos, which would necessarily entail a further unfathomable embroilment in an unlimited sphere of operations which would almost certainly lead to extremely adverse political repercussions at home.

Another factor which is probably worrying Nixon and his advisers is the low-cost but relentless Russian diplomatic and naval expansiveness in other parts of the world, particularly in West Asia, the Mediterranean and around the boundaries of the Indian Ocean, and potentially, in Latin America, with the rise of left-wing governments in Chile, Peru and Bolivia. So from the global viewpoint also, the Vietnam imbroglio is probably regarded as a hindrance to American freedom of action in other parts of the world.

All these calculations have probably caused the American Government to try seriously to end the War. But the Viet Cong and the North Vietnamese can afford to wait till the United States finally accepts the basic untenability of its position in Indochina, as they are confident — and rightly — that whatever military battles the Americans might win, the NLF will win the final, political battle, as it has a political following among the people of South Vietnam, while the Americans have only a few camp-followers.

Reverting to Old Ways

A Correspondent writes:

THE well publicised meeting of the Planning Commission earlier this month was ostensibly intended to check and rectify the imbalances which had allegedly crept into the implementation of the Fourth Plan. In fact, the real purpose of the meeting was as much to give a boost to the drooping prestige of the Commission itself. Members of the Commission emphasised, at the meeting, that the manner of functioning of the various Central Ministries and State Governments was threatening to throw the Fourth Plan into disarray; the Ministries were scrambling for projects not included in the Plan while dragging their feet over Plan programmes; the implementation of the new licensing policy was holding up private investment; and, as for the State Governments, their plans were being chopped and changed to suit the whims and political sensitivities of individual ministers. The Prime Minister's attention was drawn to all this and the warning was sounded that unless the Planning Commission stepped in and took remedial action with the Government's full support, the economy would soon be in a shambles.

The Commission, newspaper reports suggest, will soon hold "high level meetings" with State Governments and Central Ministries as well as managements of public sector undertakings and private industrialists. In addition, the various Ministries and public sector undertakings are to be asked to appoint special officers to keep liaison with the Commission and submit to it periodic progress reports. Finally, where more than one ministry or public sector organisation is involved in the implementation of a scheme co-ordination committees are to be appointed with representatives of the Commission as conveners.

The net effect of these proposed moves will be to increase the involvement of the Planning Commission in the execution of Plan programmes. The implications of this for efficient performance by the Commission of one of the major tasks assigned to it under its 1950 terms of reference—that of appraising "from time to time the progress achieved in the execution of each stage of the Plan" and recommending "adjustments of policy and measures that such appraisal may show to be necessary"—deserve some consideration. Past experience has shown that too deep an involvement in the mechanics of implementation

is bound to interfere with the Commission's evaluative role.

There would be a stronger case for associating the Commission with Plan implementation if it were capable of bringing to bear on administrative decision-making a kind of expertise which was not available in the administrative ministries. This, unfortunately, is not the case. A major objective of the reorganisation of the Commission was to make it more of an expert body. In pursuance of this objective, no Central Minister, other than the Prime Minister and the Finance Minister, was given a place in the reorganised Commission and the rest of the Commission's membership was given an expert appearance. However, the change in personnel was confined to the very top; the technical staff below the level of members has been neither improved in quality nor given greater importance in the work of the Commission. The place and role of civil servants in the Commission have if anything become more prominent than even in the past.

This being the position, it is doubtful that greater involvement of the Commission in the work of administering the Plan will achieve anything positive. What is more likely is that it will merely result in the interposition of yet another layer of bureaucracy in decision-making.

So long as the Commission remains bureaucratic in its composition, its contribution to the formulation and appraisal of policies—which is what planning is really about—is bound to be strictly limited. At the recent meeting of the Commission it was suggested that additional employment would be generated in the course of implementation of Plan programmes and that the task was to see that the employment content of these programmes was maximised. And yet what has been the Planning Commission's contribution in this direction? Has it, for instance, any views on the wild-fire mechanisation of agriculture that is being attempted through large-scale import of farm equipment and expansion of capacity for their indigenous manufacture? Or, again, has the Commission seriously applied itself to the question of choice of technology, especially imported technology, to exploit to the full our own resource endowments? Similarly, what guidelines have the executive authorities received from it in respect of import substitution? It is altogether in keeping with this pattern of evading policy issues that there has been virtually no constructive reaction from the Commission to the unsatisfactory

trend in exports since the inception of the current Plan.

Conditions in the last few years have been far from ideal for pursuit of rational development planning. But the Planning Commission's effectiveness has been reduced even more than it need have been by its apparent intellectual bankruptcy. Unless it can do something about this, the attempt to muscle in on Plan implementation—the urge for which is understandable considering the predominance of bureaucrats in the Commission's set up—will not avail it much and might well land it in a far worse mess than it is now.

First Judgment

THIS Sunday's by-election to the Maharashtra Assembly from the Lalbaug-Parel constituency in Bombay will provide the Bombay voter with his first chance to pass judgment on the record of Shiv Sena. On the eve of the election, forecasters are certain only that the final tally will be a close one. In the 1967 Assembly elections, which the Shiv Sena did not contest, the late Krishna Desai, who was the victim of a political murder in June last and whose widow, Sarojini Desai, is now the CPI candidate, won by an impressive margin of some 10,000 votes. However, a year later, in the 1968 municipal elections Shiv Sena and its then electoral ally, PSP, won all the five Corporation seats which comprise the Lalbaug-Parel Assembly constituency. Three of the victorious Shiv Sena candidates, moreover, polled more votes than all their opponents put together—a fact which does not lend comfort to CPI's hope that the backing of Congress(R), PSP, SSP and Republican Party will now get its candidate the winning margin. And even should Sarojini Desai reap some reward, particularly from the backing of Congress(R), it will be at least partly offset by the votes the Shiv Sena candidate, Wamanrao Mahadik, will gain from the support of Congress(O) and Jan Sangh.

Past performance may not, however, provide an accurate indicator of the current political balance if, as many have claimed, a growing disillusionment with Shiv Sena has taken root. On trial in Sunday's election is the political allegiance of the Maharashtra blue-collar worker. Slightly over half of the 87,000 voters in the Lalbaug-Parel constituency are industrial workers employed mostly in the textile industry. And although Congress(R) and Communists have dominated the unions in the area, it is by no means clear that the voter will carry his

ECONOMIC AND POLITICAL WEEKLY

loyalties into the polling booth.

Also to be tested is the ability of Shiv Sena to win over (or at least not to alienate) the non-Maharashtrian voter. Over two-thirds of the electorate in the constituency is Marathi-speaking; nevertheless the 20,000 non-Maharashtrians—among whom the biggest groups are from North India (6,356), Gujarat (4,876) and South India (3,966)—can exercise a decisive influence either by voting *en bloc* or by staying away from the polls. Thus far, Shiv Sena's campaign has been noted for absence of the customary tirades against the 'outsider' and has aimed at winning non-Maharashtrian sympathies by harping on the 'communist menace' theme.

A final important issue to be decided in the election will be whether or not Shiv Sena's appeal is limited to the younger age-groups. Teen-agers and those under twentyfive have predominated in the Sena's rallies and marches, having the effect of exaggerating the numerical significance of Shiv Sena support. Communist campaigners and much of the somewhat smaller attendance at CPI rallies on the other hand are drawn largely from the over-thirty age bracket. A careful study of the election results should reveal whether such a split does in fact exist and whether the age division will be a factor which the parties will have to take into account in their strategies for 1972.

It cannot be said that the election will have any profound consequences for the individual Lalbaug-Parel voter. If Mahadik is elected, he will serve as a lone and probably powerless Shiv Sena representative in the State Assembly. If Sarojini Desai wins, it is unlikely that she will have the necessary forcefulness to press the much-needed welfare, employment and housing demands of the constituency. Nor can it be said that the success of one candidate would mark the victory of the politics of reason over the politics of violence; in this particular constituency both parties come to the election bearing charges of misdeeds and unscrupulous behaviour. As is the case so often, this election will be a choice between political parties whose ideologies differ far more than their actions.

Exports without Policy

EXPORTS in the first five months of the current financial year to August 1970 amounted to Rs 559 crores, recording a fall of 4 per cent over the level of Rs 581 crores achieved during

the corresponding period of 1969. What is more, the setback has followed soon after the adoption of the much-vaunted export policy resolution. With imports in April-August 1970 slightly higher at Rs 690 crores (against Rs 654 crores in April-August 1969), the trade gap has almost doubled to Rs 131 crores.

Imports will continue to rise as the economy picks up investment momentum. There are, however, no factors that would make for rising exports. In the sixties, the major factor in improved export performance was our trade with USSR and with East European countries. With USSR alone trade increased from Rs 69 crores in 1960 to Rs 265 crores in 1968. This trade now accounts for about 10 per cent of our total imports and for a little more than that of our exports. The major purchases by USSR are tea (about Rs 20 crores), textiles and garments (Rs 10 crores) and cashew (Rs 16 crores). In return, India has been importing from USSR machinery, ball bearings, chemicals, sulphur, non-ferrous metals and oil products—i.e., items essential for development.

But even this trade has shown uncomfortable trends in recent years; it has not been growing as in the past, and increasingly we are having to supply to USSR industrial goods (often involving use of materials like stainless steel imported with free foreign exchange). The basis of hope for this component of trade is now a new agreement with USSR which is on the anvil.

But much more needs to be done to give a more lasting fillip to exports. And the new initiatives cannot begin and end merely with the cornering of all trade by certain State agencies—something of which L N Mishra seems so proud. We have yet to firmly demarcate products in which we have a comparative costs advantage and make an all-out effort to uncover and promote markets for them. Till this is done export strategy and policy must be considered to be non-existent.

Coal Is for Burning

GOVERNMENT seems to have at last woken up to the need for formulating a fuel policy and set up a committee on the subject. The range of fuels available for use has widened, particularly with the availability of atomic energy; the economic cost, including foreign exchange cost, varies from fuel to fuel; and local availabilities in different parts of the country are, again, different.

In the days of simple-minded plan-

ning for an industrial revolution built around steel and coal, the Planning Commission had set a target of 97 mn tonnes of coal production in 1965-66; actual demand for coal, however, rose only from 57 mn tonnes in 1960-61 to 67 mn tonnes in 1965-66. (The Mining and Allied Machinery Corporation at Durgapur is another monument to this folly.) At the same time, the use of fuel oils has been growing—costing valuable foreign exchange. Bhabha's dreams of building atomic power as an alternative source of energy seem to have been stretched out even if they have not faded away.

Of total fuel consumption in the country, almost one-third is still accounted for by cow-dung; coal accounts for a little over one-fifth, and liquid fuels for a little less than one-fourth. Thus consumption of liquid fuels already exceeds that of coal. Yet, purely in terms of relative resource endowment, India is, far better placed in respect of coal and uranium than liquid fuels. Incidentally, China uses, besides more liquid fuels, about five times as much coal as we do.

We have so far followed almost a perverse fuel policy—encouraging, for example, use of liquid fuels (for items like cement manufacture) in preference to coal (to avoid haulage of coal which, incidentally, has upset the Railways' finances). Similarly, we have plumped for use of naphtha for fertiliser manufacture when we should have been experimenting with coal to produce ammonia (and nitrogen)—if necessary, by imposing a suitable excise duty on naphtha to offset the cost disadvantage of coal. Even such attempts as have recently been made to use coal as starting material for fertilisers have been halting, and the bureaucracy in New Delhi has been trying its best to stifle them on specious grounds such as lack of foreign exchange for financing the import component of plant and equipment—evidently ignoring the fact that the recurring foreign exchange cost of a naphtha-based plant would be eventually much higher. At the other end, we still use cow-dung as fuel rather than as manure.

The composition of the newly set-up committee on fuel policy holds out promise of some new thinking; it is balanced between the various interests—including coal and atomic energy. However, it is necessary that the committee takes an overall view on fuel in relation to domestic availability and needs, and does not opt for the most modern or the most easy solution.

Fiddling with Cotton Marketing

A Correspondent writes:

WITH the General Election drawing near, political motives predominate in Maharashtra Government's reported decision to take over cotton trade in the State from the beginning of the 1971-72 cotton season. The avowed objective is to help cotton farmers to realise better prices for kapas (unginned cotton). But who doesn't know that cotton prices have been rising sharply year after year? And this rise has been fully reflected in the prices received by farmers. Kapas prices in most assembling markets are now almost 75 per cent higher than they were in 1963-64. The comparable rise in the prices of rice and jowar (which, in Maharashtra, are already under State monopoly procurement) has been just 40 per cent. Evidently, without any State patronage, cotton growers in Maharashtra have fared better than rice and jowar farmers.

In Maharashtra, the cotton farmers' share in the eventual realisation from sales of both cotton lint and cottonseed was estimated by a recent University of Bombay study at as much as 90 per cent. True, seasonal variations in cotton prices have been abnormally large during the past two years. But, contrary to common notions, this could not have benefited the cotton merchants much since they sell cotton as fast as they buy; in fact, with keen competition among themselves, they sell even before they buy. With cotton stocks accumulated mostly with the mills and little unsold stocks left with the trade, the high cotton prices at the close of the last two seasons were more notional than real. The real beneficiaries of such high seasonal prices are the mills which conveniently use them as a cover to mark up prices of cloth. But unlike the farmers and the industry, consumers have still no allies among politicians.

The absence of any economic justification apart, the Maharashtra Government's scheme for monopoly procurement and sale of kapas has little to commend itself even otherwise. The problems of finance and management are, of course, formidable in themselves. But more important, with the 'pooling' of kapas envisaged under the scheme, the proposed statutory guaranteed prices for standard descriptions of kapas would manifestly discriminate

against efficient cotton farmers and act as a disincentive to the production of kapas of improved quality with higher lint outturn. In the end, cotton production in Maharashtra would suffer both qualitatively as well as quantitatively. It is a sad reflection that instead of directing its efforts and resources to increasing cotton production and improving its quality, Maharashtra Government should have chosen to draw up a scheme which would put the State's cotton economy in reverse gear.

The scheme as envisaged with provisions for guaranteed price (to be determined by a complex formula on the basis of kapas prices of past years), advance price (80 per cent of the guaranteed price to be paid at the time of delivery of kapas) and final price (to be determined and paid after July every year on the basis of 'pooled' sale prices of cotton lint and cottonseed after making adjustments for processing, marketing and transport costs) will inevitably entail considerable administrative and paper work, since several thousands of accounts of cotton farmers selling manifold varieties of kapas will have to be maintained and settled each year. Besides, unlike in other agricultural commodities, with limitless differences in the quality of kapas arising from description, staple length, colour and cleanliness, fibre maturity and regularity, disputes about price and quality are sure to arise in most purchase and sale transactions. Marketing costs, as a result, will soar and with frequent references to arbitrations and surveys, payments to growers may often be delayed by months, and even years.

Government of India has already established the Cotton Corporation to canalise cotton imports and to take over, in due course after it has acquired the necessary experience and expertise, internal trade as well. Nothing will be lost if Maharashtra Government awaits the takeover of the domestic wholesale trade in cotton by the Cotton Corporation in a few years. Cotton is essentially an all-India commodity. Maharashtra has no monopoly in either its production or consumption. Cotton prices in Maharashtra are determined not so much by the supply and demand in the State as by the overall supply and demand in the country. By no stretch of imagination can Maharashtra Government hope to make any dent on cotton

prices through its proposed takeover scheme. In all probability, it might just fall a victim to capricious market forces and competition and may even come to grief as a result of a few errors of judgment with disastrous consequences to growers and to cotton production.

As is well known, the twin problems plaguing the cotton economy are stagnant production and rising and fluctuating prices. While the former is within the realm of State Governments to resolve, the latter can be tackled only at the national level through either an appropriate scheme of buffer stocks or complete takeover of cotton trade at all stages throughout the country. Any piecemeal attempt at takeover in a single State will solve neither of the problems. Instead of fiddling with such seemingly radical schemes as state trading in cotton, therefore, Maharashtra Government will be well advised to conserve its efforts and available resources for raising the productivity of cotton in the State which is at present unfortunately almost the lowest in the country. This would not only help cotton growers in realising higher aggregate incomes but also benefit the economy at large through increased cloth production, higher textile exports and lower prices.

Accent on Outlets

ACTIVATED, no doubt, by the unexpected stagnancy in fertiliser consumption last year, and anticipating greater competition with future increases in production, fertiliser producers have generally begun to put greater accent on sales and marketing. Gujarat State Fertiliser Corporation is no exception. And 1969-70 was a very good year for its sales. Sales increased in as many as 10 States, particularly in Punjab, Haryana, Andhra Pradesh and Maharashtra where farmers show a preference for GSFC's product. Yet in Gujarat, where more than 60 per cent of the sales are effected and which has first priority in GSFC's sales channels, there were complaints of non-availability of fertiliser. This underlines for GSFC the need to have a better system of demand estimation at the beginning of the year. To day, this aggregation of the year's prospective demand is done through the Gujarat State Co-operative Market Society in consultation with the district taluka, and village societies. To the extent that these societies fail to detect

or to reach prospective consumers, the fertiliser set aside for the State proves inadequate. To supplement these arrangements, therefore, GSFC has set up 105 Farmers' Information Centres-cum-Deps in the Districts of Gujarat and it hopes to increase these to 200 in the current year.

GSFC is also making attempts to provide other services to the farmers, at its factory as well as at the Farmers' Centres-cum-Deps. These include soil-testing services, advisory services on proper application of different types of fertilisers, pesticides and insecticides for different crops and climates, water management, irrigation, and farm mechanisation. These services are provided free of charge. The new Research and Development Section also attempts to collaborate with the State Government in promoting agricultural projects including dry farming.

Against the background of these promotional efforts, GSFC's expansion programme for urea and ammonia should bear even better fruit. In 1969-70 net profit was high enough to make possible payment of the entire accumulated dividend of 9.3 per cent for the past five years on the company's preference shares, as well as a dividend of Rs 8 per equity share. However, while the expanded urea plant has been successfully commissioned and produces at 100 per cent capacity, problems have arisen on the expanded ammonia plant which are being tackled presently. Negotiations with Japan for the caprolactum plant ran into trouble, but the company has boldly decided to go ahead without Japanese help so as not to inflate the project's cost by further waiting.

Blessed by Control

CEMENT manufacturers generally want to eat the profit cake and have it. Over the years of control, they have argued that the rise in prices has never kept pace with the rise in costs. Nevertheless, when Government was contemplating removal of controls from January 1 of this year, the majority of manufacturers came out vociferously and successfully against decontrol — ostensibly for the sake of consumers who would be deprived of a uniform price.

India Cements, understandably, was among the advocates of retention of control. As its chairman, P Suryanarayana, candidly admits in his annual statement, decontrol would have adversely affected the southern manufacturers (of whom India Cements is one)

Yet, if, as he maintains, surplus production in the South is "part of the plan for the cement industry and is based on locational advantages, chiefly the presence of limestone", these locational advantages could legitimately be expected to offset the disadvantage of distance from the deficit north and north east areas.

There is no economic virtue in a uniform price which implies that some consumers are paying more to finance the more distant others whose locational decisions are thus based on cement costs which are not real. Controlled price and the freight pool could, on the other hand, defeat attempts at cost control. While India Cement's chairman is categorical that there is no scope for further cost economies through administrative and technical measures, there is reason to believe that, with expansion, much economy could yet be effected on overheads. Since transport is a significant part of total cost to consumer, another recognised area of economy in the cement industry is better planning of movement. Today's system, protected by the freight pool, is *ad hoc*.

Meanwhile, the emergent surplus in cement in 1969 is no longer so obvious. And India Cements, which expanded capacity from 1 million tonnes (the standard unit is 200,000 tonnes) to 1.4 million tonnes but which could not produce to the expanded capacity "for reasons wholly outside" its control, should be able to cash in on the anticipated shortage in 1971 when aggregate production may be 16.3 million tonnes against a demand of 17.2 million tonnes. A unit whose higher costs (based on newer and larger capital costs) have been protected by the higher tier of the cost-bound prices, it has objected to a single, uniform pool price of Rs 100 per tonne. In 1969-70 India Cement's net profit was Rs 15 lakhs higher. Should its case on price tiers be upheld by Supreme Court, India Cements will net even better in future with full utilisation of its new capacity.

'IBM or ICL' is Not the Issue

IT is possible that the policy on computers may become an unwitting victim in the tussle between the two giant computer manufacturers for gaining a foothold in the Indian market. Though, both IBM and International Computers (ICL) are already established here, ostensibly for manufacture of computers, their most important activities have so far pertained to renovation and manufacture of small computer items.

So now, with the Indian market promising growth, IBM and ICL have offered to manufacture their third generation computer models in India — IBM its '360 series' and ICL its '1900 series'. As a further attraction, ICL has even offered to allow participation to Bharat Electronics. It is important in the circumstances, to take stock of computer practices in India and to clearly spell out policy guidelines for computer use and manufacture in the future. Computers are a heavy investment item which might be underutilised and used where human labour could equally well be used, or alternatively they could be used to great efficiency in the planning of the economy and of its units.

It may be reasonably predicted that, despite the opposition from labour, growing use of computers is inevitable; for, though in some fields, such as data collection, labour is no substitute for computers, in others, computers are the most economic means of doing a job and of taking decisions where a host of variables and facts have to be taken into account. However, computers come in a large range, the different generations signifying a different range of capacities. Even in advanced countries, the large computer manufacturers have not yet been able to oust the manufacturers of the smaller computers. It is therefore necessary, at this stage of computer development in the country, to decide which range of computers are the most relevant for the uses that we have in view and to decide where and with whose help we wish to manufacture them.

In anticipation of a large demand for computers, some capability for their manufacture has already been built up in India in the Electronics Corporation. Instead of opting straight for IBM's or ICL's offer, therefore, it would be more rational to use the existing capability as the base for assembling a local — and possibly, a locally-developed — computer. The Electronics Corporation could be given full support to make the small and medium range of computers; at the same time, till India builds up the required capacity for the larger computers, they could be directly imported from their foreign manufacturers and established in the major centres, to be linked to the consumers. In the UK, the Post Office, and in the US, the television companies, are increasingly moving towards this pattern of using the large computers. There is no reason why a hasty policy leading to perpetual dependence on foreign companies in this field need be adopted.

Uneasy Heartland

Romesh Thapar

MAKE no mistake about it: the new Congress Party is not going to accept defeat in Uttar Pradesh. To do so would be to invite political instability at the Centre. But Charan Singh is as crafty as they come. His formal withdrawal from the provincial leadership battle and the sudden injection of that honest waffler, T N Singh, as SVD leader has startled the hierarchy of the new Congress Party.

At the time of writing, Governor Gopala Reddy is asking for a whole week during which he will consider the legislative strengths of the various formations! At this speed, it may still be possible to keep up with events in this column which is read a week after it is written

POLARISATION?

The messy and tendential reporting of events in Uttar Pradesh — as far of the mark as the over-publicised, dressed up coverage of the confrontation between Vice-Chancellor K N Raj and his teacher/student bodies demanding representation by election (and not nomination!) in his joint consultative committee, or, for that matter, other such minor events, in the Capital and outside, involving collisions of opinion — misleads thinking people and subjects them to a series of shocks which pulverise rational thought. The fact that the new Congress Party in Uttar Pradesh has to contend with a Right-wing coalition commanding a majority and agreed on a leader had been discounted as thoroughly fanciful: after all, the Governor had more or less said so in his laboured attempt to justify the constitutionality of his action. We have to ask ourselves whether the process of polarisation has really set in, pushing aside the Charan Singhs to achieve oppositional Right-wing unity in the face of the assault launched by the new Congress Party.

No one in the Press anticipated the possibility of C B Gupta and Charan Singh withdrawing in favour of a third candidate, although in Lucknow it was clear that there was no other way to continue the battle. If T N Singh made it, as against the Harijan nominee, Girdharilal, it was only because

someone of some public standing had to head the SVD coalition. And, for the same reason, Charan Singh may come to Parliament to head a similar coalition — that is, if the tactic is consolidated in Uttar Pradesh. Governor Reddy may indeed require two weeks to think things over!

The heartland is uneasy. The battle lines are getting more sharply drawn between the various factions. The corruption of our manipulative politics has been brought to a head precisely in the heartland. It is here that the future structure of power at the Centre will be decided. Naturally the politicians of Uttar Pradesh (dumb cattle at the best of times!) are enjoying the attention focused on their sensitive loyalties, but they don't want to play the game so recklessly that they kill the goose that lays the eggs. Even they, the politicians in the heartland, cannot afford to lose sight of all perspectives.

May be, something of this trauma, and the confusion over the flirtation with the CPI, will come through at the AICC meeting of the new Congress Party at Patna. There are differences

in the top leadership of the party on this question, differences of principle and differences on tactics. The ideological see-saw in the speeches of Central Ministers and the actions of the GOI reflect a great deal of uncertainty. If this is the state of thinking at leadership level, one has only to imagine the confusion at activist level.

EARLY ELECTION?

Indira Gandhi naturally holds the trumps. Her prestige in the country, despite the uneasy heartland, is unchallenged. She can sway the party to her approach — and the rest will follow for the time being. But a major calculation in the organisation of power has gone awry. Political confusion, persistent and exhausting in Uttar Pradesh (and Bihar is not far behind!), places a question mark over an early election. To carry on until 1972 with the present limited political leverage at the Centre and in the States may well be disastrous — and certainly so if the 1971 monsoon decides to be moody. After sampling political trends at the Patna session, Indira Gandhi will have to take basic decisions. Of course, some say the trends will not reveal themselves. Madam is too powerful, and no one wants to risk his neck

October 12

SUBSCRIPTION RATES

	Inland	Foreign (Surface Mail)		
Six months	Rs 32			
One year	Rs 60	Rs 75,	\$ 10.00,	£ 4.25
Two years	Rs 110	Rs 140,	\$ 18.75,	£ 7.75
Three years	Rs 160	Rs 205,	\$ 27.50,	£ 11.50

Foreign Air Mail Rates on Inquiry

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Six months	Rs 13	One year	Rs 25
Two years	Rs 45	Three years	Rs 65

Concessional Rates Are Not Applicable to Institutions

Whither Cotton Prices?

Nishtar

THE cotton market has turned remarkably firm. Crop quotations over the past few weeks have moved up by Rs 125 to Rs 200 per candy. To mention a few varieties, Khandesh Y-1 has risen from Rs 1,725 to Rs 1,875, CJ-73 from Rs 1,650 to Rs 1,800, Kalyan from Rs 1,550 to Rs 1,775, and the exportable Bengal deshi (Fine) from Rs 1,060 to Rs 1,210. Current prices are a record high for this time of the season, and they are only Rs 50 to Rs 75 below the all-time high levels recorded last season.

In view of the poor carry-over from the previous season, new crop arrivals, which are still on the very low side, are being readily picked up by mills at asked for prices. Quality and price seem to be secondary considerations with mills as they have a ready market for their products and trading conditions are expected to remain good with the improving economic tempo.

The new crop is reported to be a normal one, varying estimated between 60 lakh and 62 lakh bales. This cannot appease the mills' increased appetite. The pressure on prices can, therefore, be expected to continue. How high cotton prices will go this season is anybody's guess. In order to meet the continuing shortage of indigenous cotton, the committee of the Indian Cotton Mills' Federation has recommended to Government that it make arrangements for an additional two to three lakh bales of American cotton under PL 480 over and above the three lakh bales already programmed for the current season. Good, if additional supplies can be arranged; but not a few are sceptical about the flow of even normal supplies under PL 480 as the relations between the two countries are none-too-cordial. Fears in this regard are perhaps highly exaggerated. The US Government has already authorised Government of India to buy approximately 50,000 additional bales of American cotton to help meet the present demand in the country. In the event of a new PL 480 agreement being concluded between the two countries, the cost of this cotton supply will be brought under the provisions of the agreement and India will be reimbursed.

The ICMF committee says that it is high time that the present stringent restrictions on stocks of cotton with mills and the credit squeeze on cotton are lifted and the penal rate of 12 per cent on advances against cotton is replaced by normal rates of interest. These controls, it is said, have not been effective in restraining the upward trend of prices and, instead, have only served to aggravate industry's costs. Industry's plea for relaxation of controls is understandable but the argument it has put forward does not convince. It is true that controls have not been effective in restraining the upward trend in prices. But is it not mainly because these controls have not been strictly enforced? Liberalisation of credit facilities and relaxation of stock limits would have made the price situation much worse to the greater detriment of the interests of weak and marginal units. The situation obtaining in the cotton market calls for much stricter discipline. Both the Reserve Bank and the Textile Commissioner's office will need to keep a closer watch on the market and act boldly to check a runaway rise in prices.

Observations made by the US Agriculture Secretary, Clifford Hardin, in his inaugural address to the International Cotton Advisory Committee meeting in Washington deserve serious attention. He has warned that, with the competition from man-made fibres, there is no future for cotton at a high price. Cotton pays the penalty for high prices by way of shifts to man-mades. He says that the "future of cotton, while it depends on research and promotion, depends even more on the ability of the producing countries to shift their thinking from gross production to efficient low-cost production". These observations are of particular relevance to India because Indian cotton prices have long been quoted much above world parity. Prices can be brought down only through increased production through higher yields.

Import activity in cotton has come to a virtual standstill. Importers are unwilling to undertake fresh business unless they are able to reach a satisfactory settlement with the Cotton

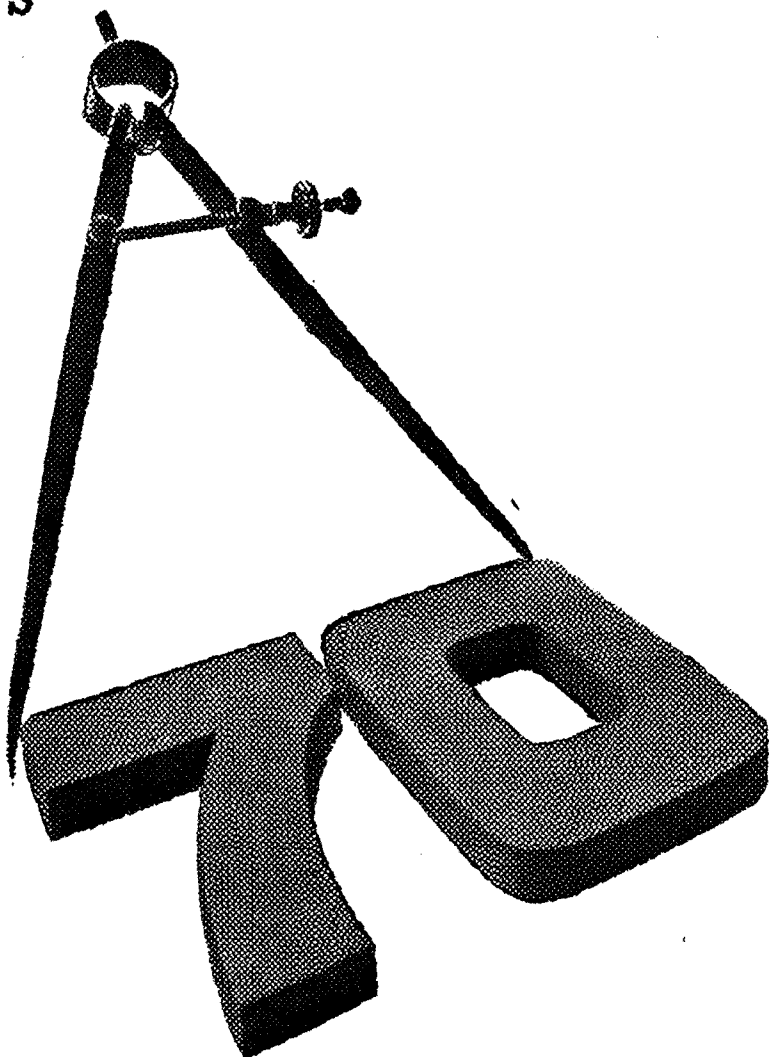
Corporation about the commission payable to them for their services. The half per cent of f o b value, allowed by the Corporation, is considered far too inadequate.

Too Erratic

TRADING in groundnut oil last week continued to be characterised by wide swings in prices. The spot quotation moved between Rs 5,500 and Rs 4,850, and Tuesday's closing rate of Rs 4,950 showed a net gain of Rs 100 a tonne over the week. This provides little indication of the extremely erratic behaviour of oil. Even if one were to ignore all the movements over a single day, the average range of daily fluctuations would still work out to around Rs 250 per tonne. These fluctuations have nothing to do with groundnut crop estimates. Day-to-day fluctuations have been guided solely by the flow of arrivals in relation to outstanding business negotiated much earlier on a fixed delivery basis. Inquiries with market men indicate that, fairly large business had been put through for late September and mid-October positions on expectations of early movement of the crop. These calculations have been upset by the prolonged monsoon which is still lingering in some of the groundnut producing areas.

Harvesting has been delayed, and arrivals have been interrupted by intermittent rains. In the absence of any carry-over from the previous season, new crop supplies have been readily absorbed by the increased festival offtake. New Delhi's decision to discontinue, from the second week of this month, the supply of soyabean oil to vanaspathi factories located in the southern and western zones and to substantially reduce the supply to units in the northern and eastern zones has led to increased demand for groundnut oil. The decision to curtail the supply of soyabean oil has come a month too soon. For, the supply of groundnut oil will become plentiful only from November. Since forward positions in groundnut oil are already quoted at a huge discount, increased flow of supplies in the coming weeks will have its impact mainly on spot quotations. Distant positions are unlikely to register any significant decline in the immediate future; November delivery is

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already quoted around Rs 3,640 and December is mentioned around Rs 3,550 per tonne.

Apart from the wide and erratic fluctuations in groundnut oil, the only other important development is in the outlook for castor oil export. Castor oil prices abroad have firmed up very considerably, following the downward revision of the castorseed crop in Brazil to around 2.66 lakh tonnes against 3.80 lakh tonnes in the previous season. The Thailand crop also is reported to be nearly 40 per cent less. The sharp rise in castor oil prices abroad has brought Indian oil very near world parity. Prospects of business with UK and US are rated high. Exports to these countries — India's major customers in the past — have been at a standstill since long. Export prospects have imparted a firmer tendency to castor futures. Linseed futures too have hardened in sympathy.

Further Retreat

THE stock market has been forced to beat a hurried retreat, and it is back again to the position where it stood over a month ago. Gains, accumulated over weeks, have been wiped out in as many days. Bulls have suffered their first major reverse, and many of them have had their paper profits converted into losses. Those who had taken on a joy ride only recently have got badly hurt. For long, even indiscriminate buying had brought money — at least on paper. But now the magic of fluctuations is operating in the reverse direction. Corporate news, though less plentiful, continues to be quite encouraging. But the mood has changed; and the mood counts.

The technical position of the market had been very suspect for quite some time, carry-forward charges having been pushed to the ridiculously high level of 20 per cent and even higher in some cases. This did not attract serious attention when the going was good. But a stage was reached when the market simply could not stand any adverse news. Interim budget rumours gave it the first big jolt. And, once off its feet, it found itself too weak to regain its equipoise, and continued to roll down.

Having lost their paper fortunes all too quickly, the bulls are now in a chastened mood. Just as well, for, reckless optimism can prove very dangerous. Undoubtedly, caution had been thrown to the winds. The recent

shake-out is to be welcomed. It is necessary that a sense of balance is restored to the market. The picture that the Indian economy presents is not as bright as the runaway boom on the stock exchange would have one believe.

The deliberations of the full-fledged meeting of the Planning Commission, to take stock of the growth effort since the beginning of the Fourth Plan, have drawn attention to the serious shortfalls in certain vital sectors of industry. Industrial growth rate is not getting the momentum originally contemplated. R Venkataraman has criticised the rigid implementation of new policies, with their distinct bias against large industrial houses, as being responsible for the setback in private investment. The stock market can hardly take comfort from such criticism since all available indications point to a more radical posture by Government.

COMPANIES

Limping Round the Corner

Hansavivek

ALUMINIUM INDUSTRIES had another difficult year to March 1970 when it experienced not only 'acute' shortage of aluminium and steel but also financial stringency. It could not chalk out a clear programme for production of bare conductors, which are the main line of its activity. Offtake of conductors continued to be 'intermittent and meagre'. In spite of these difficulties, however, production was stepped up and, with sale of unsold stocks of the previous year, total realisation increased from Rs 461 lakhs to Rs 669 lakhs. The outcome again turned out to be a trading deficit but it was half of last year's figure — Rs 55 lakhs against Rs 111 lakhs — which lifted the accumulated loss to Rs 119 lakhs. Dividend on both equity and preference shares was skipped. Among the unprovided liabilities listed under a 'note' to the balance sheet are Rs 13 lakhs on account of dividends on preference shares, Rs 4 lakhs due to trustees of the employees' provident fund, and Rs 3 lakhs as income-tax deducted at source.

The auditors' report points out that confirmation of balances from debtors and creditors was not made available in all cases and that no provision had been

In his presidential address to the AICC session at Patna, Jagjivan Ram has stated that "the immediate task is to reduce economic disparities, enlarge areas of social control over means of production and distribution". Land reforms and ceilings on urban property are sought to be expeditiously implemented. Chavan's recent observations on unearned income have evoked considerable comment. The stock market cannot be expected to take enthusiastically to these developments. The trade figures for the first five months of the current fiscal year are far from pleasing. The trade deficit has nearly doubled as a result of a fall in exports and a rise in imports.

The stock market is now on the retreat. How the reactionary trend will progress, it is difficult to say. Perhaps all that one can say is that it will be quite some time before the market launches its next major offensive.

made for bad and doubtful debts. The directors' report says that payment of Rs 6.5 lakhs into debenture sinking fund, which had been postponed from July 1, 1969, to July 1, 1970, could not be made on the due date, as the arrangement for the proposed issue of debentures of Rs 65 lakhs could not be completed. The company could not repay loan instalments as scheduled to ICICI and a bank. The financial institutions and banks have been requested to reschedule loan repayments suitably. Term-lending institutions have been approached for support to the debenture issue which will help the company to repay some of the existing loans and also to meet partially repayment obligations on the high interest bearing fixed deposits. These deposits were taken by the company to ease stringency caused by difficult ways and means position.

Commenting on the prospects, the directors say that, in the last quarter of 1969-70, the company 'emerged from the cycle of unremunerative operations'. Demand for products is satisfactory and this year, with a revival of the Plan schemes, they expect better utilisation of plant capacity and 'favourable' economic operations. As a pioneer in the

field of aluminium cable manufacture, the 24-year-old company has started a consultancy and engineering services division to offer technical knowhow and machinery for turn-key projects. It has already concluded a collaboration agreement with one Indian company.

ALIND has already spent about Rs 219 lakhs on its two schemes of expansion. ICI has sanctioned a term loan of Rs 20 lakhs for completion of the switchgear project, and the Andhra Pradesh State Financial Corporation has sanctioned a term loan of Rs 12 lakhs for the machinery unit at Lingampally. The machinery division project was completed in April 1969, but it experienced teething troubles for a few months. Sustained manufacture of wire working machinery could be established during the latter half of the year. Construction of the switchgear unit has been practically completed, and production of components has commenced. The first circuit breaker is expected to be delivered towards the end of 1970. ALIND's order book is satisfactory.

SHREE SYNTHETICS — a new company promoted by the house of Bangurs — is setting up a plant for the manufacture of nylon yarn with a capacity of 3 tonnes per day at Naulakhi, near Ujjain in MP, in technical collaboration with Chemtex of the US, who have also invested Rs 60 lakhs in equity shares. About one-fourth of the capacity is intended to be utilised for production of polyester filament yarn. Total estimated cost of project is Rs 7.35 crores, of which Rs 3.25 crores will come from share capital and the rest from loans (Rs 145.75 lakhs in foreign exchange from Eximbank and Rs 264.25 lakhs in rupees from IDBI IFCI and banks). The main raw materials — caprolactum and DMT — are being imported at present, but these are expected to be available indigenously after two years or so. Gujarat State Fertiliser Corporation is planning to set up a caprolactum plant with a capacity of 20,000 tonnes per annum and Indian Petro-Chemical Corporation is constructing a plant at Baroda for the annual

production of 24,000 tonnes of DMT. Construction of Shree Synthetics' factory building would start by the end of 1970, and the plant would go into production two years thereafter. The subscribed capital is Rs 122 lakhs, all in equity shares of Rs 10 each. Out of the present issue of Rs 203 lakhs — Rs 121.75 lakhs in equity and Rs 81.25 lakhs in 9.5 per cent redeemable cumulative preference shares — equity shares of the face value of Rs 5.50 lakhs have been reserved for allotment to IDBI and Rs 5 lakhs to IFCI. The remaining equity shares of Rs 111.25 lakhs and all the preference shares are offered to the public for subscription at par. One-fourth of the nominal value of shares, both equity and preference, is payable with application, an equal amount on allotment, and the balance in two calls. The subscription list opens on October 20 and will close on November 2 or earlier at the board's discretion, but not before October 22. The company has also applied for expansion of capacity to 7 tonnes a day.

FROM OUR CORRESPONDENTS

NEW DELHI

Shoring Up the Plan

THE full meeting of the Planning Commission on October 7 was a somewhat laborious exercise in underpinning the Fourth Plan with a measure of commitment on the part of the governmental and political leadership and in investing the Planning Commission with at least a semblance of authority in the execution of the Plan. The results of the forthright bid made by the members of the Commission in these directions will be known only in the coming months. The meeting only brought into the open the prevailing disconcerting situation in Plan implementation.

The position is apparently comfortable in agriculture, thanks to the kindness of nature for several years in succession, though here too there have been shortfalls in realisation of Plan targets. Production of foodgrains and sugarcane alone touched the targets in 1969-70, the first year of the Plan. There were shortfalls in other directions, including in the production of what are traditionally called cash crops and in the use of such inputs as organic and inorganic fertilisers. The targets for the 1970-71 Annual Plan had to be, therefore, scaled down to more modest levels than visualised earlier.

Performance has been relatively good in irrigation and power. But the tendency to neglect the social services has persisted and large lags have developed in transport. Railways in particular are in bad shape, necessitating a significant downward revision of their overall Plan target.

IN THE DOLDRUMS

It is, however, industry which is really in the doldrums and the Planning Commission has been greatly exercised about this. The stagnation in industry, particularly in the vital core and heavy sector, was the principal problem that the planners attempted to bring to the attention of the Prime Minister and the Finance Minister in the full meeting of the Commission, convened after a long interval.

The failure of the industrial growth rate to gather momentum can no longer be attributed to constraints beyond the control of those responsible for the execution of the Plan. The contention

of the planners was that the lags in industry stemmed from the failure of the executing authorities in Government. They also suggested that there was a marked absence of commitment and even a degree of irresponsibility on the part of the executing authorities towards the Plan and the targets, priorities and balances set out in it. At the meeting, while Deputy Chairman D R Gadgil was his usual suave and gentle self in presenting the planners' viewpoint, R Venkataraman and Pitambar Pant, Members for Industry and Perspective Planning, respectively, were forthright to the point of being blunt.

PLEA FOR EXCEPTIONS

Gadgil was careful to underline that that the Commission was not questioning the general frame of Government's industrial policy, including the licensing regulations. But he urged that within this frame clear directives had to be given to the concerned authorities to ensure fulfilment of the targets of production, specially in the core and heavy sectors. Venkataraman was more specific; he said that, while investment in the public sector had been more or less on the lines envisaged in the Plan, the performance in physical terms was behind schedule in critical areas. New schemes, he pointed out, were being proposed while not enough attention was being given to priority schemes in the Plan. He asked for guidelines to be given to the Union Ministries to accord priority to Plan schemes and programmes. It was in this context that he suggested that exceptions might be made to the general policy of restricting the activities of the large business houses in particular industries which were vital for the economy.

Pitambar Pant pointed out that shortfalls in the first 18 months of the operation of the Plan had already upset its balance and prospects. The position could be rectified only if a big push forward could be made in the remaining period. In contrast to the 6 to 12 per cent industrial growth rate envisaged in the Plan, which was necessary to achieve the minimum desired growth rate of 5.5 per cent in national income, the actual growth rate in the first two years of the Plan would come

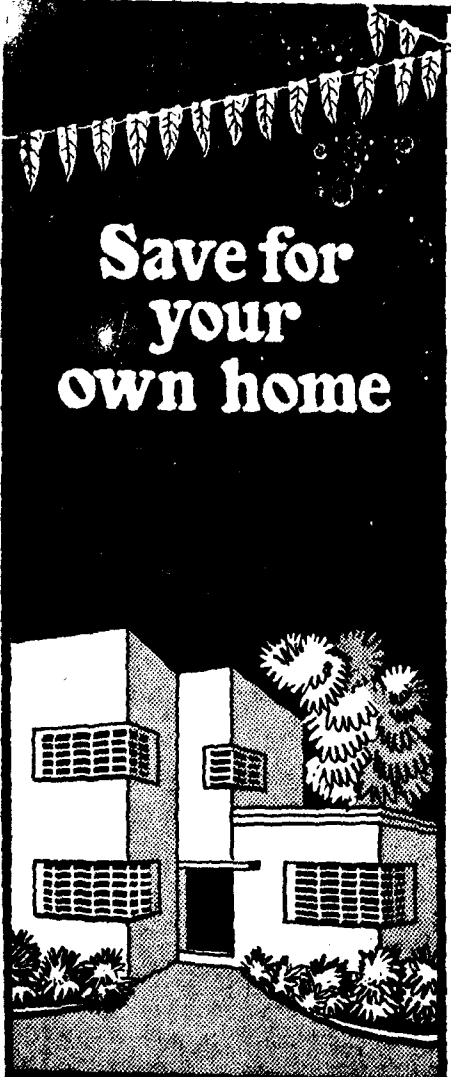
to hardly 5 per cent per annum. To make up for the shortfall, industrial growth would have to be stepped up to 12 to 15 per cent per annum in the coming three years. An even more disturbing factor in the industrial situation was that such meagre increase in production as there had been was mainly on account of textiles and similar industries while the more crucial industries, like metals and steel, which were the real indicators of growth with long-term significance for economic development, had been languishing. This was not brought out by the general index of industrial production. In metals and steel, the annual growth rate had been of the order of barely 2 per cent.

PUMPING FOR EASY PROJECTS

It was in the context of such disappointing performance that the planners came out with forthright and sharp criticism of the executing agencies and the manner of their functioning. Pitambar Pant pointedly asserted that Government agencies did not appear to have any sense of direction at all, since they did not care to conform to Plan programmes and priorities and were dissipating their energies on *ad hoc* new schemes. According to Pitambar Pant, the ministries often tended to pick up simpler, low-priority schemes for spending Plan funds allocated to them and shied away from more difficult and complex schemes and projects requiring more careful planning.

Venkataraman was even more vehement in his criticism of the Ministries' penchant for putting forth new schemes and projects while giving little attention to the speedy and efficient execution of those already in the Plan. He complained that, as Member for Industry in the Planning Commission, he was often confronted with all kinds of half-baked and poorly conceived projects, unsupported by proper technical data, which did not merit serious examination. He cited the case of a Ministry proposing a Rs 100 crore investment scheme which it wanted to be sanctioned by the Planning Commission within three days of its being presented. In another case a similar big scheme was presented for the Commission's approval in the same fashion, along with the suggestion that if approval was not given within the specified period the Ministry would assume the concurrence of the Commission.

Those who have been working in the Planning Commission hold that Minis-



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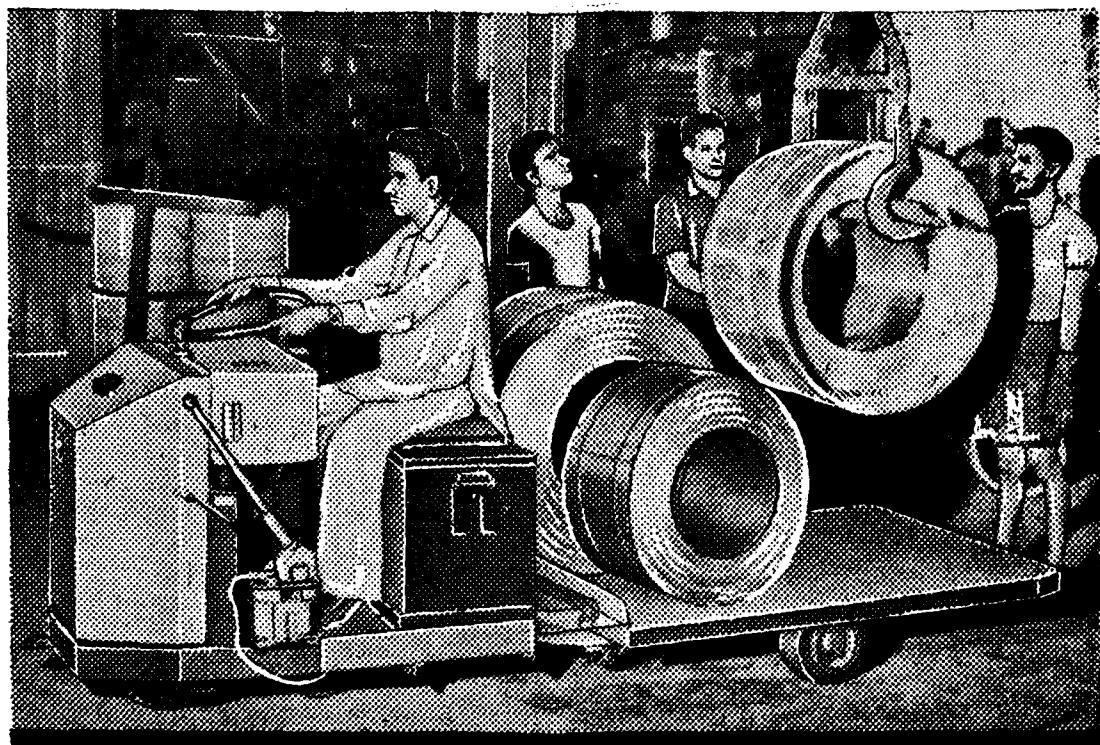
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tries putting up new schemes outside the Plan is nothing new and that this used to happen under earlier plans as well. In a sense this was even welcome since it helped to impart a measure of flexibility to planning. But what the planners were objecting to evidently was the neglect of schemes already in the Plan even as new schemes were being thought up in the most lackadaisical manner. Most of these schemes, according to the planners, were conceived in response to non-economic pressures, especially regional pressures which weighed heavily with State Governments particularly.

FINANCIAL INSTITUTIONS

The licensing procedures and the working of the financial institutions came under discussion in the light of the lag in the implementation of Plan schemes and the plethora of new schemes which are laying new claims on Plan resources and the resources of financial institutions. According to the planners, this state of affairs, if it was not firmly checked, might upset the structure and balance of the Plan. It was pointed out that it was not merely a question of a few much-publicised schemes, such as the small car project, but of a large number of schemes, small and big, put forward by Central Ministries as well as State Governments which were clamouring for approval and finances. The planners pleaded that while licensing procedures should be streamlined and approval speeded up for schemes included in the Plan, whether in the public or private sector, new schemes should be subject to strict scrutiny as regards their viability and priority before they could be accorded any accommodation at all. Just because the sponsoring authorities agreed to accept equity participation by the financial institutions for some of the new schemes, that should not entitle them to approval without being subjected to careful scrutiny.

Three specific suggestions emerged from the discussion. First, the Planning Commission should hold a series of meetings with each of the Central Ministries in connection with the implementation of Plan schemes and, in particular, the progress of public sector projects and projects in the core and heavy sector of industry. Second, all proposals for new projects would be brought together for a close look by the Commission. The Commission will examine the feasibility, viability and priority of these schemes and will determine if any adjustment could be made in the indus-

trial development programme or the Plan programme in general in the light of available Plan resources. Third, the Planning Commission should be associated more actively with the work of Plan implementation and the progress of Plan projects, including the operation of licensing policies and procedures.

The Prime Minister did not see any great difficulty in implementing these suggestions, but her acceptance of the suggestions appeared to be tinged with a measure of scepticism. When a Member of the Planning Commission said with some vehemence that she should arrange periodic meetings of the Ministers and Secretaries to review performance and progress of the Plan, she lightly remarked that she could hold such meetings every day and the discussion ended with general laughter. When, in the course of the discussion on the danger of diversion of Plan funds to non-priority and non-Plan schemes, a reference was made to the contention of some of the State Governments that they were free to take up their pet schemes without reference to the Planning Commission and without obtaining the necessary licences from the Central Government, the Prime Minister agreed that this represented an undesirable trend. But the unstated question in the minds of all those present at the meeting was how to check these tendencies in the prevailing political situation.

Disturbed by the shortfalls in Plan performance and the growing tendency among the Central Ministries and State Governments to disregard their obligations under the Plan and to undertake ventures which might upset the structure and balance of the Plan, the Planning Commission at the meeting sought the support and intervention of the highest political authority in the country to set matters right. It also sought a greater role for itself in the matter of watching Plan implementation and co-ordination. The Prime Minister seemed impressed with the Commission's plea, but how far this will affect the attitude and behaviour of Central Ministries and State Governments is difficult to say. The present uncertain political situation, the pull of momentary political considerations and the growing regional and sectional pressures raise quite a few questions. The Prime Minister was quite clearly unable to give any positive assurances, while Y B Chavan, who attended the meeting of the Commission as Finance Minister, kept a discreet silence.

Besides problems of Plan implementation, the Planning Commission devoted a considerable part of its time to discussion of the unemployment problem. The Prime Minister took a far keener interest in this part of the discussion. She stressed the need for Government to appear to be paying special attention to the problem. That, in the afternoon of the same day, the question again figured in the meeting of the Working Committee of Congress(R), which passed a resolution calling on Government to start special projects for providing employment and for allocation of special funds for such projects, was indicative of the Prime Minister's approach. The Planning Commission was quite willing to examine the question of special projects for creating employment opportunities, but evidently the members of the Commission did not see the unemployment problem as something which could be dealt with on a crash basis like, for instance, flood relief. They viewed it as a part of the general developmental process and thought that the special projects proposed to be launched could at best be of a pilot nature just now to be integrated in due course into the general scheme of planned development.

LABOUR CONTENT

The planners raised the pertinent question of the labour content of existing Plan programmes. The labour-investment ratio for these programmes, they emphasised, should conform to Indian conditions where creation of employment opportunities should have high priority. Some members of the Commission were not quite happy with the tendency, in the name of using the latest technology, to minimise the labour content of investments. It was decided that the Planning Commission should examine with the concerned executive agencies the labour content of existing programmes with a view to making adjustments to create larger employment opportunities. Surprisingly enough, nobody mentioned the acceleration of mechanisation in agriculture which is so obviously prone to displace labour and add to unemployment. The Prime Minister appeared to be most concerned with the need to have some schemes launched to give jobs to a section of the population in the age-group 20 to 35 in certain selected areas in the country. Funds would be found for this. But such an approach by itself would not make an effective dent on the unemployment problem.

Separatists Separate

Mohit Sen

DEFLECTIONS from the Telengana Praja Samiti increase as the date draws near for the formal conversion of this rather loose association into a run-of-the-mill political party. The latest defections are from Medak district where two legislators and four panchayat samiti presidents have resigned, ostensibly as a protest against the hectoring ways of Chenna Reddy. The background to this latest lot of drop-outs is the manner in which the Praja Samiti boss had pushed through his candidate for the chairmanship of the Medak zilla parishad despite the opposition of the local organisers and with disastrous results.

It is in the same district that we can expect further splits among the Telengana separatists. This would arise from the choice of the candidate for the Siddipet by-election. The vacancy has been caused by the elevation of V B Raju to the Rajya Sabha some months ago. The constituency is situated in that part of the Telengana countryside which is said to have been very responsive to separatist slogans. The local organisers of the Praja Samiti, especially P Ramachandra Reddy, its President, were quite sanguine of winning if a local man was put up — preferably the local President himself. But Chenna Reddy is said to be insisting upon Madan Mohan, the founder-president of the Telengana Praja Samiti.

It is the dissension among the separatists which has encouraged the Congress to push ahead with a candidate of its own. Earlier, smarting from the defeat at Khairatabad, the Congress chiefs had thought of not running any candidate of their own but supporting a CPI candidate so as not to divide the anti-separatist votes. Now they seem to be confident of winning on their own.

They feel confident that unlike at the time of the Khairatabad elections, on this occasion the Telengana United Front's President V B Raju, would not intervene to settle the conflict. They are encouraged in this belief by the studied silence and aloofness of V B Raju and by the fact that he had followed his own plan of bringing about

a Meghalaya-type solution to the Telengana problem when he gathered a large number of signatures on a memorandum to the Prime Minister. Considering that Siddipet was his constituency in 1967, it is only natural that Raju should be more than a trifle piqued by Chenna Reddy's failure to consult him.

Nor are V B Raju and his close associate, N Ramachandra Reddy of Warangal, the only ones who have chosen to act as spectators. Somewhat earlier and quite a bit ahead of them has been Konda Lakshman Bapuji, the leader of the abortive Telengana Pradesh Congress Committee. Actually his estrangement from the Praja Samiti and its burly leader had been publicly demonstrated as long ago as at the time of the Khairatabad by-election. Since then the estrangement has turned still more sour. It should not take long or much for Bapuji to return to the waiting arms of the Chief Minister. Not that he has a great deal of organised influence, but among his castemen — the weavers — he is still a force to be reckoned with.

CLOSE TO BLACKMAIL

Chenna Reddy appears to be going about his business with a certain methodical madness, however. Partly, his bulldozing attitude to his colleagues is a matter of temperament as he has always been a bit of a bully. There is, however, more to it than temperament. Quite a number of uncharitable persons exist who point to the fact that this redoubtable leader had started from a position of meagre means but has now blossomed into a landowner and brewery and factory owner of fairly considerable proportions. How has this metamorphosis taken place and how has it escaped the attention of the Central Intelligence Department, are some of the somewhat unkind questions that are asked. It is rumoured that certain persons have not been above applying a type of pressure, close to blackmail, on the basis of irrefutable documentary evidence. And the price to be paid is the not-so-slow disruption and dissolution of the Praja Samiti. After all, to this day, Chenna

Reddy has not given a satisfactory explanation of the conversations he had in Delhi some months ago with the Prime Minister as well as with Brahmananda Reddy. And since then his only interest in the Praja Samiti has been the type of annoying interference which leads to disruption. It was a noticeable fact that while the Chief Minister and his colleagues and the Communist Party were very active during the aftermath of the recent tragedy caused by rains in Hyderabad, Chenna Reddy was conspicuous by his display of lack of concern.

The separate Telengana movement was, at its height, a largely spontaneous and unorganised affair. Its sheer momentum and massiveness threw up cadres and organisers, apart from the ready organisation provided by the landlords and the underworld elements who also penetrated it. This could continue upto a point and so long as it was a movement outside the system of parliamentary democracy. But the system being there, the situation being far from insurrectionary and the content of the movement being far from revolutionary, the movement had to adjust itself and get drawn into the system. This it could do either in the shape of a united front or in that of a party. The first could not be accomplished because no major party supported the cause of a separate Telengana. The second is being tried by a corrupt and self-seeking leadership that has lost the capacity to be constructive.

The split among the separatists will, in the short run, help Brahmananda Reddy. Indeed, it serves to make him more powerful than the Prime Minister would wish him to be. This may be part of the reason why V B Raju is separating himself from the Chenna Reddy Praja Samiti. He has hopes of becoming a part of the countervailing force against Brahmananda Reddy by allying with the Sanjeevaiah-Raghuramaiah group, bringing to it the strength of the sentiment for a separate Telengana.

It is this sentiment that requires the most serious and sympathetic consideration on the part of the Left parties. Separatism is no solver of any problem but it is certainly the result of frustration over the failure to solve genuine problems, in particular those of equality, employment and growth. The Telengana movement led to a tremendous churning up and ferment among

vast sections of the youth, with the students in the forefront. It is to this that the Left has to link itself so as to convert diffused primitive sentiment into genuine radicalism. And this cannot be done by merely intensifying and

making more militant what are essentially economic struggles. In addition, the Left, too, has to popularise its stand on how the injustice done to and the hurt felt by the people living in Telengana is to be remedied.

LUCKNOW

Pointers to Instability

THE last few weeks have been momentous, though nothing unexpected has happened. After the BKD decision not to support, in the Rajya Sabha, the bill to amend the Constitution to withdraw the privileges of former princes, the divorce between BKD and Congress(R) was bound to come. Tensions between the two constituents of the ruling coalition were running high.

On September 24 the Chief Minister asked 13 of the 26 Congress Ministers and one BKD Minister to resign. A few hours later he demanded that the Governor dismiss them. It was clearly a move to create a split among the Congress Ministers and to win a section of them over to BKD. Simultaneously, the State Congress(R) President and the leader of the Party in the Legislature wrote to the Governor that Congress(R) no more supported the Government. The 26 Congress Ministers and Kamalapati Tripathi requested the Governor to ask Charan Singh to resign. The Governor rightly argued that at that point of time Charan Singh did not enjoy a majority and since, after having been asked by him to resign, Charan Singh did not resign, the Governor had no option but to recommend a short spell of President's rule. Congress(O), Jan Sangh, BKD and SSP argued that, with their support, Charan Singh continued to command a majority in the Assembly. But the Governor insisted that once the major partner in the coalition had withdrawn its support, Charan Singh could not be said to enjoy a majority. He had to resign. If he was later elected leader of a new coalition, naturally, he would form the Ministry.

Explaining his stand before the Press, Governor Gopala Reddy made two distinct contributions to constitutional history. First, a coalition leader could not be recognised merely on the basis of an arithmetic majority; he must also prove that there was a common minimum programme. Without this there could not be a stable government. His

tory has proved Governor Reddy right. (After the promulgation of President's rule, Congress(O), BKD, Jan Sangh, Swatantra and SSP failed to agree on a common leader and a minimum common programme.) Second, Reddy argued that the British analogy was irrelevant in the present instance as in that country the Prime Minister was a single-party leader; the position of the leader of a coalition government was different. Further, in a coalition the leader's powers had inherent limitations even in the choice of Ministers and in making cabinet decisions, as they were decided before-hand by a 'super-cabinet' — the co-ordination committee of the various parties.

The scene of decision-making then shifted from Lucknow to New Delhi, as it was the central leadership of the above-mentioned parties that was to decide the name of the leader of the proposed new SVD. SSP blocked the election of Charan Singh and forced him out of the contest. Announcing his withdrawal he said: "This is just to declare to the people that I am no longer a candidate for leadership of the proposed SVD and would extend whole-hearted support to any friend whom the parties opposed to the Prime Minister may elect to this office of great responsibility. It should be the aim of all those who are concerned with the future of the country to ensure that the conspiracy of the Prime Minister to become a dictator or to hand over the country to Communism, is defeated and democracy saved. She split her organisation into two parts for the sake of her personal power; she has now decided to subvert the Constitution itself to the end" (*The Statesman*, October 8, 1970). Anti-communism, after all, has been the slogan of all potential fascists!

After the fall of the Charan Singh Government, a sort of 'Deliverance Day' has been celebrated. Persons arrested in connection with the 'Land Grab' movement and the students'

agitation have been released. A Law Commission appointed by Charan Singh has been wound up. Politically motivated transfers have been stopped.

On October 9 the SVD elected its new leader — T N Singh, MP. Charan Singh was out of the contest and C B Gupta was too controversial a figure. Attempts were made to bring in J B Kripalani, but these failed; it was feared that if he became Chief Minister, his wife and C B Gupta would be the real rulers.

A number of factors will decisively influence the future course of developments in the State. Among these are (1) The magnitude of support Indira Gandhi is likely to get on the UP debate in Parliament on November 9, if a debate takes place. (2) The extent of support for Congress(R) in UP Assembly after its Patna Session. (3) The Governor has declared that it is not arithmetical support but programmatic support which will be the determining factor in his decision whether he recognises an SVD leader or not. It is, however, very difficult for the constituents of the SVD — ranging from Swatantra to SSP — to agree on a common programme. (4) In the meantime, a Socialist Front with 21 MLAs has been formed; this may settle the balance in favour of one group or the other. (5) More than 20 MLAs are likely to leave BKD and join Congress(R) when Charan Singh ceases to be the leader. The rest of BKD will vigorously campaign for a Vishal Haryana, implying division of UP and amalgamation of its western districts in Haryana. BKD in this region has a Jat base. During the regime of Charan Singh the non-Jats of the region were unhappy. They are numerically in a majority and will play a decisive role in the next elections in the region.

These pointers to instability may induce the Prime Minister to arrange for a general poll in 1971 instead of 1972. Bank nationalisation and derecognition of princes have made her popular. The demand of the Congress(R) Working Committee that in the next five years at least one earning member to every family be provided with a monthly income of Rs 100 is a most attractive item for any election manifesto. The Centre may also nationalise the sugar industry in the State to consolidate Congress(R)'s popularity in the region.

October 9

DAR-ES-SALAAM

Spectre that Haunts the West

A K Essack

A MONTH has passed since the meeting of 61 nations and several national liberation organisations in Lusaka. There have already been results emanating from the Conference, as seen in the resolution of 32 nations of this group at the UN, calling for a reimposition of the embargo on the sale of arms to South Africa. A week ago there was also the announcement that Yugoslavia, India and the UAR had formed a nucleus which has the potentialities for developing into a common market of non-aligned countries.

One marked feature of the non-aligned summit was its diversity. Sociologically it represented a varied spectrum ranging from feudal monarchies to worker states. In between there were countries with mixed economies or those moving towards a non-capitalist form of society. It was this diversity that led many to question whether it would be possible to hold the Conference at all, or if it was held, whether any concrete measures would emerge. Despite the diversity it could be said that many of the governments of the countries at the Conference represented the propertied classes, either feudal or capitalist. There were, indeed, only thin threads connecting the large number of states and these, surprisingly, held the Conference together.

The non-aligned states claim that they belong neither to the Eastern nor the Western bloc. But both these blocs were very much represented at the Conference. The important question then was which wind would prevail, the East wind or the West wind? Here as elsewhere, like in the OAU, the underlying factor was the ideological battle for the minds of men.

The heads of state had hardly begun to arrive when it became apparent that the West was being pushed into a defensive position and was already showing signs of demoralisation. For instance Banda of Malawi, who has been an open advocate of capitalism and is also known for speaking his mind, even to the point of being absurd, failed to turn up. The Malawian delegation also failed to show up. Chief Jonathan of Lesotho, who engineered a *coup* to remain in power after he had lost the general elections in his country, thought it better to give

advice to the Non-Aligned Conference from the safety of Kenya's capital. Kenyatta had his favourite excuse — his illness and age. Mobuto of Congo (Kinshasa), holidaying in Switzerland, sent a low ranking delegation, while Senghor of Senegal was closeted with Pompidou in Paris at the time of the summit. Robbed of their vocal and vociferous speakers, the pro-Western countries decided to change their tactics. They did not speak at the open session of the Conference, or if they did, used bombastic terminology loudly denouncing apartheid. But in the closed and secret sessions they strove to steer the Conference along "realistic and moderate lines".

Issues which showed the specific weight of each group did crop up. One of the earliest was the problem of who should represent Cambodia, the US-backed Lol Nol regime or the Sihanouk government. Hitherto, at the OAU for example, imperialism had only to oust a puppet military *junta* and the latter would be granted immediate recognition and a seat at a conference. This was because of adherence to the outdated doctrine that the internal affairs of countries are sacrosanct, even if a *coup* has been masterminded from outside.

In the Cambodian case, the military *junta* believed that because it had been recognised by the UN, it had the right to speak on behalf of the Cambodian people. The Conference eventually decided to seat neither of the delegations and instead accord observer status to both. But the defeat of the West lay precisely in that it could muster only 7 out of 61 votes. India's wait and see attitude did no credit to the country. The smarter countries knowing that they would be defeated decided to abstain or absented themselves. But Suharto, who had chaired a conference on Cambodia in Jakarta, showed his true colours, when he said that had Sihanouk's delegation been seated, the Indonesian delegation would have walked out. The Lon Nol clique, piqued at the defeat, surmised that if there been a secret vote, many of the states would have supported it. Lon Nol's men and the Lesotho delegation left the Conference early pleading

prior engagements.

The Conference was startled when Haile Selassie of Ethiopia whose country contains two American military bases denounced the Western powers responsible for the military build-up in southern Africa. He then proposed the following measures to deal with the matter:

- 1 Impose a trade embargo on South Africa, Rhodesia, and Portugal.
- 2 Sever diplomatic relations with the three governments.
- 3 Deny landing rights and all facilities to aircraft flying to and from these territories.
- 4 Make substantial contributions to the special fund of the OAU Liberation Committee.
- 5 Increase support and material aid to liberation movements.

These suggestions were subsequently adopted as resolutions by the Conference.

These resolutions were entirely different in spirit, stance and tone from the Lusaka Manifesto adopted in 1969 by 13 central and east African states. It should be recalled that the African states then said that they would use their good offices to persuade the liberation movements to lay down arms, provided the Portuguese showed willingness to negotiate. The difference between the Lusaka Manifesto of 1969 and the Lusaka resolutions of 1970 showed the shift in the position of the African states from negotiation to confrontation, just short of armed struggle. And it was Kaunda who expressed the reasons for their disenchantment and disillusionment with the West. He said: "The negative response of major Western powers over the question of South Africa, Rhodesia and Portugal has greatly contributed to the crisis which had developed in this region. They have the capacity to bring about peaceful changes and the realisation of self-determination for the majority of the people . . ." The West had actually reacted favourably to the Lusaka Manifesto of 1969 and Nixon had even praised it as a statesmanlike document, but in practice, the West continued to bolster the fascist regimes of southern Africa through economic and military assistance.

The West had hoped that the summit would spend most of the time on matters like economic co-operation instead of "wild political denunciation" of the West. The Conference did spend quite a lot of time on economic matters, but in an entirely different con-

text from what was expected. The delegations at the summit, mainly representing the small propertied classes, showed their frustration and anger at the giant multinational corporations and monopolies of the western powers who were exploiting them and sending them along the road to bankruptcy. It was left to speakers like Indira Gandhi, who reflected this fear and concern, to expose the developing contradictions between the newly independent states and the international system of exploitation. She said: "Neo-colonialism has no sympathy with our efforts to achieve self-reliance. It seeks to perpetuate our position of disadvantage. International markets are so manipulated that primary producing countries have a permanent handicap. The levels of technology are also operated against us through unequal collaboration and royalty agreements".

This relentless squeeze by international finance continues to drain away the resources of the poor countries, leaving little even for the ruling classes themselves. It is this that made many a moderate leader speak the language of the radical.

Resolutions on economic co-operation exposed the rapacious nature of this type of exploitation. One resolution noted with regret "the decline in financial flows, in terms of GNP from developed to developing countries, and the increase in financial flows from developing to developed countries by way of payments of debts, dividends, royalties, financial and commercial services". Other resolutions stated that the delegates were "disturbed by the rapidly widening gap between the economies of the rich and poor nations . . . and noted with concern the negative trends which exclude developing countries from the mainstream of world economic life and viewed with dismay the decline in the share of developing countries in world export trade from one-third in 1950 to one-sixth in 1969". The Conference "pledged to cultivate a spirit of self-reliance and to adopt a firm policy of organising their own socio-economic progress and to raise this to the level of a priority action programme". In other words, it was no longer a question of taking the begging bowl and queueing in New York, London, Paris and Bonn for doles and handouts, but of relying on themselves.

Concerning the liberation movements, the West suffered another defeat. It was singled out for condemnation for its support for the white minority regimes in southern Africa and Zionism in the

Middle East. American aggression in Vietnam was condemned. On the other hand support was given to the liberation movements in southern Africa, Palestine and "full support for the heroic struggle which the people of the Indochina states continue to wage for freedom and independence".

Madame Binh, head of the Provisional Government of South Vietnam was admitted only as an observer, but was specially allowed to address the Conference. The *Zambia Mail*, a government-owned newspaper, reported the reaction to her speech as follows, "Mulungushi Hall (the conference hall) erupted into cheers and applause when the graceful figure of one of the world's freedom fighters walked around the big auditorium. Madame Binh . . . was several times stopped and greeted enthusiastically by friends and supporters . . . the fact that support would be given to her was made clear when at the end of her speech she was greeted with the largest display of appreciation yet given to any delegate at the Conference".

The West, predictably, launched a tirade against this Conference, which was obediently echoed by certain sections of the Indian press. Thus, *The New York Times*, hitherto an ardent admirer of Kaunda said: "The Conference is not non-aligned. It has condemned only the West and not the East". *Newsweek* said: "The Conference left no cliché unspoken". *The Observer* of London pontificated that President Kaunda had better stick to internal politics in Zambia instead of meddling in international politics. Some papers also openly said that Kaunda would go the same way as Nkrumah, because of his "obsession with Pan-Africanism". Kaunda, as Chairman of the OAU and also of the Non-Aligned Conference, has now become a figure of international importance representing over half of the world's population. It was small wonder that the Western Press blew the expulsion of three newspaper men and the temporary detention of 16 out of all proportion. In view of the threats that many embassies had received saying that their chanceries in Lusaka would be blown up, the Zambian Government's concern for security, was understandable.

The West lost the ideological battle, but it has other cards to play. Most of the non-aligned states are linked with the West in the form of being members of some Western-sponsored group or other. Many belong to the Commonwealth of which Britain is the leading

member. Others are tied to the French-sponsored African Community with headquarters in Paris. Many of these are also associate members of the European Economic Community which seeks to perpetuate a relationship whereby the former colonies supply raw materials in return for manufactured goods. Many of these trade with South Africa. For instance Sirimavo Bandaranaike confessed that her country exported £5 million worth of primary products to the Vorster regime which was one of Ceylon's best customers.

There was an air of Bandung at the Lusaka Conference even though China was not invited. But China's spirit was felt all the time. Now that the Conference is over, China's co-operation will be needed even more, if the non-aligned are serious about implementing their resolutions. China's population is half as much as that of the non-aligned. With the rapidly increasing standard of living of her population it could well absorb many of the products of the non-aligned countries and at the same time provide them with essential manufactured goods and trained technical personnel.

Further China could provide a much needed nuclear umbrella. At present the West could blackmail smaller nations with its nuclear strength. With China at their side, there will be no need to fear. It is this possible emergence of China as an ally of the former colonies which has begun to haunt the West.

Moves are already afoot to form an association of African states committed to the West. While Jonathan of Lesotho was in Ghana on a state visit, his special envoy had arrived in Madagascar with a special message for President Tsirinana who specialises in anti-communist tirades. This message proposed "an organisation of black African states of southern Africa which Madagascar could join. The group could co-operate economically and consult each other politically". It is difficult to see in what fields this economic co-operation could grow. This proposal, in reality, is a political line-up to defend apartheid and the West.

Stiffened by radical states like Congo (Brazzaville), Syria, Algeria, Guinea, Sudan, Tanzania and Zambia, the non-aligned have taken an anti-imperialist position. At the next Conference they might shed a few states that are in the grip of imperialism. This will be a gain and not a loss, as the non-aligned will then be in a better position to implement their resolutions.

In Mourning

Nireekshak

IT is quite unusual for Indian newspapers to use black borders, as a sign of mourning, while announcing the death of a foreign statesman or while commenting on his death. Not even all eminent Indians have been accorded that courtesy by the Press. When Rajendra Prasad died, for example, not every newspaper had enclosed the report in black borders and, if I remember right, Zakir Husain's death had not yielded many black-bordered editorials. The only foreigner who had been given this honour in recent times was probably President Kennedy of the United States whose photograph was published within black borders by some newspapers, following his assassination.

Nasser was an exceptional foreigner in the sense that he always had a special place in the affections of Indians and of the Press, yet I had not expected that his death would be reported in black borders. None of the metropolitan newspapers did, in fact, but there were some surprises from the provinces. *Deccan Chronicle*, for one, came out with the entire front page enclosed in black borders, followed by an editorial printed in thick black type and again enclosed in black borders. *Deccan Herald* and *National Herald*, too, announced the news within black-bordered panels. The absence of black borders in others however in no way marred the treatment of the news itself; eight column streamers and lengthy obituaries were common.

FRIEND ABROAD

Editorial comment was quite often emotional, bordering sometimes on the sentimental as in *Free Press Journal* which offered, what it called, a "salute to a friend". Friendship was underlined also by *Hindustan Times* which acclaimed Nasser as "revolutionary, statesman, friend". Describing briefly Nasser's political career the paper said: "Nasser ushered in a new era of revolutionary progress in the Arab world. That revolution is incomplete. But Nasser recognised that strength lay in unity, Arab unity; in moderation, an honourable peace with Israel; and in socialist advance. These are the ideals he leaves behind for his nation and the Arab world. In his tragic death the UAR

loses a charismatic leader, the world a great statesman, and India a true friend." The Arabs had lost Nasser "when they needed him most," wrote *Mail*. "He was one of the most durable dictators of modern times but, unlike many of them, he was loved and respected by the mass of his people. . . He was a man of uncommon stature who emerged unscathed from many daunting crises . . . President Nasser, although struck down at the height of his powers, saw most of his ambitions for his people realised."

Hindustan Standard too acclaimed the Egyptian leader by saying: "No Nasser, no Arab revolution and no Arab unity — is no exaggeration." This was because, it said, no one can deny "the highly important role" that individuals play in history, even though "it may no longer be 'in' to explain great events in terms of individuals". *Standard* compared the Egyptian revolution of 1953 to the unsuccessful Dekabrist uprising in Russia in 1825 and the 1857 uprising in India, saying Nasser's was a successful revolution which "ended the feudal political structure" in Egypt. It was perhaps only *Times of India* which, as one of its readers subsequently pointed out in a letter to the editor, preferred to evaluate the late President of Egypt on the basis of his failures alone, without regard to his successes. Listing some of Nasser's obvious failures, *Times* had said they were "a warning that even such aspirations as are a spur to heroic action can in the end become self-defeating if they are not based on a true measure of a nation's strength". However, even the old lady of Bori Bunder allowed that "even though he had lost some of his earlier charisma, [Nasser] was still the only rallying centre for what remained of the forces of Arab unity".

It was not only in Cairo that Death had been active, it seems, for if some newspaper comments were to be believed the death of Nasser was soon followed by the death of democracy itself in India. And *Western Times*, for one, mourned this domestic tragedy in a black-bordered editorial with the tell-tale heading: "RIP Democracy". The imposition of President's Rule in Uttar Pradesh, the Ahmedabad daily said, was "a fatal blow to democratic pro-

cess". This view was reinforced by *Hindustan Times* when it called the Central leaders, particularly the Prime Minister, responsible for President's Rule as unwitting allies of Naxalites and as "undertakers" of democracy. How preposterous can you get?

National Herald counter-attacked. "President's Rule in UP was made inevitable not because of anything that the Governor or the President or the Central Government did but because of Mr Charan Singh's ambition, obstinacy and unreasonableness." (If nothing else, this is certainly an original argument for President's Rule!) Actually, "the issue is between the forces of reaction and the forces which stand committed to secularism and socialism" . . . and "it is only wicked to malign anybody because Mr Charan Singh has not been allowed to bolster himself by unconstitutional methods."

MANIPULATED POLITICS

Wicked it certainly was, *Statesman* seemed to say, though in its opinion wickedness lay in the Prime Minister making "this shabby manoeuvre" and taking a "heavy toll in political propriety, constitutional procedure and democratic decency". What was more, "equally ruthless and unscrupulous tactics may now be expected to muster a majority behind the Requisitionist leader, Mr Kamalapati Tripathi, whose undying ambition to become UP's Chief Minister remains unrealised". Prior to the imposition of President's Rule *Pioneer* had written: "The history of Uttar Pradesh since independence has been in the main a long and sordid story of factionalism and who knows it better, if he so chooses, than Chaudhry Sahab [Charan Singh] himself? . . . It may be argued that in the ultimate analysis the people get the Government they deserve. But that would be a slick and unfair assessment for the people, by and large, have very little say in the manipulated politics of the government of the day." This impression of manipulated politics was later echoed by *Hitavada* also when it said: "The entire episode smacks of political vendetta and it would be difficult for the Congress(R) Party both in Uttar Pradesh and at the Centre to absolve itself of the blame for adopting objectionable tactics and defying the norms of constitutional democracy to deal with its adversaries."

Before concluding this review refe-

rence must be made to the latest discussion on land reforms, occasioned by the Chief Ministers' conference and deliberations in the Congress(R) Working Committee. For, it is probably no accident that while most metropolitan newspapers urged further reforms and the speeding up of accepted ones, the provincial papers generally advised restraint! "Why this hurry?" asked *Indian Nation*. "The Centre has practically no stake in the matter. But the Chief Ministers, at least those among them who are far-sighted, know that the brunt of any ill-conceived measure on land will fall on them." *Deccan Chronicle* similarly said that "the

Chief Ministers have quite rightly spoken against arbitrary and uniform downward revision of land ceilings. . . Far from bringing prosperity all round, it will only accentuate the disparity in wealth." *Amrita Bazar Patrika*, on the other hand, asked how it was that "the Congress High Command was unable to exert sufficient pressure even on the Congress Chief Ministers, who were among the most vocal opponents of lower land ceilings? . . . The Chief Ministers apparently did not show the expected sense of urgency even though it [land reform] is admittedly one of the most pressing problems before the country now".

PERSPECTIVES

Governor, Chief Minister and Coalitions

K P Karunakaran

IN his report to the President recommending the introduction of President's rule in UP, the Governor, B Gopala Reddy, raises a fundamental question, the relevance of which goes beyond UP and the contemporary situation. After conceding that "it is true that the philosophy underlying the functioning of the coalition Governments has not yet crystallised" he asserts that "the powers of the Chief Minister of such Governments have to be viewed vis-à-vis the constitutional obligations of the Governor, taking into account the due realities of the situation. In other words, the Chief Minister of a coalition Government cannot be treated at par with the Chief Minister of a single party majority Government in the matter of removal of Ministers or reconstitution of the Council of Ministers which involves a fundamental change in the complexion of the Government."

NOT THE FIRST

Gopala Reddy is not the first person to challenge the supreme powers of the Chief Minister in a coalition. Iyoti Basu, the former Deputy Chief Minister of West Bengal, did it very often. When E M S Namboodiripad, the former Chief Minister of Kerala, tried to get rid of a Minister who belonged to the Indian Socialist Party and against whom there were grave charges of corruption, the Indian Socialist Party leaders maintained that the Chief Minister in a coalition was

only a postman and that he had no powers to choose and get rid of Ministers. He had only to convey to the Governor the choice of different parties as far as the constitution of Cabinet was concerned and the representatives of different parties could retain their posts as Ministers during the pleasure of their respective party bosses. Namboodiripad refused to accept the view and made it clear that he would get the Minister dismissed by the Governor if he refused to resign. Finally, the ISP Minister yielded and resigned. Achutha Menon had to yield to the bosses of the ISP and get rid of one of his ministers although he had no complaint against his performance and record as a Minister. But later Menon refused to yield further to the bosses of the Indian Socialist Party in many matters and successfully asserted his supreme powers as the Chief Minister.

Thus the Chief Minister's powers and functions were already a matter of debate and controversy even before the UP Governor's recent pronouncements on them. However, Gopala Reddy has introduced a new dimension to the controversy. He refers to the constitutional obligations and powers of the Governor and indirectly connects them with the diminution of the powers of the Chief Minister in a coalition set-up. While the others referred to above agreed that the powers of the Chief Ministers were reduced in a coalition, they were demanding

increased authority for the leaders of other parties who were represented in the legislature. The implication of the UP Governor's report to the President is that the Governor gets added powers while the Chief Minister's powers are diminished in a coalition set-up. The report says: "When an occasion for such reconstitution of the Government arises [the Governor means a reconstitution which involves a fundamental change in the complexion of the Government] the spirit of the Constitution demands that the Chief Minister should first tender his resignation and then reconstitute the Government. In defence of the Constitution, the Governor cannot permit any other course of action to be taken." This is perhaps the view of the present Central Government also. But this is clearly to transfer some power from the leader of the elected representatives of the people to the nominee of the Central Government.

AT THE CENTRE, TOO?

If this view is accepted another basic question will arise. In the near future, there may be a coalition government at the Centre. In the circumstances, would the President exercise his authority to see that the Prime Minister's powers to reconstitute his Government are reduced?

If the Governor and the President gradually begin to assume these powers and if the authority of the Prime Minister and the Chief Minister get reduced, this will basically change the character of the working of the Indian political system. At least where coalition governments exist, the political system will be more presidential and less parliamentary in character. Whether we like it or not, coalition governments will be a feature in the majority of the States and at the Centre for some decades to come. So if this radical change occurs, it will be a fundamental departure from the intentions of the framers of the Constitution.

Jawaharlal Nehru was resisting the encroachments of Presidential authority on the Prime Minister's realm when, in reply to President Rajendra Prasad's remarks, he maintained that the Indian President was a constitutional head like the British King. Of course, he thought that the Governor of a State was not merely a constitutional head. But, according to him, the powers of the Governor vis-à-vis the Chief Minister did not arise from the features of the

political situation emerging from a coalition government. In fact neither he nor the other framers of the Constitution envisaged a situation in which coalition governments would be a cardinal feature of the political system. One of their assumptions was that India will have a two-party system — one party in power and another in opposition. However, it is doubtful that they would have given more powers to the constitutional heads if they had known that coalition governments would be a feature of Indian politics.

FUNDAMENTAL DEPARTURE

Of course, later generations are not bound to work out the Constitution in accordance with the wishes of its framers. New situations will bring out new challenges and the creative responses have to be entirely new. But then we must know that we are doing. The suggestion of Gopala Reddy is nothing but an amendment through the backdoor. It should be conceded that he was confining himself to the diminution of the powers of the Chief Minister. But the reasons he advanced — the existence of a coalition government — would equally apply to the Prime Minister at the Centre in the future. Such a fundamental departure from the working of the parliamentary system may have its advantages — such as stability and location of power and responsibility in an irremovable executive. But it will also have its drawbacks — such as the reduction of the power and prestige of the elected representatives of the people. It will also lead to the disappearance of one of the fundamental features of the parliamentary system — the collective responsibility of the cabinet and the location of its power and responsibility in the Prime Minister.

Under the Constitution, the supreme powers of the Chief Minister are undisputable. While commenting on the developments in UP, M C Chagla rightly observes: "While the Chief Minister is to be appointed by the Governor, the other Ministers, under Article 164, 'shall be appointed by the Governor on the advice of the Chief Minister and the Ministers shall hold office during the pleasure of the Governor'. Here I think the Governor has no discretion. It is the Chief Minister's undoubted prerogative and privilege to have such colleagues as he thinks will help in the discharge of his duties. The power to appoint a Min-

ister carries with it the right to dismiss a Minister and here again the Governor has no discretion. The Chief Minister can politely ask him to resign and if the Minister refuses to do so, he can advise the Governor to dismiss him and the Governor must accept his advice."

Chagla's view is based on a fundamental principle of parliamentary democracy — the Prime Minister, or, in the case of the States, the Chief Minister is the centre of authority and responsibility. It is worth recalling that this primacy of the Prime Minister first evolved in Great Britain not as a result of an act of Parliament but by convention. The reason for the origin of this convention was the widespread feeling among Members of Parliament and Ministers that the King must be excluded from presiding over Cabinet meetings and from giving directives to the Government. Those who accepted the validity of this practice did so because it was felt that there should be one centre of power in a government and that this centre should be the removable executive since only then would the legislature be the sovereign body.

The functions of government have now become more complex than ever and without one central authority which can lead and co-ordinate the various activities of government, day-to-day administration cannot be carried on. Those who are asking for the diminution of the power of the Chief Minister are unknowingly asking for the replacement of his authority with that of someone else. In some cases, the new centre of power will be the Governor and in other cases it will be the Chief Secretary. In any case, there will have to be a central authority.

Then there is the question of the collective responsibility of the cabinet.

If the Finance Department, which will be under the control of the representative of one party in a coalition, refuses to give complete co-operation to other departments, how can they effectively function? In many States the Revenue Departments and the collectors in various districts come into the picture for implementing the decisions of different departments. If they refused to co-operate, there will be complete paralysis of the various branches of government. The only way of avoiding this is for the cabinet to function with collective responsibility. But collective responsibility presupposes the existence of one leading member in the cabinet who can enforce this responsibility. That is why the Chief Minister or the Prime Minister occupies the important position. The acceptance of the theory that the Chief Minister is only a postman will lead to complete anarchy in the State. A postman cannot co-ordinate, much less centralise. The modern state apparatus and the governmental machinery are so complex and complicated that they cannot be run without a centralised authority.

This is not to say that a Prime Minister or a Chief Minister can be a dictator. Even when one party rules, its leader cannot rule like a dictator. Rarely can a leader of the ruling party help taking senior members of his party into his cabinet or giving them important portfolios. The freedom of the Chief Minister in a coalition will be much more restricted. But when once he chooses his Ministers, he must have complete freedom to retain them and, if necessary, to get rid of them. In such matters, the thing to do in a parliamentary democracy is not to depart from the system of cabinet government, but to create new conventions. As this is a subject matter for another discussion, I shall stop here by simply stating that there should be new conventions.

Politics of Aid

The Politics of Foreign Aid in India by P J Eldridge; Lowe and Brydone, London, 1969; pp xx+289; 60s.

ONE thing grows clearer, even as the flow of economic assistance from the more to the less affluent nations increases — that, unlike the quality of mercy, aid is not twice blessed. Indeed, some cynics would have it that it is twice cursed. At any rate, some strong conflicts are inevitable in any process of massive give-and-take. Among the nations that give, conscious generosity breeds patronage and raises expectations often of unreasonable dimensions. Among them that take, a spirit of defiance mixes ungraciously with an attitude of supplication.

Eldridge's book sets out to study the interaction of the various motives behind the giving and receiving of aid in relation to one country, India. The scope is limited to the purely political aspect. This is enunciated at the very outset, in the second sentence of the preface. "Aid to India is viewed primarily in an international relations context rather than in terms of economic development..." And while statistics relating to aid are quoted and analysed, the author is at pains to repeat, more than once, his political, rather than economic, viewpoint.

For this approach, Eldridge's credentials may be considered particularly strong since he is a national of New Zealand, a country which is not a prominent aid-giver. Eldridge himself makes no protestations about his objectivity, though he does state (again in the preface): "Although Indian attitudes are often ambivalent and irritating to the Western mind, they nevertheless have their own system of logic. I have tried to identify and convey something very complex and in many ways intangible."

However, the reader does not get an impression of any such difficult interpretative exercise. One of the merits of the book is that it avoids the irritating, jargon-ridden generalisations to which social scientists are all too prone. There are references to socio-psychological factors, but they are of a familiar, homespun variety such, for instance, as the conclusion that an important reason why America is so little loved is just that she gives so much, leading to "the simple fact of dependence". As a result, while the book comes up with nothing very startling by way of conclusions, it

is nonetheless an effective and useful piece of work.

The layout of the analysis is neat and clear. There is, first, an examination of the motivations of the principal donors, and the changes in the same over the years, as the main issues in international relations have changed. Naturally, most attention is given to the US and Russia. Then comes the "key chapter", setting out to analyse what is termed the "Indian response". A few chapters are devoted to a somewhat cursory examination of specific types of aid — food, oil, steel and military aid — and the role of private foreign investment. Throughout, the reliance is on secondary data. In discussing the pattern of aid and aid policies, standard published works and statistical handbooks such as the Reserve Bank's Report on Currency and Finance are frequently quoted. Where the author has done primary research is mainly in the collection of material for judging the "Indian response". In this, he has done a thorough and laborious job of going through masses of material, including parliamentary debates, newspaper reports (including letters to the editors), book reviews and articles.

METICULOUS DOCUMENTATION

The documentation is consistently meticulous and so the reader knows precisely on what basis the author reaches a particular conclusion. Sometimes the basis turns out to be surprisingly insubstantial. Thus, in asserting that it was the Clay Committee Report that caused the rejection of aid to Bokaro by the US House of Representatives, Eldridge seeks the support of a report in *The Hindu*. From another newspaper report, on Lal Bahadur Shastri's request for a food gift from Australia, he comes to the conclusion that the preference for loans as against grants "reflected the thinking of Nehru rather than any deep-rooted belief among Indian planners". As for the extent to which India has been forced to yield to the pressures of donors, however, Eldridge will hazard no guess, because of the "generally secret nature of aid negotiation", but admits cautiously that the pressures would be covert and subtle.

The subject of the book is of wide

interest, in the sense that any casual scanner of news headlines has some idea of the principal political issues involved in aid. Hence, a point on which one might expect information from the book is the extent to which Indian non-alignment has paid economic dividends. In other words, how far has India been able to exploit its bargaining power with the West *vis-a-vis* its growing friendship with the Soviet Bloc? Eldridge does say that non-alignment has been beneficial to India. He also says that insofar as India has, politically, worked towards easing cold war tensions, it might have lost economically and that to this extent its efforts "may be seen in a more generous light than is customary in the West". Another factor mentioned as strengthening India's bargaining power has no political overtones. It is the growth in the number of donors who could be called purely economic — countries interested in providing aid as a means of increasing their trade.

Particularly interesting, in this context, is Eldridge's evaluation of the American and Russian programmes. Russian aid had a catalytic effect; its emergence as a factor to contend with forced a total re-examination of American aid policy which, until then, was mainly of the "Point Four" variety. Also Russian aid is considered to have had a political impact "out of all proportion to its amount" because it has been determined more by diplomatic than by ideological considerations.

There are some important points raised casually in the course of the analysis but which are not followed up. Thus, while Eldridge notes the inconsistency in providing aid while denying Indian products access to foreign markets, he moves away from the issue by noting that "this is obviously a question involving the whole organisation of international trade." Also, the author does not really attempt an evaluation, on the basis of his Indian case study, of the effectiveness of aid as a weapon of diplomacy. On the other hand, his conclusion peters out with a weak sermon, addressed both to the receiver and the donors. The prescriptions are mostly platitudes. India, it is said, must define its "internal" objectives clearly, if [it] wishes to prevent foreign influence from taking advantage of [its] divisions". Clarity in objectives is indeed devoutly to be wished for, and for more immediate reasons than avoiding adverse foreign influence.

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Relapse into Conformism

Arthagnani

The Reorganised Planning Commission: A Study in the Implementation of Administrative Reforms by H K Paranjape; Indian Institute of Public Administration; 1970; pp viii+58; Rs 5.

WHEN the Planning Commission was reconstituted ("the new team began with almost a clean slate", as Paranjape says, p 56), many hopes had been placed on it to improve the expertise of the Commission and the planning process. By now, however, it is evident that the new Planning Commission has settled down to complacent conformist thinking.

The Administrative Reforms Commission had suggested various changes in the composition and working of the Commission, particularly that it should be a specialised small body, that it should change its organisation from a bureaucratic to a professional basis, that it should present real alternatives for the framework of plans and that it should have a satisfactory organisation for evaluation of performance under the plans. These recommendations were based mostly on two reports of the Study Team set up by the ARC. The Research Unit on Planning of the Indian Institute of Public Administration was associated closely with the Study Team and may be deemed to have influenced the Team's recommendations. The Study Team's recommendations were a systematisation of comments on the working of the earlier Planning Commission published in diverse journals, including this one. To that extent, they may be said to reflect a generalised assessment of the need for reform of the Planning Commission and the lines of such reform.

In the present monograph, Paranjape seeks to assess the Planning Commission — its machinery and process of working — at approximately midway in its life. His main conclusion appears to be that the Commission has not come up to the expectations aroused by it.

As regards composition, Paranjape finds the membership of the Commission satisfactory "on the basis of their qualifications and experience" (p 6). It is a small body, has a reasonable degree of expertise, and the work-division is on the lines recommended by ARC (p 7). The major failure in reorganisation has been the failure to set up Planning Boards in the States (p 12).

The Planning Commission has slim-

med; its total staff declined from 1,254 in 1956 to 1,071 in 1968 (pp 20-21). However, as Paranjape ruefully notes, the slimming has been in the wrong places — at the expert professional level rather than in the general staff (including service categories). The professional staff declined from 437 to 344 or by 21.3 per cent, while other staff declined from 817 to 727 or by 11.1 per cent only! Paranjape, moreover, notes that "almost all of the abolished posts were already vacant" (p 17).

The planning process has not benefited from the large induction of new personnel at top levels. No alternatives were presented on possible frameworks of the Fourth Plan, and the evaluation process still seems to lag behind. In other words, bureaucracy always wins — unless a strong personality takes charge of an organisation. In fact, under the new set-up the Commission has become even more bureaucratised, and more eager to offer apologia for government policies. A great opportunity to improve the planning process and earn some respect for the planning concept has been missed.

However, Paranjape's own remedies hardly meet the situation. First, he approves of the greater discipline imposed on (or observed by) the members (pp 7, 57), particularly in expressing their views. He fails to recognise that this discipline is an aspect of bureaucratisation and inconsistent with his plea for more professionalisation. In fact, later Paranjape himself refers to the "tendency to push differences of opinion and difficulties under the carpet" (p 49) as undesirable (and mentions, as example, the subject of industrial licensing). The whole discussion (pp 49-50) shows a degree of lack of clarity in thinking.

Secondly, Paranjape would like the Planning Commission to act as an active lobby in relation to legislative and public opinion ("establish regular liaison with important sections of the leading elites" ... and later "by way of helping the creation of an increasingly informed opinion among leading sections about the implications of development planning for socio-economic goals", p 58). It has to be recognised

that this is not the same as acting as "a 'lobby' for growth" (p 58) which objective Paranjape mentions in the very next sentence. To some extent, the Planning Commission has to take its social philosophy from the governments, and its job is to present an economic/social programme consistent with such philosophy. This is all the more necessary now that governments range from the Swatantra one in Orissa to (the till recently) Marxist one in next-door Bengal. It is in this context that, for example, Paranjape's analysis of Gadgil's defence of the Special Assistance of Rs 800 crores to some States (p 45 and later p 48) — which the Chief Ministers correctly interpreted as an instrument of political bribery — appears to be wrong.

Paranjape's suggestion that the Commission should "get legislators to understand the importance of supporting certain basic policy approaches" (p 52) implies an inversion of the normal relationship between a democratic government and its instruments. It is for the elected governments — and not an appointed Planning Commission — to propound, and operate on, a social philosophy. This is the reason why Government was justified in not consulting the Planning Commission on bank nationalisation — an omission which Paranjape by implication seems to consider unjustified (p 16 footnote and p 45). This is also the logical consequence of the revision of the functions of the National Development Council and particularly making it responsible for prescribing "guidelines for the formulation of the National Plan" (p 8).

Such confusion about the basic conception of planning and role of the Planning Commission apart, the book provides a competent summing up of the state of planning and the changes in planning machinery and process during the last two years. The study is based wholly "on published sources" and, to that extent, has little that is new or original to contribute to the debate. At one point (pp 27-29) the author gets bogged down in petty semantics of salary scales; at another (p 53), there are references to styles of writing, through these are contradicted by Paranjape's comment on the chapter on Implementation (p 55). The self-imposed restriction — of not having discussions with the Planning Commission — therefore becomes a limitation of the study, without adding objectivity to Paranjape's analysis.

Race in Fiji Politics

A Note on the Indian Community

I S Chauhan

The social and political problems of modern Fiji, which became independent on October 10, are invariably phrased in terms of confrontation between the Indian and Fijian communities. The basic assumption underlying this approach is that each ethnic community, and particularly the Indian community, is solidly united because it faces its own unique problems.

It is suggested in this note that while there are problems peculiar to each ethnic community in Fiji, the kind of political unity asserted or implied in the above view of Fiji politics is non-existent.

The problems of Indians, for example, may possess a certain potential for creation of a political unity, but history shows that the signs of cohesion within the community have never been permanent features. The political division between the moderates and radicals within the Indian community has never been obscured, though on occasions for a short while it may have been blurred by temporary political alliances. Further, there has been a complete absence of any sectarian, kinship or marital ties across the paramount socio-political cleavage within the Indian community.

It is difficult to predict the shape of future political development in independent Fiji, but if the past is capable of throwing any light on the future, it is possible to be tentatively optimistic about Fiji's racial problems and predict that ethnic barriers will continue to crumble and political progress will be towards a viable unitary society.

[My thanks are due to the Australian National University for financing my field-work in Fiji on which this paper is based. I benefited greatly from the advice of A L Epstein, G Wijewardene and M A H B Walter on the report of the research project of which this paper is a small part.]

THE first serious sociological study of Indians in Fiji concluded that the interests of members of different ethnic communities, if not the attitudes behind those interests, were becoming less and less easily isolable from one another (Mayer 1963: 130).

This apt observation has largely been ignored by most contemporary observers of Fijian affairs. The social and political problems of modern Fiji are invariably phrased in terms of confrontation between Indian and Fijian ethnic communities¹ (e.g. Anthony 1968A, Fitzgerald 1964, Tudor 1965). The following quotation is fairly typical: "The problems of Fijians are tremendously complicated by the economic and political rivalry between native-Melanesians and tens of thousands of Indian colonists who are out to possess the land" (Coulter 1967: 18). It would seem mainly for political purposes that some of the Fijian and European leaders, and even their Indian allies, are prepared continually to subscribe to and promote this kind of facile and erroneous interpretation, making of it something of an article of faith.

The basic assumption underlying such arguments is that each ethnic community, and particularly the Indian community, is solidly united because it faces its own unique problems. It would,

indeed, be hard to deny that there are problems peculiar to each ethnic community in Fiji. The Europeans are, for instance, primarily interested in safeguarding their economic interests (Anthony 1968B); Fijians are worried about their land and apprehensive that Independence will spell their political domination at the hands of the numerically² and economically superior Indians (Walter 1966). The latter's concern has been for constitutional equality³ for their community and a struggle against the domination of 'European' (Australian) capital. Yet there remains the question of how often an ethnic community does in fact behave in Fiji as a coherent unified group.

The problems of Indians, for example, may possess a certain potential for the creation of a political unity, but the history shows that the signs of cohesion within the community have never been permanent features. The political division between the moderates and radicals has never been obscured, though on occasions for a short while it may have been blurred by temporary political alliances. Apart from the latter, there has been a complete absence of any sectarian, kinship or marital ties across the paramount socio-political cleavage within the Indian community. The kind of political unity asserted or

implied by commentators like Coulter and particularly forwarded by the foreign press is non-existent. The signs of solidarity between the radical sections of Indian and Fijian ethnic groups during European dissatisfaction with the ruling (European inspired) multi-ethnic party seem further evidence for the contention that in Fiji political alignments are not strictly ordered by ethnic considerations.

It is perhaps appropriate at this stage to review briefly the modern Fiji scene, and to assess how far this contention is upheld by the contemporary political patterns.

The question of political alignments is inevitably tied up with the country's constitution. During the past six years Fiji has travelled fast along the road of constitutional advancement. The number of seats within the Legislative Council has increased⁴ and the electorate has been expanded. In 1963 the franchise was granted to Fijian men, and to Indian, European and Fijian women. After the 1965 constitutional conference in London, part-Europeans, Chinese and other Pacific Islanders were enfranchised: at the same time property and literacy qualifications were abolished. The conference also provided for the development of the ministerial system of Government.

These constitutional changes evoked a number of political responses in the Colony. People displayed a sudden upsurge of interest and of involvement in national politics and they rushed to join the newly established political parties. The moderate Indians demonstrating belief and support in multi-ethnic ing the 1959 Suva riots,⁴ and the more recent founding of the Liberal Party solidarity assembled under the banner of the Alliance Party, while the radical Indians flocked to the exclusively Indian Federation Party.

Under the new constitution elections took place in October 1966. The Alliance Party won a total of 25 seats, and in addition, secured the support of the two members sent by the Council of Chiefs, and formed the ministry. The Federation Party, though it captured all the nine Indian communal seats, lost the three Indian cross-voting constituencies to the Alliance Indians. In September 1967 the nine members of the Federation Party walked out of the Legislative Council in protest against the new constitution. Since they remained absent from three consecutive Council meetings, the Government was obliged to issue writs for a by-election. The election was held in September 1968. Both parties entered the contest.⁶

The Federation Party was endeavouring to show that the entire 'Indian community' was supporting its boycott of the new constitution. The Alliance Party, on the other hand, looked upon this opportunity to test the loyalties of the 'Indian community'. The chief minister (Alliance) made an impassioned plea for the Indian community to display its faith in the multi-ethnic Alliance Government.

The result⁷ of the by-election was hardly a surprise. Yet although the Federation Party won all nine seats, it obtained the support of only 62 per cent of the Indians who had registered themselves as voters. The reactions of the political leaders were typical (though, of course, not necessarily sincere) expressions of the ethnic oriented approach to Fiji politics. While the Federation Party leaders claimed that the 'Indian community' had displayed trust in its policies, on the opposite side, the members of the Alliance Party were considering the results of the by-election as a 'temporary setback', a display of 'racial solidarity by the Indian community'.

For a period of about two months after the by-election the political situation was charged with tension and suspense. In a series of meetings and

demonstrations, the moderate Fijians demanded from the Government the expulsion of the Indian 'betrayers'. A possibility of racial violence, and in particular of assaults by the 'physically superior' Fijian on the 'trail' Indian was publicised.

Yet precisely during the period that publicity was being given (by the Australian-owned local press in Fiji) to a renewal of the old demands of some Fijian leaders that the Indians be deported, radical Fijians were conducting negotiations for the formalisation of their political links⁸ with the radical Indians. The consequence of these negotiations was the merger of the National Democratic Party which had exclusively Fijian membership and the Federation with its exclusive Indian membership.

Measured against the contention that in Fiji the political alignments are not strictly ordered by ethnic considerations, the scene in contemporary Fiji amply demonstrates that underlying the rapid flux of constitutional and political changes on the surface, there remains an ongoing pattern of political alignments which has at least so far steadfastly refused to reproduce itself along ethnic lines.

MODERATE INDIANS

In contemporary Fiji there is little difference in the numerical strength of the two multi-ethnic political blocs. Thus it is with the support of its Indian members that the moderate bloc is able to gain its slight (numerical) edge over the radical bloc. In this way the moderate Indians (nearly a quarter of the total Indian population) constitute some sort of a 'peace making group' (Aurora 1967) which can act as a check on eruptions of racial violence. This factor may not be very important in contemporary Fiji with its unrepresentative constitution, but in the future if the ethnic groups are given some kind of constitutional equality, the role of the 'peace keeping group' is likely to assume an added importance in ensuring stability of the country's Government.

Fiji became independent on October 10, 1970. Yet it is difficult to predict with any accuracy the shape of future political developments since, as Mayer points out, there are many variables involved (1963: 135). But if the past is capable of throwing any light on the future, it is possible to be tentatively optimistic about Fiji's racial problems and predict that ethnic barriers will continue to crumble and political progress will be towards a viable unitary

society.

NOTES

- 1 Fiji's population, about half a million, consists of 51 per cent Indians, 43 per cent Fijians, and 6 per cent Europeans and others.
- 2 Between 1879 and 1966 the number of Indians has increased from 463 to 241,000.
- 3 In 1968, despite their numerical superiority the Indians were represented by twelve members in the forty-member-strong Legislative Council, and by two members in the ministry of thirteen.
- 4 cf. Report of Commission of Inquiry into the Disturbances in Suva, December 1959; 1960, Government Press, Suva.
- 5 The Council now consists of 40 members (36 elected and four nominated officials). Elections for nine Indian, nine Fijian, and seven European (including Chinese, part-European and other Pacific Islanders) seats take place under the system of 'communal rolls'. A further three members from each of the major ethnic groups are elected on the basis of a system of 'cross-(Communal)-voting'. Two more Fijian members are, in addition, nominated by Council of Chiefs (cf. Fiji Constitutional Conference 1965, London, HMSO).
- 6 All quotations included in the following account of the election are taken from contemporary editions of the *Fiji Times*.
- 7 Of the Indians eligible to vote, a total of 38 per cent failed to vote for the 'ethnic' party, viz, the Federation Party. The percentages were 62 per cent Federation Party and 17 per cent Alliance Party; 21 per cent did not vote. However, of the total Indian votes polled 78 per cent went to the radicals while 22 per cent went to the moderates. These percentages roughly correspond with the proportion of orthodox and reformists in Labasa (which is 82 per cent and 18 per cent, respectively).
- 8 The signs of solidarity between Indian and Fijian radicals were displayed first during the Suva riots a decade ago, and more recently in a series of strikes in October 1967 (*Pacific Review*, page 1, October 14, 1967, Nadi, Fiji).

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Freedom of Speech and Contempt of Court

S P Sathe

Taking the Namboodiripad appeal case, in which the former Chief Minister of Kerala's conviction for contempt of court was confirmed, as a starting point, the author suggests that Indian courts are more zealous of their power to punish for contempt of court than they are about protecting the freedom of speech.

While the law of contempt of court is a necessary restriction upon freedom of speech, it ought to be applied only in cases of actual or threatened interference with the administration of justice and not in cases of generalised criticism of the judicial system.

THE power of the courts to punish for contempt is an essential judicial weapon to prevent interference with the administration of justice. However, it may at times conflict with freedom of speech which is a coveted fundamental right. This conflict has to be resolved in such a way as to protect administration of justice at minimum sacrifice of freedom of speech. But in *E M S Namboodiripad vs T N Nambiar** the Supreme Court of India has failed to strike a balance between the competing demands of freedom of speech and fair administration of justice.

Namboodiripad was convicted for contempt of court by the Kerala High Court and sentenced to a fine of Rs 1000 or simple imprisonment for one month. This was a majority decision made by Justice Raman Nair, who is now the Chief Justice, and Justice Krishnamoorthy Iyer, with Justice Mathew dissenting. The charge was made on the basis of certain utterances which Namboodiripad had made at a Press conference held on November 9, 1967.

When Namboodiripad appealed against this decision to the Supreme Court, the Supreme Court upheld the decision against him though it reduced the sentence. The arguments in his defence were that:

(i) his observations did no more than give expression to the Marxist philoso-

* Criminal Appeal No 56 of 1968. Also see *Pennakamp vs Florida*, 328 US 331 (1945); *Bridges vs California*, 86 Law Ed 192 (1941); *Craig vs Harvey*, 91 Law Ed 546 (1947).

phy and what was contained in the programme of his party, i.e, the CPI(M) programme adopted in November 1964;

(ii) they contained a fair criticism of the system of judicial administration;

(iii) he did so in pursuance of his duty to educate public opinion;

(iv) they did not contain criticism of any particular judge or his judgment or conduct;

(v) he had always enforced the judgments of the courts and had never shown disrespect to the judiciary, but had in fact advocated the independence of the judiciary;

(vi) the law of contempt ought to be interpreted so as to cause no encroachment upon the freedom of speech guaranteed by article 19(1)(a) of the Constitution;

(vii) the alleged harm done to the courts by his utterances was not apparent.

The law of contempt of court has developed in India along the lines of the English law. The ingredients of the criminal act of contempt are as follows: that something has been done which either is clearly intended, or at least calculated, to prejudice a trial which is pending; that the offending statements were published or said with prior knowledge that the case was pending or with the knowledge that the case was imminent; and that the statements published or said tended substantially to create prejudice against the courts in the public mind. Generally, cases of contempt fall in the following three categories: (1) acts likely to influence the decision of a court in a pending case,

(2) willful disobedience of the command of a court and (3) scandalising a court so as to lower its public image.

The intention of the accused in a contempt case is immaterial. What really matters is the effect or the likely effect of his act on the administration of justice. Any act which causes lack of confidence in the administration of justice, or otherwise interferes or tends to corrupt it, has to be prevented.

The English law of contempt, which the Indian courts have generally been following, encompasses a wider field. In the United States, where freedom of speech is constitutionally guaranteed by the First Amendment, the Supreme Court has applied the 'clear and present danger' test to determine the validity of the restriction on freedom of speech by the law of contempt. In India, some have expressed the view that freedom of speech is subordinate to the power of the courts to punish for contempt (*State vs Ramchunder*, AIR 1959, Punjab, 41) and that the law authorising punishment for contempt need not satisfy the test of 'reasonableness' under article 19(2) of the Constitution (*State vs Editor of Matrabhumi*, AIR 1955, Orissa, 36). These were the views of the High Courts. The issue came before the Supreme Court in such concrete form for the first time through Namboodiripad appeal case.

Chief Justice Hidayatullah observed that "while it is intended that there should be freedom of speech and expression, it is also intended that in the exercise of the right, contempt of court shall not be committed". The Chief

Justice further observed that "freedom of speech and expression will always prevail except where contempt is manifest, mischievous or substantial".

It is, however, necessary to emphasise that the scope of the power of the courts to punish for contempt should be redefined in the context of the requirement of 'reasonableness', under article 19(2) of the Constitution. Whatever the law in England might be, in India, where fundamental rights are guaranteed by the Constitution, it follows that freedom of speech and expression should not be made subservient to the law of contempt of court. In this context, the *dicta* of the Chief Justice that freedom of expression will prevail in all cases except where contempt of court is 'manifest' or 'substantial' is a definite improvement over the past legal position held by the courts in India. The redefinition of the extent of the power to punish for contempt of court connotes that the courts ought to permit restrictions upon freedom of speech only when the conduct in question manifestly or substantially interferes with the administration of justice. It does not mean that the right of freedom of speech should completely exclude the power of the courts to punish for contempt. The Chief Justice was, no doubt, right in saying that, "while the right is essential to a free society, the Constitution has itself imposed restrictions in relation to contempt of court and it cannot therefore be said that the right abolishes the law of contempt or that attacks upon judges and courts will be condoned".

The law of contempt of court need not be abolished. It is a necessary restriction upon freedom of speech. What is desired is that it should be re-defined to include only punishment of actual or threatened interference with the administration of justice. In this context it may be pointed out that a similar redefinition of the law of sedition was undertaken by the Supreme Court in *Kedar Nath vs State of Bihar* (AIR 1962, Supreme Court 955). The section on sedition was not abolished. It was reinterpreted so as to punish only such acts as jeopardised the security of the State or endangered public order.

The utterances which resulted in Nambodiripad's conviction, were: "Marx and Engels considered the judiciary as an instrument of oppression. . . . Judges are guided and dominated by class hatred, class interests and class prejudices and where the evidence is balanced between a well-dressed, pot-bellied rich man and a poor, ill-dressed

and illiterate person the judge instinctively favours the former. . . . Judiciary is part of the class rule of the ruling class. And there are limits to the sanctity of the judiciary. The judiciary is weighed against workers, peasants and other sections of the working classes and the law and the system of judiciary essentially serve the exploiting classes". Nambodiripad made it clear that he was in no way questioning the integrity of an individual judge or casting reflections on any judgment. He further added that it was not an aspersion on the integrity of the judges when he said that they were dominated by class hatred.

Krishna Menon's argument in defence of Nambodiripad was that the observations about the judiciary were based on the teachings of Marx, Engels and other philosophers. Such thoughts also formed part of the Communist (Marxist) party's programme which was approved in 1964. As such what Nambodiripad did at the Press conference was merely to expound those teachings.

The Court made an elaborate survey of the writings of men like Marx, Engels and Lenin. The Chief Justice conceded that they (i.e., judges) did view the State "as an instrument for the exploitation of the oppressed classes". They thought in terms of the ultimate withering away of the State. It was the dictatorship of the proletariat established by the communists which misunderstood Marx and thought that the proletariat needed the State. According to the Chief Justice "in all the writings there is no direct attack on the judiciary". In fact "Engels regarded the court as one of the means adopted by the law for effectuating itself". He, however, accepted that Engels considered the courts "as an evil adjunct of the administration of class legislation". After a very painstaking survey of all such literature the Chief Justice observed: "We have summarized into a very small compass, many thousands of words in which these doctrines have been debated from Plekhanov to Lenin through the thoughts of Kautsky, Kersensky, Lesalle, Belinsky and others. . . . We have done so because Mr V K Krishna Menon feared that many people learn about communism through Middleton Murray".

The Court, therefore, arrived at the conclusion that "in all these writings there is not that mention of judges, which the appellant [Nambodiripad] has made". From this the Court ob-

served that "either he [Nambodiripad] does not know or has deliberately distorted the writings of Marx, Engels and Lenin for his own purposes".

It is not clear, however, that there was any need to undertake an examination of these writings. The Court could have told Krishna Menon that they were interpreting the Indian Constitution and not Marx, Engels or Lenin. Whether they had learnt about communism only by reading Middleton Murray was irrelevant because they were not supposed to be experts on Marxism-Leninism, etc. If Nambodiripad had said amounted to contempt of court, he had to be punished, no matter whose views he was voicing. However, the Court seems to have spent a good deal of time on understanding Marx and then proving that Nambodiripad had either not understood Marx, or that he had intentionally distorted Marxist writings. The Court need not have undertaken such an inquiry. An interpretation of Marx or Engels' work may form a good subject for a doctoral dissertation in politics or philosophy but is not appropriate in a Supreme Court judgment. Apart from the fact that it sidetracks the main legal issues it unnecessarily involves the Court in a political controversy.

Nambodiripad's observations have to be seen in the context of the circumstances they were made in. They were general in nature. They pertained neither to a pending case nor were they in disobedience of a court order. They contained a criticism of the judicial system in general, and were expressed at a Press conference before Press correspondents so that they were not likely to cause, even distantly, any interference with the administration of justice. They were purely of an academic nature so far as their effect on the listeners was concerned. The gravity of his speech was not such as to justify his conviction. The question here is not whether what Nambodiripad said was desirable or not. The question for the Court's determination should be whether, in the circumstances, freedom of speech needed to be restricted or not. What distinguishes a free society from a totalitarian one is that there is freedom of speech in the former. This liberty is available not only for the propagation of the common view but necessarily also for views which might be disapproved of.

Tax Exemption on Personal Savings

N J Jhaveri

Income-tax and wealth-tax exemption on personal savings falling in certain specified categories is often given to provide relief to a tax-payer, in the hope that, he might thus save a part of his income in the tax-exempt forms of savings. For, while the disposable income after tax of a taxpayer increases with the exemption and the effective rate of tax on his income gets reduced, the expectation is that the relief will induce the tax-payer to increase savings in the specified forms and will thereby increase the level and flow of personal savings in the economy.

This article aims to examine the evolution of legislative provisions pertaining to tax rebate in India, to analyse data available in this regard, and then to evaluate the success of the present policy of tax rebate.

PARTIAL exemption from the income-tax of personal savings falling in certain specified categories is a feature of the tax systems of a number of countries. Such exemption provides relief to a taxpayer who thus saves a portion of his income in tax exempt forms of savings. The disposable income (that is, income after tax) of such a taxpayer increases (as compared to a situation without tax rebate), and the effective rate of tax on his income thus gets reduced. But the purpose of granting such relief is to induce the taxpayers to increase their savings in specified forms and thereby to raise the flow and level of personal savings in the economy. In India, tax relief from income tax and wealth tax is given to certain specified categories of savings. The object of this paper is to examine the evolution of legislative provisions pertaining to tax rebate, to analyse data available in this regard, and to evaluate the policy of tax rebate.

Part I of the paper briefly discusses the implicit assumptions and the effectiveness of tax rebate as an instrument of promoting personal savings. Part II enumerates the existing legislative provisions pertaining to tax rebate in India along with important changes made therein over the years. Part III analyses data available in this regard in the All-India Income Tax Revenue Statistics published annually by Government of India. The analysis is confined to 1951-52 to 1964-65. In Part IV an attempt is made to evaluate the policy of tax rebate in regard to personal savings.

I Assumptions and Limitations of Tax Rebate

One of the important objectives of Government policy is to raise the average and marginal saving-income ratios. The policy of tax rebate has to be viewed as one of the fiscal instruments used to attain this objective.

The grant of tax rebate raises post-

tax disposable income and may raise savings thereby (income effect). Besides, a rise in post-tax rate of return influences personal savings by affecting two choices: first, between work (resulting in earning of taxable income) and leisure, and secondly, between consumption and saving. The selective grant of tax rebate may also alter the composition of savings.

An assumption underlying the use of tax rebate for encouraging personal savings is that such savings are an increasing function of the rate of return. However, even accepting such a relationship, there are likely to be differences in the degree of return-elasticity of personal savings among different taxpayers. It becomes necessary, therefore, to assume that the relationship between rate of return and personal savings is uniform for all taxpayers.

Thus, to the extent the assumption of personal savings being an increasing function of the rate of return is invalid, the policy of tax rebate will fail to attain the objective of raising the flow of personal savings. Moreover, in addition to the rate of return, there are several other considerations — such as other benefits (for instance, employer's contribution in the case of provident fund), coverage of other risks (for instance, premature death in the case of life insurance policy), pledgeability and marketability of financial asset, etc — which might significantly determine the form and flow of personal savings. The influence of tax rebate policy will depend, therefore, on the relative importance of the rate of return among the multiplicity of variables which determine the form and volume of personal savings. Finally, the grant of tax rebate is of relevance only for taxpayers. Where a large number of income earners do not have taxable income, or where there is evasion of tax payments, tax rebate is not at all a factor influencing personal savings of such income earners.

II Tax Rebate Provisions

In India tax relief is given to personal savings of individual and Hindu Undivided Family (HUF) assessee, to encourage investment in various financial assets. The rebate is given both in respect of wealth tax and income tax.

Tax Rebate from Wealth Tax: — Up to the fiscal year 1969-70, under the Wealth Tax Act, investments in specified small savings certificates (e.g., 12-year National Defence Certificates, 10-year Defence Deposit Certificates, National Plan Savings Certificates etc), Post Office Savings Accounts, and five-year fixed deposit accounts, were exempt from wealth tax to the extent that amounts invested/deposited did not exceed in each case the maximum amount permitted under the terms of issue of Certificates/Accounts. Eligibility for exemption was conditional upon the investments/deposits (except fixed deposits) being held for a minimum period of six months ending with the relevant valuation date. The maximum amount of eligible savings amounted to Rs 1.2 lakhs by the provisions existing as on March 1970. In addition, balances in provident funds (including public provident fund) and cumulative time deposits were exempt from wealth tax.

The 1970-71 budget of the Central Government, while maintaining the existing provisions in respect of balances in provident funds and Cumulative Time Deposits, has considerably widened the scope of assets eligible for tax rebate by including investment in shares of Indian companies, units of the Unit Trust of India, approved debentures, bank deposits etc in the category of eligible assets. The overall limit for such assets is fixed at Rs 1.5 lakhs.

Table 1 illustrates relief in tax liability for some hypothetical levels of wealth, at the rates of wealth tax as enhanced by 1970-71 budget.

Rebate from Income-Tax:—(A) Classification of Qualifying Assets: In regard to income tax, the financial assets qualifying for tax rebate may be divided into two categories.¹ The first category comprises financial assets like life insurance policies, life annuities, provident and superannuation funds, and cumulative time deposit accounts with the Post Office Savings Banks. In the case of these assets, not only are payments made out of taxable income during an assessment year for acquiring them exempted from tax (within a specified ceiling), but income accrued in the form of interest or bonus is also exempted from tax. Moreover, when the accumulated balances become payable to an assessee (i.e., when income is realised) these do not form part of the taxable income (subject to certain conditions) and are thus exempted from the payment of income tax. It may be noted that the grant of tax rebate on payment made for acquiring financial assets is non-recurring and hence does not require a taxpayer to remain in saved-in position. The second category consists of financial assets like the units of the Unit Trust of India, shares of Indian companies, specified Government securities, approved debentures, deposits with banking companies, co-operative banks and land mortgage banks etc., in the case of which income in the form of interest or dividend (up to a certain limit) is also exempted from payment of tax. Financial assets

TABLE 1: WEALTH TAX REBATE

Assessable Wealth (Rs)	Marginal Rate of Wealth Tax Per Cent	Tax Liability		Average Rate of Tax	
		Without Exemption	With Exemption	Without Exemption	With Exemption
4,00,000	1	3000	1500	0.75	0.38
10,00,000	2	14000	11000	1.40	1.10
15,00,000	3	29000	24500	1.93	1.63
20,00,000	4	49000	43000	2.45	2.15
30,00,000	5	99000	91500	3.30	3.05
50,00,000	5	199000	191500	3.98	3.83

in the second category differ from those in the first category in two ways: (a) payments made from income to acquire the assets do not qualify for tax relief and (b) in order to qualify for tax rebate the taxpayer has to remain in 'saved-in' position.

(B) Evolution: The partial exemption of personal savings in the form of life insurance premia has a long history; exemption to savings in this form was granted in India in 1886. Similar exemption to savings in the form of PF contributions has existed since 1918. Under Section 15 of the Indian Income-tax Act, 1922, exemption was granted to the life insurance premia paid by an individual assessee on his/her own life and that of his/her spouse, and the HUF assessee was exempted for the premia paid by him on the life of any male member of the family and on that

of his wife; exemption was also granted to contributions made by an assessee (individual or HUF) to recognised provident funds. The total amount qualifying for rebate was subject to a ceiling of one-sixth of total income; a monetary ceiling of Rs 6,000 for an individual and Rs 12,000 for HUF was also prescribed for the first time in 1939. In subsequent years the legislative provisions pertaining to exemption of personal savings were liberalised in the following three ways — thus providing further incentives to assessee, including self-employed persons or non-salaried classes, to increase their savings.

(C) Liberalisation: (1) Increase in Ceiling: (a) The maximum proportion of total income saved in specified forms that may qualify for exemption was gradually raised from one-sixth of total

TABLE 2: TAX-EXEMPT PERSONAL SAVINGS IN RELATION TO ASSESSMENT OF INDIVIDUAL AND HUF ASSESSEES

Year	Number of Assessee's Getting Tax Rebate as Percentage of Total Assessee's	Tax-Exempt Personal Savings as Percentage of Total Income Assessed	Tax Saving as Percentage of		Average Rate of Tax	Average Rate of Income Tax	8 (6-7)
			Total Tax Assessed	Income Tax Assessed			
1	2	3	4	5	6	7	
1951-52	28.9	4.1	2.4	3.6	10.0	11.4	-1.4
1952-53	30.4	4.7	2.5	3.8	9.8	12.1	-2.3
1953-54	53.0	4.5	2.9	4.8	10.5	9.9	+0.6
1954-55	33.7	4.6	3.0	5.0	10.3	9.5	+0.8
1955-56	35.8	5.0	3.0	5.0	9.4	9.5	-0.1
1956-57	NA	5.3	3.3	2.7	9.9	9.5	+0.4
1957-58	NA	4.8	3.4	5.6	10.4	9.0	+1.4
1958-59	63.8	4.6	3.1	5.2	9.3	8.2	+1.1
1959-60	64.4	4.7	3.1	5.8	8.7	8.0	+0.7
1960-61	65.8	4.9	3.2	5.3	8.3	7.7	+0.6
1961-62	70.1	4.9	3.3	5.4	8.6	7.9	+0.7
1962-63	74.4	4.9	3.3	5.5	8.8	7.9	+0.9
1963-64	76.9	5.6	3.9	6.4	8.6	7.5	+1.1
1964-65	80.5	5.5	4.1	6.6	9.0	7.6	+1.4

TABLE 3: TAX EXEMPTION IN RESPECT OF PROVIDENT FUND CONTRIBUTION

Year	Number of Assessee's (Figures in Thousands)	Amount Exempted from Tax (in Rs Crores)	Percentage Increase or Decrease (—)	Amount of Tax Rebate (in Rs Crores)	Column (1) as Percentage of Assessee's with Salary Income	Column (2) as Percentage of Salary Income Assessed	Column (3) as Percentage of Total Tax on Salary Income	Average Rate of Tax Rebate.
(1)	(2)	(3)	(3a)	(4)	(5)	(6)	(7)	(8)
1951-52	46	6.93		0.63	16.4	3.9	4.1	8.9
1952-53	43	7.20	3.9	0.59	17.7	4.3	3.3	8.2
1953-54	40	7.17	(—) 0.4	0.61	16.7	3.9	2.5	8.5
1954-55	41	7.19	0.3	0.63	18.2	3.8	3.2	8.8
1955-56	49	8.88	23.5	0.82	20.8	4.3	3.7	9.2
1956-57	NA	9.82	10.6	0.86	NA	4.7	3.8	8.8
1957-58	NA	10.34	15.9	1.02	NA	4.6	3.9	9.9
1958-59	212	13.65	32.0	1.39	63.8	5.4	5.6	10.2
1959-60	225	14.10	3.3	0.98	63.2	5.2	3.6	7.0
1960-61	245	15.44	9.5	1.00	62.3	5.3	3.4	6.5
1961-62	277	16.36	6.0	1.13	59.1	4.6	3.4	6.9
1962-63	335	17.47	6.8	1.16	70.8	5.0	3.4	6.6
1963-64	352	23.78	36.1	1.68	67.7	6.3	5.2	7.1
1964-65	459	25.61	7.7	1.88	71.9	5.6	4.7	7.3

Note: Compiled from All-India Income Tax Revenue Statistics, 1951-52 to 1964-65.

TABLE 4: STATE-WISE RATES OF TAX REBATE ON PERSONAL SAVINGS

	Rate of Tax Rebate on Account of Contributions to Provident and Superannuation Funds		Rate of Tax Rebate on Account of Payments of Life Insurance Premia	
	1961-62	1962-63	1961-62	1962-63
Andhra Pradesh	4.5	4.3	6.9	8.5
Assam	8.0	7.1	11.6	10.6
Bihar	5.9	5.5	7.2	8.3
Delhi	7.9	7.8	9.3	9.5
Gujarat	5.1	5.3	9.1	9.7
Jammu and Kashmir	5.1	4.1	7.7	7.3
Kerala	8.6	6.2	10.0	9.3
Madhya Pradesh	5.4	4.7	8.8	9.2
Madras	6.2	5.0	10.7	11.3
Maharashtra	6.4	6.4	10.5	10.6
Mysore	4.7	5.5	8.1	9.2
Nagaland				
Orissa	5.8	7.4	9.5	9.2
Punjab	5.6	5.6	8.5	9.2
Rajasthan	5.3	4.9	6.5	7.5
Uttar Pradesh	4.4	4.6	7.1	8.1
West Bengal	9.5	8.1	10.2	10.7
Other Union Territories	3.6	4.1	5.1	8.3
All-India	6.9	6.6	9.5	9.9

Note: Compiled from State-wise Income Tax Revenue Statistics.

income in 1922 to its present level of 30 per cent in 1967. (b) The monetary ceiling on qualifying amount was raised in different stages from Rs 6,000 for individual (Rs 12,000 for HUF) assessee in 1939 to its present level of Rs 15,000 for individual (Rs 30,000 for HUF) assessee in 1967. (c) The exemption in regard to dividend income from shares of Indian companies, which was introduced in 1967-68 for assessee with the maximum dividend income of Rs 500, was generalised in 1968-69 by exempting the first Rs 500 of dividend income irrespective of the total income from this source. In 1969-70 the exempt amount of dividend income was further raised to Rs 1,000. Together with the exemption of income upto Rs 1,000 from units of the Unit Trust of India the total dividend income exempted

from tax thus amounted to Rs 2,000. The Central budget for 1970-71 has further raised the amount of income exempted from tax to Rs 3,000. Besides dividends, incomes derived from a number of other assets such as Government securities, deposits in banking companies and State Financial Corporations, co-operative banks, approved rural debentures etc., are also exempt. The ceiling would be an overall one; an assessee deriving his income from any one or more of these assets would be eligible to claim exemption (subject to the overall ceiling of Rs 3,000).

(2) Extension of Benefit to Various Types of Financial Assets: In 1962, deposits in 10-year and 15-year Accounts (Cumulative Deposit Accounts) with Post Office Savings Banks were made eligible for tax rebate. A scheme of

Public Provident Fund was introduced in 1968 and contributions made by individual and HUF assessee to the Public Provident Fund were granted the same exemptions as given to other provident funds. Beginning with the assessment year 1969-70 life insurance premia paid on life policies of children in the case of individual (any female member in the case of HUF) assessee are also given tax rebate. The budget proposals for 1970-71 extend the benefit of tax rebate to a wide variety of financial assets (See 1 (c) above).

(3) Relief from Super-tax and Surcharge: Up to the assessment year 1963-64, tax relief was granted at the average rate of income tax only; commencing from 1964-65, however, the qualifying amount was granted relief from super-tax (at the average rate of super-tax on total income before deduction of exempted income) also subject to the condition that total amount of tax relief may not exceed 50 per cent of the sum qualifying for rebate.² From 1965-66, there was a radical change in the method of allowing tax relief. The method of computing tax relief at the average rate of income tax and super-tax on total income was replaced by straight deduction from taxable income of an amount equal to 60 per cent of the first Rs 5,000 and 50 per cent of the balance of the qualifying amount. Thus the tax rebate is obtained by an assessee at the highest marginal rate of tax applicable to his income.

III

Income Tax Statistics

(i) Total Personal Savings Exempted from Income-tax:—The amount of tax

TABLE 5: TAX EXEMPTION IN RESPECT OF LIFE INSURANCE PREMIA

Year	Number of Assesseees (Figures in Thousands)	Amount Exempted (Rs Crores)	Amount of Tax Saved (Rs Crores)	Column 2 as Percentage of Total Number of Individual and HUF Assesseees	Column 3 as Percentage of Assessed Income of Individual and HUF Assesseees	Column 4 as Percentage of Tax Assessed	Column 4 as Percentage of Income Tax Assessed	Average Rate of Tax Rebate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52	1.31	15.85	1.65	21.2	2.9	1.7	2.6	10.4
1952-53	1.19	15.68	1.65	23.6	3.2	1.8	2.8	10.5
1953-54	1.14	16.99	1.84	23.8	3.2	3.5	3.5	10.8
1954-55	1.16	17.27	1.88	24.9	3.2	3.7	3.7	10.9
1955-56	1.28	19.48	1.86	25.8	3.5	3.5	3.5	9.6
1956-57	N.A.	22.71	2.37	N.A.	3.7	2.0	2.0	10.4
1957-58	N.A.	22.74	2.43	N.A.	3.3	4.0	4.0	10.7
1958-59	2.88	21.97	1.94	36.7	2.8	3.0	3.0	8.8
1959-60	3.14	24.88	2.40	37.5	3.0	3.8	3.8	9.6
1960-61	3.46	27.21	2.52	38.5	3.1	3.8	3.8	9.3
1961-62	4.33	31.86	3.04	42.7	3.2	3.9	3.9	9.5
1962-63	4.34	32.43	3.24	42.0	3.2	4.0	4.0	10.0
1963-64	5.00	34.54	3.33	45.1	3.3	4.0	4.0	9.6
1964-65	5.84	39.71	4.02	45.1	3.4	4.5	4.5	10.1

Note: Compiled from All-India Income Tax Revenue Statistics, 1951-52 to 1964-65.

exempt personal savings rose from Rs 22.73 crores in 1951-52 to Rs 65.32 crores in 1964-65, resulting in tax saving of Rs 2.28 crores and Rs 5.90 crores, respectively. Data regarding total personal savings exempted from income tax and tax saving thereon, in relation to the assessment of incomes of individual and HUF assesseees, are shown in Table 2.

The number of assesseees obtaining exemption as a proportion of the total number of individuals and HUF assesseees was 28.9 per cent in 1951-52 and 53.0 per cent in 1953-54; the proportion declined to 35.8 per cent in 1955-56 and then steadily rose to 80.5 per cent in 1964-65. However, the proportion of income exempted from tax to the total income moved in the very narrow range of around 5 per cent. Tax saving, as percentage of total tax (income tax plus super-tax plus surcharge), was almost stagnant around 3 per cent for most of the years up to 1962-63; in the last two years, however, this percentage rose to 4 per cent. As a percentage of income tax, tax saving fluctuated in a slightly wider range — from 2.7 per cent to 6.6 per cent. In the last two years such percentage rose to 6.4 and 6.6 respectively.³ The average rate of tax rebate fluctuated from year to year without showing any consistent trend, but for most years it was about 9 per cent or more. It is interesting that, for most years, average rate of tax rebate was higher — though not by the same percentage points — than the average rate of income tax (i.e., tax assessed as percentage of income assessed). This would suggest that the distribution of qualifying savings

TABLE 6: ENHANCEMENT IN MONETARY CEILING AND TAX REBATE			
Rate of Tax (Per Cent)	Amount of Tax Rebate with Ceiling on Exemption of		
	(Rupees 6,000)	(Rupees 8,000)	(Rupees 10,000)
20	1,200	1,600	2,000
30	1,800	2,400	3,000
40	2,400	3,200	4,000
50	3,000	4,000	5,000

by income-size was such that the share of some of the high-income groups was slightly higher than their share in the assessed income.

(ii) *Tax Rebate on PF Contributions:* There were 48,000 assesseees who got rebate on their PF contributions in 1951-52; the number rose to 4,59,000 in 1964-65, showing nearly ninefold rise over 1951-52 (See Table 3). The amount of income exempted from tax rose from Rs 6.93 crores in 1951-52 to Rs 25.61 crores in 1964-65, showing less than threefold increase; whereas the amount of tax rebate rose from Rs 63 lakhs in 1951-52 to Rs 188 lakhs in 1964-65, showing a little less than twofold increase during the same period.

An increase in the number of assesseees and the amount of their PF contributions exempted from tax may be attributable to the following reasons. First, with a steady rise in the number of establishments covered under the Employees' Provident Fund Scheme (introduced in 1952) the number of subscribers rose from 12 lakhs as on March 31, 1953, to 45 lakhs by March 1965. Secondly, during 1962-63, the statutory rate of contribution was enhanced from 6.25 per cent to 8 per

cent in certain industries (the number of subscribers contributing at the enhanced rates was 23 lakhs in 1965-66). Finally, a part of the increase may be attributed to the rise in the ceiling of savings exempted from tax. Between 1951-52 and 1964-65, the ceiling was revised upwards three times, viz., in 1955-56, 1957-58 and 1962-63. In 1962-63, the revision was in the financial ceiling. It will be seen from Table 3 that the incremental amounts of PF Contributions exempted from tax, as a percentage increase, were highest in 1963-64 (36.1 per cent) and 1958-59 (32.0 per cent).

The number of assesseees who obtained tax rebate on their PF contributions constituted 16.4 per cent of assesseees with salary income in 1951-52; in 1964-65 the comparable proportion was considerably high at 71.9 per cent. The amount of PF contributions qualifying for tax rebate as a proportion of salary income assessed for tax was 9.9 per cent in 1951-52; at 6.3 per cent in 1963-64, such proportion was highest during the period 1951-52 to 1964-65.⁴ Though there is no consistent trend in this proportion, between 1958-59 and 1964-65, it remained at over 5 per cent

TABLE 7: DIFFERENTIAL INCREASE IN TAX REBATE

Level of Income	Income Tax		Income Tax plus Super-Tax	
	Amount	Average Rate of Tax (Per Cent)	Amount	Average Rate of Tax (Per Cent)
40,000	7560	18.9	11810	29.5
70,000	15060	21.5	31310	44.7
100,000	22560	22.6	53810	53.8*
200,000	47560	23.8	138810	60.9*

* In these two cases rebate will be available only at the rate of 50 per cent.

TABLE 8: REQUIRED VALUE OF *ty*, TO MAINTAIN TAX REBATE GIVEN *tyo* AND AMOUNT OF SAVINGS

<i>tyo</i> (Per Cent)	Amount of Savings (Rupees)					
	2000	5000	8000	10000	12500	15000
10	16.66	16.66	17.77	18.18	15.00	12.50
					(18.51)	(18.75)
15	25.00	25.00	26.26	27.27	22.22	18.75
					(27.77)	(28.12)
20	33.33	33.33	35.56	36.36	29.63	25.00
					(37.03)	(37.50)
25	41.66	41.66	44.44	45.45	37.03	31.25
					(46.29)	(47.12)
30	50.00	50.00	53.33	54.55	44.44	37.50
					(55.55)	(56.25)
40	66.66	66.66	71.11	72.73	59.25	50.00
					(74.07)	(75.00)
50	83.33	83.33	88.89	90.91	74.07	62.50
					(92.59)	(93.75)

Note: Figures in brackets indicate required values of *ty* with ceiling of exempted income being Rs 12,500 and Rs 15,000.

in five out of the seven years; whereas it was well below 5 per cent during most of the years between 1951-52 and 1958-59.

It may be mentioned that the average rate of tax rebate in the case of PF contributions was lower than the average rate of (a) tax rebate on total personal savings, (b) tax on salary income and (c) tax on total income of individual and HUF assesseees for most years. This suggests that the distribution of savings in PF was such that the share of low-income assesseees in tax-exempt PF was higher than their share (i) in salary income (ii) in total income of individuals and HUF assesseees and (iii) in total personal savings (inclusive of savings in life insurance premia).

There are significant inter-State differences in the rates of rebate on savings in PF contributions. This will be clearly seen from Table 4 which shows the State-wise rates of tax rebate for 1961-62 and 1962-63. In 1961-62, while the all-India rate of tax rebate on PF contributions was 6.9 per cent, it

was considerably lower in the case of a number of States. The rate of tax rebate on PF was below 5 per cent in Uttar Pradesh, Andhra Pradesh and Mysore, whereas it was a little above 5 per cent in Gujarat, Rajasthan, and Jammu and Kashmir. On the other hand, the rate of tax rebate on PF was well above the average in Delhi, Assam, Kerala and West Bengal. In 1962-63 too, there was wide variation in the rates of tax rebate on PF, varying from 4.1 per cent in Jammu and Kashmir to 8.1 per cent in West Bengal. The all-India rate of tax rebate was 6.6 per cent.

Inter-State differences in the rates of tax rebate may be due to factors such as inter-State differences in (i) pattern of distribution of assessed income (ii) proportion of assesseees obtaining rebate on their PF contributions to the total number of assesseees having salary income, (iii) proportion of savings in the form of PF contributions to total assessable income, etc.

(iii) *Rebate on Insurance Premia:* The number of assesseees getting rebate on

insurance premia rose from 1,31,000 in 1951-52 to 4,84,000 in 1964-65 — thus showing a little more than threefold rise over 1951-52. The amount of income exempted from tax on account of insurance premia rose from Rs 15.85 crores in 1951-52 to Rs 39.71 crores in 1964-65 — thus showing a rise of about 140 per cent over 1951-52. The amount of tax rebate rose from Rs 1.65 crores in 1951-52 to Rs 4.02 crores in 1964-65 (Table 5).

The proportion of assesseees who obtained rebate on their insurance premia to the total number of individual and HUF assesseees has shown a rising trend; such proportion rose from 21.2 per cent in 1951-52 to 45.1 per cent in 1964-65. However, when the percentage of savings in life insurance premia exempted from tax to the total assessed income of individuals and HUF assesseees is observed, it is seen that there was no perceptible change in the percentage between 1951-52 and 1964-65. It remained almost stagnant around 3.0 per cent.

The rate of tax rebate in respect of life insurance premia was 9.5 per cent or more for 12 out of the 14 years and was above 10.0 per cent for 7 years. It exceeded the average rate of income tax on assessed income of individual and HUF assesseees by 1.6 percentage points during 1959-60 to 1961-62 and by more than 2.0 percentage points during 1962-63 to 1964-65 as compared to less than one percentage point in most of the preceding years (see Table 5). The excess (in terms of percentage points) of the rate of tax rebate in regard to life insurance premia over the average rate of income tax was considerably higher than the corresponding excess in respect of average rate of tax rebate over average rate of income tax (vide Table 2). This would suggest that, the proportionate share of high-income-bracket assesseees in life insurance premia savings was higher than their share in total assessed income and in savings in the form of PF contributions — particularly during 1962-63 to 1964-65.

As in the case of PF savings, there were inter-State differences in the rates of tax rebate (Table 4). For 1961-62 and 1962-63, the rate of tax rebate was considerably below average in Jammu and Kashmir, Rajasthan, Bihar, Uttar Pradesh and Andhra Pradesh, whereas it was above average in Madras, Maharashtra and West Bengal. The factors which were considered to explain inter-State differences in rate of tax rebate on PF contributions are likely true for this also.

TABLE 9 : PERMISSIBLE AMOUNT OF TAX-EXEMPTION AND TAX SAVINGS (ESTIMATED)

Income-size Classes (Rs)	1963-64				1964-65			
	Total Assessed Income	Income Tax Assessed	Estimated Amount of Savings Qualifying for Rebate	Estimated Tax Saving	Total Assessed Income	Income Tax Assessed	Estimated Amount of Savings Qualifying for Rebate	Estimated Tax Saving
Upto 10,000	471.98	9.66	117.99	2.41	556.45	13.17	149.11	3.53
10,001 to 40,000	426.28	39.77	106.56	9.90	471.98	46.03	117.98	12.62
40,000 to 1,00,001	101.10	18.45	19.46	3.25	101.35	18.20	19.71	3.50
1,00,001 to 4,00,000	37.60	8.16	2.54	0.53	38.28	8.05	2.59	0.78
4,00,000 and above	11.79	2.75	0.24	0.05	17.71	4.29	0.23	0.07
Total	1048.75	78.79	246.79	16.14	1185.77	89.74	289.62	20.48

Note : Compiled from All India Income Tax Revenue Statistics 1963-64 and 1964-65.

IV

Evaluation of Tax Rebate Policy

A proper evaluation of an instrument of government policy can be made in terms of (a) its effectiveness in attaining the desired objective(s) of policy and (b) its cost to the exchequer. In the case of tax rebate however, an evaluation on these lines is not feasible. Presuming that the objective of policy is to raise average and marginal saving-income ratios in regard to individual and HUF assesseees, it is not possible to attribute an increase in such ratios to the grant of tax rebate with any precision because there are a number of other factors too that determine such ratios (see Section I).

As regards cost of tax rebate, quantification is somewhat difficult. Within the ceiling of qualifying savings prescribed by legislation, the loss in tax revenue is not under Government control. It is determined by the volume of qualifying personal savings and rate of tax applicable to the income (or wealth) of the saver. It would be useful, therefore, to evaluate tax rebate policy by critically analysing the effects of liberalisation in the policy. Given the assumption that *ceteris paribus*, personal savings will tend to rise with an increase in the rate of return, liberalisation in tax provisions, resulting in a rise in rate of return, may have a favourable effect on the level of personal savings.

LIBERALISATION OF POLICY

The details of liberalisation in tax provisions were given in Section II. It will be recalled that, up to AY 1963-64, liberalisation in tax rebate was only through upward revision in the ceiling — both as proportion of income and in absolute monetary terms. With successive revisions in monetary ceiling, from Rs 6,000 to Rs 10,000, tax savings have increased correspondingly as illustrated in Table 6.

It will be seen that, given the tax rate, the amount of tax rebate has increased in the same ratio as that of enhanced ceiling to the initial ceiling of Rs 6,000 (8:6 and 10:6). Up to 1963-64, as was mentioned earlier, tax rebate was granted at the average rate of income tax (the highest marginal rate of which was 25 per cent); for 1964-65, tax rebate was given at the average rate of super-tax also. An idea of differential increase in tax rebate can be thus had from Table 7, for certain selected levels of income, at 1964-65 rates of income tax and super-tax.

CHANGE IN METHOD OF COMPUTATION

The change in the method of computation viz, straight deduction of 60 per cent of the first Rs 5,000 and 50 per cent of the balance, together with an increase in the monetary ceiling to Rs 12,500 (subsequently raised to Rs 15,000), is likely to result in a rise in the amount of savings exempted from tax. Since the amount of income exempted from tax will be deducted before arriving at the taxable income, the tax rebate will be available at the highest marginal rate of tax applicable to an assessee's income as against the average rate of income tax (before 1964-65) and super-tax (for 1964-65). The difference in tax rebate under the two different methods of computation will depend upon the (i) average rate of income tax (before 1964-65) (ii) average rate of income tax and super tax (for 1964-65) applicable to the income of an assessee, (iii) marginal rate of tax (inclusive of surcharges since 1965-66) and (iv) amount of income saved in the exempt category.

In general terms, if the amount of tax rebate, obtained before straight deduction, is to be maintained the rate of tax at which rebate should be given (which will be the marginal rate) can be derived from the following formulae:

a) If amount exempted is less than Rs 5,000

$$tyn = \frac{Ty o}{6}$$

b) If amount exempted exceeds Rs 5,000

$$tyn = \frac{tyo \times E}{3000 + 0.5 (E - 5000)}$$

Where E = total amount of savings exempted from tax

tyn = rate of rebate under new method

tyo = average rate of tax under old method. (Which is the same as the rate of tax rebate).

In the case (a), *tyn* solely depends upon the value of *tyo* and varies directly with it; i.e., the higher the value of average rate of tax (*tyo*) before 1965-66, the higher the required value of *tyn* and vice versa. In the case of (b), however, *tyn* depends upon the value of *tyo* as well as *E* and varies directly with both. For different values of *tyo*, required values of *tyn* are shown in Table 8.

It will be seen that for a given *E*, *tyn* rises with an increase in the value of *tyo*. If *tyo* remains constant and *E*, exceeding Rs 5,000, is allowed to vary, then too a higher value of *tyn* becomes necessary with every increase in the value of *E* up to the ceiling of Rs 10,000.

Once the relationship is formulated thus, it will be easily appreciated that for all those assesseees in whose case the marginal rate is higher than the required value of *tyn*, the amount of tax rebate under the new method of computation will exceed that under the old method. Thus, as compared to the position prevailing before 1964-65, when tax rebate was available at the average rate of income tax (the highest marginal rate of tax being 25 per cent), all the assesseees who attract marginal rate of tax higher than 41.86 per cent (value

of *tyn* equivalent to 25 per cent *tyo*) would benefit from this change. (At the 1970-71 rates of income tax, income above Rs 25,000 attracts marginal rate of 44 per cent.) As compared to 1964-65, when rebate was available at the average rate of income tax and super-tax, the required value of *tyn* will be higher than that required before 1964-65 (because the value of *tyo* is high). However, if it is recalled that, in 1964-65, the maximum tax rebate was limited to 50 per cent of the maximum amount of specified savings exempt from tax (i.e., Rs 10,000), in absolute terms the amount of tax rebate cannot be higher than Rs 5,000. With an increase in monetary ceiling in subsequent years to Rs 12,500 and Rs 15,000, the required value of *tyn* to maintain the maximum amount of tax rebate, before the change in computation, gets substantially reduced for those whose personal savings exceed Rs 10,000 (Table 4). For instance, with an average rate (*tyo*) of 40 per cent, the required value of *tyn* is 59.25 per cent and 50.00 per cent if the amount of tax exempt personal savings is Rs 12,500 and Rs 15,000, respectively — as against 71.11 per cent and 72.73 per cent in regard to ceiling of Rs 8,000 and Rs 10,000, respectively.

An idea of the increase in tax savings can be had also in terms of its maximum absolute amount which depends upon the (a) ceiling on tax-exempt amount and (b) rate of tax at which tax rebate is computed. It was Rs 5,000 (50 per cent of Rs 10,000) in 1964-65. With the present ceiling of Rs 15,000 (for an individual assessee), the maximum amount on which tax benefit is available would be Rs 8,000 (60 per cent of Rs 15,000) and the maximum amount of tax benefit would be Rs 7,480, which is 93.5 per cent — the highest marginal rate including surcharge of Rs 8,000. Add to this, tax relief on account of exemption of dividend and interest income from certain specified assets up to a limit of Rs 3,000, and the total maximum tax benefit would amount to Rs 10,285 (93.5 per cent of Rs 11,000).

Thus successive measures of liberalisation have increased the rate of return on personal savings. However, the analysis in Section III showed that there was no consistent trend in the proportion of total tax-exempt personal savings to total income of individuals and HUF assesseees assessed for tax. The proportion of savings to assessed income declined during the middle of the period 1956-57 to 1958-59, in the case of total personal savings as well as sav-

ings in the form of life insurance premia. In subsequent years, such proportions showed a rising trend, though at a modest rate. There was a sharp rise in 1963-64 in total savings ad more so in PF contributions. The proportion of life insurance premia to the total has, on the other hand, registered a very sluggish increase since 1958-59.

A question that is likely to arise in this context is whether the existing incentives are adequate. In the absence of detailed knowledge of the relative importance of different variables determining personal savings, a categorical answer is not possible. An alternative approach to the problem is to examine whether taxpayers save the maximum permissible amounts in specified categories of financial assets. If the taxpayers obtain the maximum benefit from the tax rebate provisions, then only does the question of adequacy or otherwise of the existing incentives become relevant.

Since income-range-wise data on tax exempt income are not available, the following procedure is adopted in order to estimate (a) the maximum amount of tax exempt income permissible under the provisions and (b) the tax savings thereon. Estimates are made for 1963-64 and 1964-65.

In respect of income assessed in size-classes of up to Rs 10,000, and between Rs 10,000 and Rs 40,000, 25 per cent of the assessed income was considered to be the maximum permissible savings in view of the ceiling (upto 1964-65) of one-fourth of income or Rs 10,000 (whichever is less) on the maximum amount of tax savings qualifying for the tax rebate. As regards income assessed in size classes above Rs 40,000 the number of assesseees in each size-class was multiplied by Rs 10,000 in the case of individuals and by Rs 20,000 in the case of HUFs. The amounts so arrived at would indicate the maximum amount of tax exempt personal savings permissible under the tax provisions.

For each income size-class, the average rate of income tax (i.e., the percentage of income tax to income assessed) was computed to derive the rate at which tax rebate would be available. These rates were applied to the maximum amount of tax-exempt personal savings, computed in the above stated manner, for each size-class in order to estimate the total amount of tax savings.

Table 9 shows the estimates of the maximum amount of tax exempt savings and reduction in tax liability thereon for individual and HUF assesseees for

1963-64 and 1964-65.

If all the individual and HUF assesseees had taken full advantage of the existing tax rebate provisions, Rs 246.79 crores and Rs 289.62 crores would have been exempted from tax in 1963-64 and 1964-65, respectively. The amount of tax saving would have been Rs 16.14 crores and Rs 20.48 crores, respectively. The actual amounts of tax exempt income and tax saving in these two years, however, were substantially lower than the maximum possible amounts. The amount of actual tax exempt income was (at Rs 58.32 crores) 23.6 per cent of the maximum amount, and the actual tax saving was (at Rs 5.01 crores) 31.0 per cent of maximum tax saving in 1963-64; in 1964-65, the corresponding percentages were 22.6 per cent (Rs 65.32 crores) and 28.8 per cent (Rs 5.90 crores), respectively.

It is not possible to identify the income-classes which have failed to take full benefit of the tax rebate provisions. However, since maximum permissible amounts in the case of income-classes above Rs 1,00,000 constitute a very small proportion of assessable income, it is unlikely that assesseees in these classes do not save Rs 10,000 (or 20,000 in the case of HUF) each. In fact, actual savings in their case are likely to be considerably higher than the amounts of savings exempt from tax. It is our presumption that, the assesseees who might be saving less than the maximum permissible amounts of savings (in the specified categories) are likely to be in income-classes earning upto Rs 40,000. These classes account for a bulk of the assessable income. If this presumption is true, then a rise in the ceiling of exemption is unlikely to promote savings among the taxpayers in these income-groups, because their actual savings are well below the prescribed limits. In any case, the limits have been raised in subsequent years. The next question that arises is about the rate of tax rebate.

RATE OF TAX REBATE

In the absence of a detailed study of the saving tendencies of income tax assesseees, it is not possible to pinpoint the factors responsible for actual savings being less than the maximum permissible amounts. But if the basic assumption regarding the return-responsiveness of personal savings is valid, an increase in the rate of return through additional tax concessions may raise personal savings.

It would be useful in this context to clarify some of the major issues relat-

ing to the policy of tax rebate. First, the object of government policy has to be stated clearly — whether the objective is to reduce the effective rate of tax, and thereby to lower the tax burden, or whether it is to induce personal savings. While these two aspects of tax rebate are inseparable, a difference in emphasis does matter. If the emphasis of policy is on the latter aspect, then the grant of tax rebate at differentially high rates to assesseees with relatively low marginal propensity to save may be considered. Secondly, it has to be decided whether tax concessions should be granted at different rates for savings in different financial assets. If they are to be granted at different rates, the question arises as to what type of assets are to be selected. It is important to note that, since the inducement effect of tax rebate operates through a rise in the rate of return on a financial asset, given the degree of tax rebate, the effectiveness of policy will depend upon the relative importance of the rate of return in the multiplicity of variables determining the saving — behaviour of taxpayers. While nothing can be said with certainty in this matter, it will be generally agreed that the relative importance of the rate of return is likely to be less in the case of savings in the form of life insurance policy and PF contributions (See Section I) as compared to its importance in the case of investment in shares, deposits with post offices or banks etc. Finally, a decision has to be taken whether the degree of benefit should be uniform or vary with the level of income. If the assumption commonly made, viz, that the higher the level of income the higher the marginal propensity to save and *vice versa*, is true, then one would expect savings to rise with an increase in income, even in absence of specific incentives. While it is true that, if savings schedule is return-elastic at all rates of return a tax rebate may encourage savings at all rates of return, the magnitude of inducement of a given degree of tax rebate will depend upon the slope of the curve. For a given loss in terms of tax revenue, it may be possible to maximise the inducement effect by concentrating tax rebate (for instance, by providing tax rebate at differentially higher rate) at those levels of income at which the inducement effect is highest. In the absence of knowledge regarding the saving-schedule of the income tax assesseees in India, precise formulation of policy on these lines may not be possible. At the same time, the foregoing discussion would indicate that the grant

of tax rebate at differentially higher rates to assesseees upto a certain limit of income, say Rs 30,000 to Rs 35,000 may increase the flow and level of personal savings.

Judging from these considerations, the emphasis of policy in recent years in India on liberalisation through extension in coverage, so as to include financial assets like shares, cash deposits etc, in the category of qualified financial assets, should be considered a step in the right direction. While it is true that, allowing the benefit of tax concession even to the existing financial assets (instead of confining it to only additional investment in such assets) may merely reduce the tax burden of taxpayers who have already invested in such assets, the grant of benefit may, also encourage future investment in such assets. The extension of coverage may encourage savers having a wide variety of preference in their choice of assets. Another feature of tax rebate policy in recent years is enhancement of the limit of income exempted from tax. The grant of tax rebate in this manner, along with exemption from wealth tax, is likely to induce a taxpayer to remain in a saved-in position in order to obtain continued benefit of tax rebate, and thereby likely to raise the level of personal savings in the economy.

The grant of tax rebate at present is uniform for all assesseees and is not related to the level of income. If tax rebate is given at differentially higher rates to assesseees up to a certain level income on some selected categories of financial assets, various possibilities open up.

One way, which is administratively very simple, is to allow assesseees to deduct varying amounts of their personal savings from their total assessable income depending upon the level of their assessable income. For this purpose, policy decision will have to be taken on four issues: (i) the range of income between which varying-proportion-deduction applies, (ii) the range of variation in proportion, (iii) financial assets eligible for these benefits, and (iv) whether varying-proportion-deduction should apply to payments made out of income to acquire selected financial assets and/or to incomes derived from these assets. Maximum deduction need not be restricted to a ceiling of 100 per cent of the qualifying amount of personal savings; at low levels of income, it could even exceed 100 per cent. The proportion of deduction may be prescribed such that it declines from the highest proportion (100 per cent or more) in

respect of very low assessed income to the lowest proportion (which may be fixed taking into account the existing ceiling) at certain levels of income. After reaching the lowest level, the proportion may remain constant. The varying-proportion-deduction thus can provide differentially higher incentives at certain levels of income without changing the overall limits.

NOTES

- 1 The third category of financial assets for which rebate was given only in regard to the payment made out of income (and not on return on investment) to acquire assets, has ceased to exist with the abolition (effective from 1970-71) of the tax credit certificate scheme in respect of investment in equity shares of nearly established undertakings.
- 2 Since the maximum amount qualifying for rebate cannot exceed Rs 10,000 — the financial ceiling prevailing in that year — the amount of tax relief cannot exceed Rs 5,000 (50 per cent of Rs 10,000).
- 3 As up to 1963-64, tax rebate was granted at the average rate of income tax, the proportion of tax savings to assessed amount of income tax is more meaningful than the proportion of tax savings to total tax assessed.
- 4 A word of caution regarding this proportion should be added here. Salary income assessed to tax includes various allowances (such as dearness, conveyance, house rent etc) which, though taxable, are not taken into account for determining PF contribution — particularly in the case of the 'non-worker' staff.
- 5 Because Rs 10,000 will exceed one-fourth of income in respect of assesseees with income below Rs 40,000, the latter ceiling will operate.

A Correction

In the article "Tripartite Consultative System: An Appraisal" by S M Pandey and V K Pathak (September 19), on p 1579, col 1, the sentence "In this context, the recommendation by the National Commission on Labour... apart from marring the spirit of tripartite deliberations" (lines 40-47 from top) should read as follows:

"In this context, the recommendation by the National Commission on Labour that to give to all tripartite recommendations statutory force, as demanded from time to time by workers' representatives, will pose serious problems, apart from marring the spirit of tripartite deliberations, does not seem to be logical." The error is regretted.

— Ed

Centre-State Financial Relations

A Comment

G Thimmaiah

IN their article (February 21, 1970, pp 367-376), D R Khatkhate and V V Bhatt have reviewed some aspects of Centre-State financial relations in the context of planned development and have presented what they "consider to be a major reform" (p 370). But they have failed to throw any new light on the problems they have explained and their proposed reforms are such as will create other equally complicated problems while attempting to solve some of the existing ones.

The overlapping between the functions of the Finance Commission and the Planning Commission is not at all a new problem; it has been repeatedly pointed out by successive Finance Commissions starting with the Third Finance Commission, and has been analysed by several economists. So also the problem relating to the arbitrary distinction — made by successive Finance Commissions — between Plan and non-Plan expenditures. The problem of contradictions between the functioning of the Finance Commission and the Planning Commission, owing to differences in the data used by them, was first pointed out by the Second Finance Commission. In fact, on the Second Commission's recommendation the later Finance Commissions have been appointed before the commencement of a five-year Plan so as to co-ordinate the functions of the two Commissions and to make the period of their recommendations coincide. Since this problem is non-existent today, the authors' comment on it appears superfluous. Further, the problem of political factors dominating management decisions in public enterprises and influencing the formulation and implementation of planning, is all too familiar to need belabouring. There is also another side to this issue. A H Hanson, Albert Waterston and S R Sen¹ have in fact concluded that these stages of decision-making should be interrelated in India if economic planning is to be effective. If, in theory, their separation endows efficiency to policy formulation and implementation, in practice, such separation might actually hamper implementation.

The major reforms suggested by Khatkhate and Bhatt, viz, the creation of a modified permanent Finance Commission and the establishment of a National Development Bank, are not new either. R N Bhargava argued for a permanent Finance Commission as long ago as in 1956² and many writers on Indian federal finance have since supported this view, though for varying reasons.³ Similarly, the proposal that a National Development Bank be established for the purpose of distributing Central assistance, in the form of discretionary grants and loans, for States' plans was first made by the Study Team on Financial Administration (Venkatappaiah Team) set up by the Administrative Reforms Commission. Later, it was supported by D T Lakdawala. In their paper, Khatkhate and Bhatt have not even referred to any of these earlier proposals.

They have maintained that any reform of the existing arrangement of the Centre-State financial relations should tend to achieve "the two objectives of the Constitution — conditional freedom to evolve policies suited to their local milieu and introduction of a national bias in the State policies..." (p 371). To achieve these twin objectives, they have suggested that the Plan grants for agricultural programmes, given at present on the recommendations of the Planning Commission, should be given instead on the recommendations of their proposed permanent Finance Commission and that "a major portion of assistance may have to be given on some criterion based on population, area, and relative backwardness, and the remaining assistance on some criterion related to performance in agricultural output or employment or such other indicator. This is to encourage the States to put emphasis on agricultural and other related programmes of national importance. However, this assistance would not be tied to any specific projects" (p 373). It is not clear why Khatkhate and Bhatt want only that part of Plan grants that are given for agricultural programmes to be under the purview of the proposed permanent Finance Commission —

leaving the remaining part within the purview of the Planning Commission. The suggestion appears arbitrary and, furthermore, overlooks the fact that Plan grants under Article 282 are meant for effecting some sort of co-ordination among State programmes in areas over which the Central Government has no other constitutional control. Agriculture is a major economic activity over which the Central Government has no constitutional power for regulation or co-ordination. Such regulation and co-ordination as there has been, has been achieved by means of financial strings. It may not be possible, otherwise to bring about reform and reconstruction of Indian agriculture, consistently, all over the country. The required reform, reconstruction, and progress may be even more effectively delayed by the States than it is at present, since State politics are directly dependent on the agrarian population. Even the 'performance criteria' for distribution of such assistance among the States, suggested by Khatkhate and Bhatt, cannot ensure uniform progress and reform. Their suggestion for a permanent Finance Commission is based mainly on the contention that, such continuity will enable the Commission to conduct regular investigations into the finances of the Centre and the States, to watch their progress in tax efforts in economy of expenditure, and to gather relevant data for recommending financial transfers from the Centre to the States. However, the Central Government will have to incur substantial expenditure to maintain a permanent Finance Commission to do a job which a well-staffed research section can do. The required collection of facts and figures, and also a regular critical review of the finances of the Centre and the States, could be equally well entrusted to a research wing attached to the Planning Commission where research is considered a necessary preparation for formulating policies.

Another major suggestion of Khatkhate and Bhatt is that a National Development Bank (NDB) be set up, and that all Central assistance currently given to States for financing identical projects in fields like power, transport, large-scale irrigation and manufacturing projects "be channelled through the NDB so as to ensure its effective and efficient utilisation" (p 375). "Financial resources to be used for these projects — both at the Centre and in the States — in the light of the national Plan would be transferred to the proposed NDB. The power to borrow for the

purposes of development in the domestic market as well as from international sources should be vested exclusively in this Bank. It could borrow in the domestic market not only from the financial institutions but also from the households and the corporate sector. It could also borrow from the foreign governments as well as international agencies" (p 375). The proposed NDB is, therefore, to function more or less like the Australian Loan Council, except that it must run on business lines. They also suggest that "... the Bank should deal with only loans. Second, the assistance which might be purveyed by the Bank to the Central as well as State Governments should be governed by the condition that they should foot the bill in financing the projects up to a stipulated limit, say 50 per cent. This is necessary in order to induce the States to put in greater effort to raise resources for the projects undertaken within their jurisdiction. Third, there might be need to introduce softer types of loans..." (p 375).

This means that the entire Central assistance to the States' Plans (excluding that given for agricultural programmes) should be given in the form of matching loans. This suggestion overlooks the fact that State governments may not be able to undertake many developmental activities of an infrastructural nature if they are asked to contribute 50 per cent of the cost of the programme in order to obtain just the first 50 per cent of the cost in the form of a matching loan from the NDB. In fact, the suggestion fails to appreciate the inherent problem of "non-correspondence" between the functions and the resources of the States in the context of planning.⁴ Many States may not be ready to undertake the ventures, because of the condition of 'matching loans'. While attempting to achieve efficiency in utilisation of Central assistance, the suggested reform might therefore actually halt economic progress at the State level for want of funds besides rendering the Central control over State policies ineffective — a price which the country cannot afford in the present political circumstances.

Moreover, their suggestion amounts to transferring borrowing powers from the Central Government to the proposed NDB. It is not clear whether the borrowing powers of the States too are to be transferred to the proposed NDB — a practice which pertains to the Australian Loan Council. I have elsewhere examined the case for such a

body in India, and come to the conclusion that there is no valid case for it.⁵ Some economists have advocated the establishment of a Loan Council in India (or an institution of a nature similar to an NDB), in order (1) to avoid competition among the States in borrowing from the public and to co-ordinate the borrowing policies of the Centre and the States, (2) to increase the creditworthiness of the public authorities in general through unified management of the public debt by a single national authority, (3) to ensure proper distribution of loan money among the States, (4) to ensure proper utilisation of loan money and (5) to make necessary provisions for debt-servicing and repayment. I have examined the practical importance and validity of these arguments in detail.⁶ At present the States are free to borrow from the public the required amounts of funds — with the permission of the Central Government and with the help of the Reserve Bank. This means that the distribution of public loan funds is indirectly influenced by the Central Government and the Reserve Bank. This process of distribution of loan funds, raised through public loans among the States, has been accepted by the States partly for pragmatic reasons. As far as the Central loans to the States are concerned, they are distributed by the Centre mostly on the advice of the Planning Commission. Since the Planning Commission is responsible for formulating economic plans for the whole country, it is appropriate to leave to it the task of distributing national resources among the States in the form of Plan grants and loans for executing Plan programmes. The transfer of this part of the resource-transferring to the proposed NDB would render overall economic planning ineffective by weakening the position of the Planning Commission. The transfer of this responsibility may create the further problem of co-ordination between the functions of the Planning Commission and those of the NDB. The solution that "this can be ensured if some links are forged between these two bodies at the highest level" by making "one or two members of the Planning Commission, Vice-Presidents of the proposed NDB and the modified Finance Commission" (p 375) may not work out in fact, and we might instead be saddled with the problem of lack of co-ordination between the proposed NDB and the Reserve Bank. Lack of co-ordination between the loan policies of the proposed NDB and the monetary policy of the

Reserve Bank would create many other economic problems in the country. Certainly, the partial transfer of the management of public debt from the Reserve Bank to the proposed NDB would weaken the position of the Reserve Bank in the field of monetary management.

The problem of loan utilisation is a ticklish one. The proposed NDB could at best keep overall watch over the utilisation of loan money by public corporations and companies — as is done by the Central Government. But such an overall watch is not enough to ensure proper utilisation of loan money. What is required is regular scrutiny and proper evaluation of the utilisation of borrowed funds by the States' corporations and companies. In case of mis-utilisation, the evaluation authority should be in a position to exert enough influence on the concerned States to avoid future mis-utilisation. This can be done by the Planning Commission through its Programmes Evaluation Organisation.

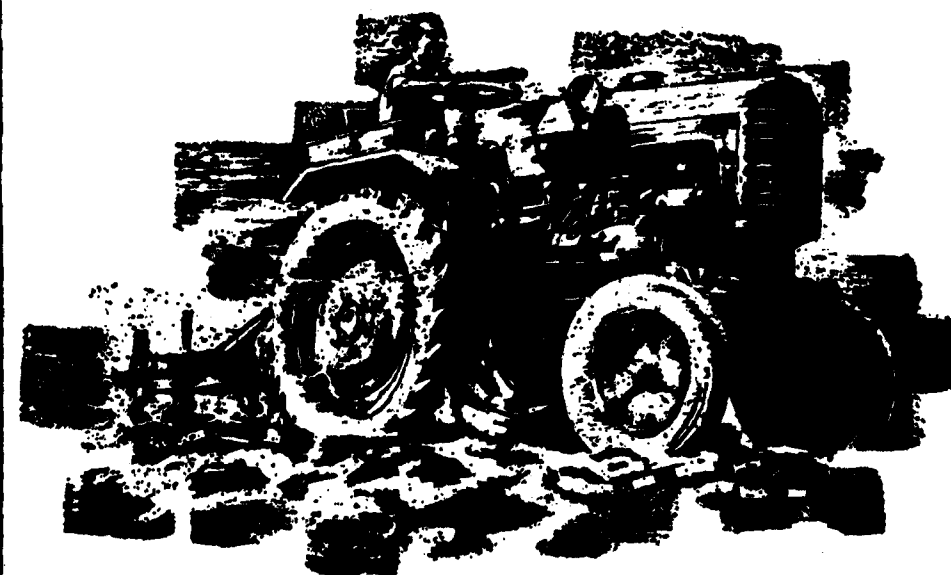
The establishment of an NDB would involve lakhs of rupees in annual expenditure. There already are numerous autonomous and semi-autonomous development banks. What is required at present is really a proper demarcation between (and co-ordination of) the functions of the Planning Commission and the Finance Commission.

NOTES

- 1 (a) A H Hanson, "The Process of Planning", Oxford University Press, London, 1966, and "The Administration of Planning", *The Indian Journal of Public Administration*, April-June, 1963.
- (b) Albert Waterston, "Development Planning: Lessons of Experience", The John Hopkins Press, Baltimore, 1965.
- (c) S R Sen, "The Planning Machinery in India", *The Indian Journal of Public Administration*, July-September, 1961.
- 2 "The Theory and Working of Union Finance in India", George Allen and Unwin, London, 1956, Chapter 10.
- 3 For details see G Thimmaiah, "An Approach to Centre-State Financial Relations in India", Ganga Tharanga Publishers, Mysore, 1968.
- 4 *Ibid.*
- 5 G Thimmaiah, 'Does India Need a National Loan Council?', *Capital*, July 17, 1969.
- 6 *Ibid.*
- 7 G Thimmaiah, 'Planning and Federation', *Eastern Economist*, August 29, 1969.

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Clearing the Decks?

TO the accompaniment of a great deal of publicity, Governor Dhavan's administration in West Bengal has stepped up operations against "Naxalites and anti-social elements". The need for publicity arose for two reasons perhaps. First, it was becoming necessary to counter the growing criticism that the law and order situation had actually deteriorated under President's rule and that nothing very effective was being done to stem the rot. Second — and this is admittedly a conjecture — some show of determined action to put down lawlessness was considered necessary to prepare the ground for an election in the State. Convinced that an early election would spell disaster for the Congress(R), the Central Government had initially decided (with the tacit support of parties like the CPI and the Bangla Congress) in favour of a prolonged spell of President's rule on the excuse that conditions in the State were too unsettled to make an orderly election possible. If it is a fact that the Government is now coming round to the view that there is little political profit to be had from putting off the election much longer, then obviously it is necessary to give the impression of a stepped-up effort to tackle the law and order problem before announcing to the world that the situation in the State was settled enough to justify the holding of elections.

There is no doubting the impressive scale of the effort being mounted. The Governor's advisory council and the top administrative set-up are to be reorganised. Even the Governor is proposed to be replaced, if Press reports are to be believed. The most sinister part of the measures, however, is the decision to extend to the police complete immunity from any judicial or administrative inquiry into anything it might do in the next three months. After this, the case for reviving preventive detention in the State loses much of its force, though the Centre is prepared to do that also if only it could be sure of the necessary support in Parliament.

How effective these measures have been it is too early to say, it may be argued. But the police has indeed become hyper-active. No day passes without half a dozen or more incidents of police opening fire with the expected bounty in terms of casualties. At the same time, the so-called "anti-social elements" also appear to have stepped up their efforts, though the police might argue that this is the outcome of desperation (which, incidentally, would be to admit that the aggressive tactics of the police are driving to violence some who otherwise may not have been so inclined). Whether the police will eventually prevail in this game of escalation of violence remains to be seen. It does need to be mentioned, though, that many political pundits, including the Prime Minister, have repeatedly given it as their expert opinion that in the ultimate analysis much of the extremist violence in West Bengal (as elsewhere) is the result of economic frustration; if that be so, then the prospect is far from hopeful since none of the various authorities who have taken responsibility for restoring West Bengal to normalcy has given evidence of tackling the State's economic problems with anything like the enthusiasm that they have shown for purely police measures. The argument, of course, has been that nothing can be done until a large enough number of heads have been broken and law and order restored.

To return to the election theme, most of the parties appear to be undecided about how to face one if they have to. The CPI is the one exception; it wants a repetition of the Kerala pattern plain and simple which means an alliance between its eight-party front and the Bangla Congress and the Congress(R). It is also no longer as averse to an early election as it once was, now that it has abandoned hopes of being able to make easy inroads into the CPI(M)'s mass base under a benign Governor's rule. By contrast, Congress(R) is divided both at the Centre and in the State. Alliance with the Bangla Congress, of course, poses no serious problem; the differences are over the attitude to be taken towards the CPI's eight-party front and with CPI especially as well as over the timing of the election. Those in the party, at the Centre and in the State, who support a tie-up with the CPI also favour an early election. Those who do not, want President's rule to be stretched out till 1972. The Bangla Congress is similarly divided over ties with the CPI and the eight-party front. On the whole, opinion in the Bangla Congress seems to be against an early election though, here again, those against an understanding with the CPI are also more keen to put off the poll. Many of the smaller parties in the eight-party front have struck a pose of high-minded opposition to any contact with the Congress(R). This poses a problem for the CPI since break-up of the front would grievously undermine its bargaining strength all round, especially with the Bangla Congress and the Congress(R). The CPI(M) which is essentially on its own, though for form's sake it heads its own six-party front,

is keeping its fingers crossed and hoping that the CPI-Bangla Congress-Congress(R) alliance will not fructify, or that if it does, at least some of the parties will break away from the CPI-led front.

Faced with this profusion of varying attitudes, those in the Congress(R), especially in its Central leadership, who are enthralled by the possibilities of the 'Kerala model' for West Bengal may have reckoned that the best way to push the various parties in the desired direction is to confront them with an imminent election. So long as the political debate is at a relatively academic level, there will be conscientious objectors in the Congress(R) and in the Bangla Congress who will high-mindedly object to associating with the CPI just as, on the other side, there will be those who refuse to be polluted by contact with the Congress. There was no lack of similar puritans in Kerala and yet, faced with the reality of elections and the certainty that without mutual adjustments they would all be swamped by the CPI(M), they quietly swallowed their principles. There is a good reason, therefore, for the Prime Minister to want the law and order situation in West Bengal to be mended quickly.

Growth by Exhortation

THE meeting of the Central Industries Advisory Council in Delhi last Tuesday provided the Government and industrialists with an opportunity to reiterate their well-established positions. Since this has been going on for quite some time, one begins to wonder whether these meetings serve any useful purpose, beyond being occasions for social get-togethers.

Yet all indications suggest that industry is not doing too well. The index of industrial production (as usual, four months behind time) shows that the growth of industrial production in the first five months of this year has been only 5 per cent above that in the corresponding period of 1969. Figures of railway loadings, which are a little more up-to-date, confirm this lowering of the tempo of growth.

The Government is evidently conscious of this trend and has tried to wish away the unpleasant facts by chanting the usual *mantras* about the falsity of statistics and the strength of "underlying trends". The Government argues that its own index of industrial production does not reflect the true trends in the economy because its weights are

ten years old and because it does not include data on the small-scale sector. Moreover, it attributes to the shortage of steel the fall in production in certain industries (which, in turn, has allegedly an impact on a broad range of other goods in the engineering sector); it also takes refuge in the increasing flow of applications for licences as an indicator of the underlying strength of the economy. Dinesh Singh faithfully retailed these arguments at the Advisory Council meeting.

The spokesmen of industry present at the meeting could easily have rebutted these points in detail. After all, the relative importance of different industries in aggregate industrial production could not have changed so suddenly — particularly since industrial investment, in heavy industries especially, has been low during the past five years — as to require a sudden change in weights between 1969 and 1970. Secondly, since organised small industry is generally ancillary to large industry, its performance cannot have been independent of the fate of large industry; in fact, small industry's position is perhaps even more unsatisfactory than that of large industry, as comments in small industry circles suggest. Finally, steel availability in 1970 has not been all that much lower than in 1969, though shortage of steel does account for some depression in the production level.

The representatives of industry did not, however, seem interested in such mundane arguments. To them this was a good opportunity to attack the Government's allegedly socialistic policies, the favourite horse to flog being the Dutt Committee report and the licensing policy based on it. The ambivalence in the Government's decision-making — giving licences with the licensing hand and keeping them back with the anti-monopolies hand — also came in for criticism. Significantly, spokesmen of industry, particularly J R D Tata, Keshub Mahindra and D C Kothari, avoided criticising the public sector and concentrated their attack on getting relaxations in licensing policy — for example, an across-the-board liberalisation on permitted expansion upto 25 per cent of capacity.

All this was futile dialogue — or, rather, two monologues in which there was little attempt to understand or convince the other side. What the discussion did bring about is the formal divergence between the positions of the

Government and industry — the Government's reluctance to give up recently announced policies and industry's manifest lack of confidence because of these policies. It is here that, if a mixed economy is to be operated, some bridge-building is required. However, the Central Industries Advisory Council, given its vast size and the publicity that attends its deliberations, is hardly the forum to discuss these issues in depth.

A better arrangement might be for the Industries Advisory Council to meet under the auspices of the Planning Commission and give broad directions on industrial planning — for example, on targets, their distribution, time-phasing and so on. The Industries Ministry could then hold more intimate and informal discussions with industrialists to appreciate their views on day-to-day implementation of policies — for example, delays in licensing, raw material imports, development of ancillaries, and so on. In this connection one must wonder at the Government's anxiety to limit the dialogue with industry essentially to spokesmen of the big business houses — while all the time professing to curb their activities — and not meeting professional executives of companies. In this matter, both industry and Government appear to be equally committed to maintaining feudalism in industry.

Opening Shot in Canada

THE position of the French Canadians has been akin to that of discontented minorities in most industrialised countries. Economic deprivation, social isolation and cultural introversion have been the cause and effect of a desire to retain a distinct identity in the middle of what the French Canadians regard as overwhelming economic exploitation (the per capita income of the rest of Canada is about 40 per cent higher than that of the province of Quebec) and political dominance by the Anglo-Saxons. The resultant political demand among a growing section of *Quebecois* has been secession from Canada. In the general election last April about 23 per cent of the vote in the province of Quebec went to the separatist *Parti Quebecois* led by Rene Levesque. This party aims at secession through constitutional means, although the Canadian Constitution is not explicit about the possibility of the dismemberment of Canada. Apart from legal limitations it is unlikely that any Federal Government in Ottawa would

permit the withdrawal of a key province.

Other separatist groups like the Quebec Liberation Front (FLQ) feel that constitutional means are unlikely to lead to separation and even if such means are successful, the ensuing power structure of an independent Quebec will still be too closely tied to Canada and the United States and in any case will continue to be capitalist and exploitative due to its own class orientation. The FLQ is for separation as well as social revolution. The recent kidnappings in themselves are nothing more than a publicity stunt which even the more reflective among the Western mass media have fallen for. The sensationalism of the kidnappings has been played up while their political significance has been derided, ignored or not understood. The FLQ and its tactics are the result of the liberal stereotype of politics — consensual, vacillating and ineffective in the face of any social demand which requires drastic changes in social policy. Undoubtedly Canada has a record of political freedom and tolerance unparalleled in the Western hemisphere and in sharp contrast to its southern neighbour, but this tolerance has tended to border on complacency, particularly in the ambivalent attitude towards Eskimoes and American Indians. Measures such as federal financial grants to Quebec, greater use of the French language and other token concessions to French Canadian susceptibilities are proving to be inadequate.

The major cause of discontent among the politically active, particularly the younger ones, is the remoteness and bland anonymity of the politico-economic machine which controls the lives of individuals without offering a sense of community or engendering a feeling of individual achievement. The FLQ is but one manifestation of the deep frustrations which are now taking a political form in industrialised societies. Marxism or orthodox socialism does not provide any easy solutions to this mixed desire for communion together with individualism. Unless there is a carefully considered devolution of both political and economic power by the participation, at all levels of decision-making, of those likely to be affected by the decisions, the FLQ episode might just be the opening shot in the expression of disgust by those who are not willing to accept the very real constraints of industrialised societies, however loudly the established elites might claim that they live in open societies.

Paul Samuelson

A Correspondent writes:

THE Nobel Prize for Economics, instituted by the Swedish Central Bank, was awarded for the first time last year jointly to Ragnar Frisch of Norway and Jan Tinbergen of the Netherlands for the path-breaking econometric methods which they have evolved. This year's award has gone to the US economist, Paul A Samuelson. At a young age Samuelson perceived the essential core of pure economic logic with a clarity that was not evident in the works of Walras and Marshall. The new apparatus of analysis which Samuelson has evolved, along with J R Hicks, poses and solves problems for which the old masters could hardly have found answers even if they had been aware of the problems.

Samuelson was the first to perceive the basic unity of the pure logic of economic theory. No doubt, Walras and others had stumbled upon marginal utility analysis which is really an analytic tool of general applicability to economic problems. They did not, however, perceive this feature of the tool. This was due in part to the fact that the theory of maximising or minimising behaviour appeared in their theory of exchange in the guise of a special case. It had never been made to stand out, stripped of all non-essentials (including marginal utility itself), and reduced to its logical fundamentals before the publication of Samuelson's classic "Foundations of Economic Analysis".

Further, neither Walras nor Marshall was aware of the full significance of the host of new problems of a specifically logical or mathematical nature that arose within the framework of static theory which they had evolved. These problems turned upon determinateness, equilibrium and stability. It is these problems which were tackled by Samuelson and Hicks. Samuelson was the first to point out that the problem of stability could not be posed at all without the use of an explicitly dynamic schema, that is, without specifying the manner in which the system reacts to deviations from equilibrium.

These basic contributions led Samuelson to throw new light on old problems and to tackle new problems in an operationally meaningful way. All this has already become a vast literature in varied and diverse fields of economic science; too numerous to be mentioned here. Still, mention must be made of Samuelson's contributions to the deve-

lopment of macro-dynamics and of the linear programming technique.

With regard to the pure logic of economic theory, Samuelson stands alongside of the great masters like Ricardo, Walras, Marshall and Pigou. Yet in spite of the brilliance of his contribution, one cannot help feeling that before him the Nobel Prize should have perhaps gone to Hicks — both because of priority in some contributions and also because of priority in age. Many are the fields of economic analysis where the contributions of the two really go together.

Samuelson has not much affinity with some other masters like Marx and Schumpeter, for, they went beyond theory and mathematics-statistics to history and economic-sociology. But in the field of his choice he remains a towering figure.

Along the line of the joint winners of the first Nobel Prize award, it is natural to speculate that Leontief would be an obvious choice for a Nobel Prize in a future year; and along the line of Samuelson, Hicks of course has to be recognised as the obvious claimant. However, there is none yet on the scene in the line of Marx and Schumpeter.

After Chaliha in Assam

THE unanimity with which the Congress(R) in Assam chose Mahendra Mohan Chaudhury to succeed B P Chaliha as Chief Minister is completely misleading. Already, differences over the composition of the new ministry have led to the postponement of its installation in office from November 2 to 6. All the dissensions within the party which had been sought to be swept under the carpet by persuading the ailing Chaliha to continue in office have now emerged in the open.

For the moment, it appears, the Chief Minister-designate has successfully withstood pressures to give more than nominal representation to his opponents in his ministry. While he has offered a ministership to B C Bhagwati, the PCC president and leader of the faction opposed to him, he has declined to make him Deputy Chief Minister or even deputy leader of the party in the Assembly. He has left no one in any doubt that he regards K P Tripathi, Finance Minister in the Chaliha government and one of his own staunch supporters, as the second in command in the new government. Even more bluntly, he has refused to consider the inclusion of Moinal Huq

Chowdhury in the ministry, though Fakhruddin Ali Ahmed and B C Bhagwati had vigorously pressed for it. As part of the arrangement which ensured his unanimous election as Chief Minister, Mahendra Mohan Chaudhury had been advised, by the Prime Minister among others, to make his ministry 'broad-based'; this he has deliberately chosen not to do.

The reason why he has decided to so frontally challenge his opponents in the party is that he knows that in any case a bitter faction fight for control of the party would soon be on. His opponents have made no secret of their intention to seek to capture the organisation in the forthcoming party elections so that crucial bodies like the Pradesh Election Committee could be packed with their men. This would give them the decisive voice in the choice of candidates for the next election; at the same time, once the present Congress MLAs realised that their renomination at the next election depended on the Bhagwati group, they would switch sides to deprive the Chief Minister of the majority that he now clearly enjoys in the Congress Assembly party. By his combative attitude to ministry-formation, the Chief Minister has given notice that he proposes to fight these moves to maintain his hold over the Assembly party and, in course of time, to gain control of the organisational wing of the party.

In this the majority support he enjoys in the Assembly party is one of his assets; another is his close links with Congress(O) which now has only a skeleton set-up in Assam. Mahendra Mohan Chaudhury can threaten to walk out of Congress (R) with enough MLAs to make a Congress(R) government impossible. Whether he will be able to form a Congress(O) government is more problematical. He will in all probability be supported by the regional People's Democratic Party which has 16 members and by some at least of 11 members belonging to the PSP-SSP group. To form a government, therefore, he would have to persuade slightly more than half the number of Congress(R) MLAs to cross the floor which may not prove possible. The real strength of his threat lies, therefore, in his ability to create political instability and to give Congress(O) a firm foothold in the State which it now lacks.

Apart from the extreme threat of quitting the party, Mahendra Mohan Chaudhury is also trying to exploit differences within the Congress(R)

central leadership, especially between the Prime Minister and the Congress President. It is not so much that the one is more keen than the other on the inclusion of Moinul Huq Chowdhury in the Assam government. But whereas Jagjivan Ram is content to let Mahendra Mohan Chaudhury consolidate his position so long as this means a stable Congress(R) government in the State, Indira Gandhi sees the Chief Minister as a road-block in the way of the revamping of the party leadership through the induction of younger and more 'progressive' elements at all levels. Towards this end the Bhagwati group has already started a mass campaign for enrolling new members and for popularising the 'radical' policies of the Prime Minister.

Among the graver consequences of the emerging political struggle in Assam might be the erosion of the liberal atmosphere of tolerance towards minorities which Chaliha had managed to preserve against very heavy odds. In a bid to counter the efforts of the Prime Minister's group, Mahendra Mohan Chaudhury and his faction might well decide to make a parochial pitch for the support of the Assamese of the Brahmaputra valley. This would involve, first, draconian measures to stop the flow of Muslim 'infiltrators' from East Pakistan and to deport those who have already crossed over. Already it is being suggested that the Chief Minister has refused to include Moinul Huq Chowdhury in the government because of his pro-Muslim League sympathies. Second, the 'border war'

with Nagaland over the areas to which Assam has laid claim may be intensified. Third, the Government may take a tough stand against the hill peoples' demand for full statehood for Meghalaya unless the Centre agrees to pay Assam a very large sum of money supposedly to meet the expenses of building a new capital. In this atmosphere, it would not be difficult to once again set the Assamese against the 'outsiders' in the State, including Bengalese and Biharis among others.

R Subrahmanyam

THIS journal lost a valued contributor in Radhakrishna Subrahmanyam who died in Bombay last week at the age of 43. Subrahmanyam was one of the few accountants in the country who practised management accounting as the books say it should be. He was an unusual professional who was as much interested in the world outside as he was in his profession. This made him an accountant who combined a deep knowledge of his subject with a practical and humanistic viewpoint so that he understood the implications of accounting concepts and decisions to the rest of his company's business as well as to the economy.

Subrahmanyam was also an excellent financial analyst and his connection with this journal dates back to its founding when in the early months he regularly, but anonymously, contributed the leading note to our Companies column. More recently ill health came in the way of his continuing his contributions.

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Over the years he gave freely of his knowledge and experience to the Indian Institute of Management at Ahmedabad, the Administrative Staff College

at Hyderabad and the Bombay Management Association. He will be missed by his friends and his colleagues as a humane Accountant.

BUSINESS

Divided Attention

INVESTMENT Corporation of India's chairman complains that shares of his Corporation do not attract investors, although "not only do our shares provide a steady return which, on the basis of market prices, is substantially higher than what is available from other first class equity stocks, but they have a solid asset backing to justify their classification as virtual gilt edged securities". Over the 10-year period ended June 1970, says J D Choski, gross dividends increased from Rs 26 lakhs to Rs 44 lakhs, their percentage to total income from 70 to 75, 'other income' from Rs 11 lakhs to Rs 14 lakhs, total reserves plus appreciation from Rs 191 lakhs to Rs 273 lakhs, and value per Rs 100-share from Rs 212 to Rs 246.

However, this is by no means a growth record for a 33-year-old "diversified public investment trust without any particular concentration of investments" to boast about. The element of appreciation in the portfolio (in excess of Rs 1 crore) is only a paper profit that may disappear with a change in the market trend. At the end of 1968-69, valuation of the Corporation's investments showed appreciation of Rs 109 lakhs or 20 per cent over the book value of Rs 547 lakhs. A subsequent valuation, only 2½ months later, reduced the appreciation to less than Rs 73 lakhs "due to the unsettled conditions in the stock market on account of ban on forward trading at the end of June followed by the nationalisation of banks".

Overall appreciation in the portfolio as at the end of 1969-70 showed no improvement over the previous year. This, Choski explains, conforms to the RBI index of variable dividend industrial securities which was 99 in June 1969 and, after dipping to 87.9 in January 1970, was back to 100 in June 1970. The question is: how did the Corporation use the opportunities offered by the two-sided movement of equity prices that covered a fairly wide range of 23 points in terms of the RBI index? This index, it may be noted, is composed of both laggards and leaders, while the Corporation must have wit-

nessed far wider price changes in some of its holdings since it claims to have followed a "selective investment policy" of "weeding out unremunerative scrips and consolidating its position in investments providing for a sound growth".

According to the directors' report, however, the Corporation sold during the year shares worth only Rs 23 lakhs on which it realised a surplus of Rs 2.51 lakhs. In the previous year, it had sold shares worth Rs 19 lakhs and incurred a capital loss of Rs 1.40 lakhs. As at the end of 1969-70, total investments amounted to Rs 5.85 crores, of which Rs 5.11 crores comprised equity shares (without taking into account investment in shares of subsidiaries). If the Corporation had taken advantage of the rise and fall of market prices even on one-tenth of its portfolio it could have made a sizeable profit. Nobody expects an investment company to buy and sell in the market frequently like a speculator, but it is certainly its normal function to take profit as and when there is a substantial rise in prices. This requires constant observation of the market and frequent appraisal of the portfolio. The Investment Corporation's operations have fallen short of this. Part of the explanation do doubt is to be found in the Corporation's close ties with the Tata group. The obligations imposed by these ties preclude the Corporation devoting itself single-mindedly to maximising the returns to its own shareholders in the manner of a genuine investment company.

With so little turnover during the year, one wonders why it is necessary to maintain a staff which costs Rs 9 lakhs annually. With the abolition of the managing agency system, income from agency commission and co-sharing arrangements, which brought in Rs 6 lakhs in 1969-70, have now ceased altogether. Absence of this income will have an adverse effect on the company's total income "in the years to come", and the Corporation will have to work a good deal harder now to maintain the present level of profits and dividends.

Self-Fulfilling Prophecy?

A Correspondent writes:

THE annual statement of the chairman of Glaxo Laboratories, Iain MacKinnon, is full of dark foreboding. The recent reductions in drug prices, MacKinnon assures us, "must have grave consequences upon the national struggle against disease and ill health and upon the equally vital struggle to control the growth of population". Clearly, it would be wrong to dismiss MacKinnon's threat as idle, for as chairman of the Glaxo-BDII complex, a dominant undertaking in the drug industry, he could — singly or in collaboration with two or three other foreign-controlled dominant undertakings — impart a self-fulfilling quality to his prophecy. In fact, already there have been inexplicable fluctuations in the supply of a number of products, including some of Glaxo's — certain analgesics, toxoids against tetanus, liver protein and some vitamin preparations.

MacKinnon's statement is basically a summing up of the charges the drug industry has repeatedly levelled against the government, the gravamen of which is that drug manufacturers have been deprived of profits arising from import of basic and intermediate drugs. Many of the foreign-controlled manufacturers, who have established some facility for making basic and intermediate chemicals, used to operate these plants below capacity on some excuse or the other and instead import bulk drugs at well below their Indian prices (interestingly enough, mainly from East Europe). The imported supplies were priced at the Indian cost-cum-supply price with retail mark-up added on to the inflated bulk price. The industry's grouse now is that the STC has taken over this source of easy profit. STC has fixed bulk price parities taking into account the bulk supply prices of IDPL and others. It is this system that MacKinnon and others are up in arms against. It is curious that manufacturers should be making so much noise about the price of drugs in bulk. One had been led to believe all along that not the cost of the chemical ingredients but the cost of capsuling, bottling, packaging and marketing was what inflated retail prices of medicines.

Another bone of contention, predictably, is the revised patents law. Says MacKinnon: "The recent enactment of the Patents Bill has delivered a further body blow to the pharmaceutical industry in India or at least to these

progressive members of it which like your own company are seeking to participate in the international search for new and better drugs and which aim to bring the benefits of international research within reach of the Indian medical profession." Is this, one wonders, a threat to withhold supply of new drugs from the Indian market? But perhaps it is an understandable reaction from an industry which used to sell a 250 mg chloramphenicol capsule in this country for well over a rupee in the fifties. Did not the Kefauver Committee of the US Senate report a decade ago that the Indian consumer had financed the entire cost of research on new drugs in the US? Incidentally, it needs to be mentioned in this context that foreign firms have sometimes introduced untried drugs in India and then withdrawn them under pressure from drug control authorities in their own countries. The Indian medical profession, it is to be hoped, has not forgotten that not many years ago a certain US company withdrew an anti-epilepsy drug when tests in the US showed that rats treated with the drug turned blind in six generations!

That apart, one does not always have to look beyond the seas for tapping the products of research. For instance, the Tariff Commission has pointed out that the cost of Vitamin A manufactured in the country could be brought down by using the process developed by Bengal Immunity. MacKinnon is silent on this point though he is very outspoken about the alleged wrong calculation of the retail price of Glaxo's Vitamin A.

Needless Encore

AFTER over five years of dithering over whether to set up a new scooter unit in the public sector or in the private sector and/or whether to allow the existing manufacturers to expand capacity, New Delhi has arrived at yet another semi-decision. Since there are some two lakh people on the waiting list for scooters, a one-lakh units capacity plant is to be set up in the public sector, while Bajaj Auto and Automobile Products are to increase their capacity from 30,000 units to one lakh units each. The licences for expansion have yet to be given; similarly, the feasibility report for the public sector unit is yet to be prepared and may be finalised in six months. But both the history of Government's decisions on the scooter industry and the outlines of its proposed project reveal the same lack of economic logic and firmness as

characterises its decision on the automobile industry.

In early 1965, a public notice inviting proposals for setting up a unit for production of scooters at an economic price brought in as many as 191 applications. Later, a committee was appointed to indicate the more suitable schemes out of all the applications. Thirteen were thus selected. The Licensing Committee in July 1966 separately selected four others, making a total of 17.

Nothing happened for a year, till July 1967, when the Licensing Committee asked Government to make up its mind. A Subcommittee of the Licensing Committee was appointed to examine the 'techno-economic' aspects of the 17 schemes selected for consideration. In April 1968, the Subcommittee recommended rejection of all except four.

In late 1969, it was reported that at the behest of the Prime Minister, Government had decided to ignore the private proposals and set up a new scooter unit in the public sector. With this went the decision not to allow any further foreign collaboration in the industry. Then came the first part of the report of the Scooter Committee, a member of which pleaded for nationalisation and expansion of the two existing major private sector units (Vespa and Lambretta) instead of setting up a new public sector unit. Disregarding the suggestion, the Planning Commission gave clearance to a large scooter plant in the public sector. There followed a scramble among the States to get the proposed project located within their boundaries. Meanwhile, Government of India was exploring possibilities of collaborating with either of two Italian firms — Praggio, the makers of Vespa, and Innocenti, the makers of Lambretta. About the same time it was announced that the two major scooter manufacturers might be permitted to expand. Government's decision to seek a collaborator in its turn was surprising since the knowhow is already available in the country with the three scooter manufacturers who themselves have foreign collaboration. And, even assuming that the existing models of Indian scooters are old, Government could have at this stage entrusted indigenous talent with design sophistications, especially since equity participation by the collaborator is not considered necessary. The official excuse for fresh collaboration has been unconvincing. It was indicated that existing manufacturers would not part with their knowhow on reasonable terms, and that, in any case, Govern-

ment wanted the latest technology for mass manufacture. Yet no global tenders are to be invited though Delhi nevertheless expects attractive offers. Obviously, the would-be collaborator expects much else out of the collaboration.

New Style at LIC

UNDER its earlier bureaucrat-chairmen, LIC had maintained a pure high endowment, high surrender value policy scheme. The special advantage of this scheme was that while the premia paid on the policy were allowable for tax-deduction, the policy-holder could surrender the policy soon after without losing much of the premia paid.

The policy was a handy means of tax avoidance for high income-tax payers who had not exhausted the permissible quota of tax-deductible premia. In fact, it paid them to borrow to pay premia upto the tax-deductible limit, claim tax deduction and then surrender the policy, claiming back most of the premia paid — to repay the loan and begin the cycle again. While LIC was thus able to inflate the amounts insured and the policy-holder to avoid income tax, it was the exchequer which lost tax revenue.

The bureaucrat lobby was so strong that when in UK the government did away with the tax-exempt character of premia under such policies, our civil servants made Morarji Desai, then Finance Minister, announce specifically that there was no intention to adopt a similar measure here.

Rather than wait for a vigilant Finance Minister to close this loophole, LIC's present chairman, T A Pai, has recently announced that he is discontinuing the scheme. This is not merely a matter of morality — a nationalised institution encouraging legal cheating of the exchequer to inflate business — but also of a style of business. It shows a conviction that one can make a good showing without resort to dubious practices and window-dressing by relying on good, efficient management. As the examples of the railways and other public sector units show, the lesson has far from gone home to our bureaucrat-managers. The bureaucrats continue to pin their faith on window-dressing and mutual back-scratching to churn out nondescript results from the enterprises they 'manage'.

A Developing Situation

Romesh Thapar

PARLIAMENT will soon be in session again — and this means that all governmental activity will more or less come to a stop, except for the tedious, and now farcical, business of answering the questions of MPs. But we are still waiting for the promised reshuffle of the senior bureaucrats at the Centre. Reshuffles, we know, don't mean very much in the context of our paralysing procedures. Yet, a change here or there, in a functionary or group of functionaries, might make things a little more relevant or performance-oriented.

Something is certainly happening behind the scenes. The secretariat is obviously waiting for the opportunity to indulge in a favourite omnibus statement. Meanwhile, the usual leaks are taking place. Leaky, leaky, leaky — this seems to be the condition of so many in government or political service. The GOI can be compared to a bunch of old women addicted to whispering forbidden news to journalists whose sole concern these days is to scoop appointments and movements.

Whether it is the significant appointment of a Secretary (Economics) in the Prime Minister's overburdened secretariat, or the routine meanderings of a Foreign Office official in South-East Asia, or the perambulations of political light-weights — everything is treated on par and all manner of hunches are projected as solid analyses. No one is to blame except the GOI's briefing officers. They need more careful guidance. The nonsense spread in the Press about Ambassador Keating's failure to wave goodbye to the PM is indicative of what goes on in these days of flux!

Indeed, one would think that we belonged to the most affluent state in the world. The ruling elite could not be more relaxed. Over the past few weeks, many Central ministries have been without Minister and Secretary for days on end. Even public sector corporations carry on merrily without executives in position. And when we are told that despite ferocious exchange restrictions, Indians were second only to Americans in visiting the Osaka fair in Japan and that over a hundred Ministers from India (Central and

State) joined this jolly pilgrimage, we must shrug our shoulders and treat it as the most normal thing in the world. Chief Minister Veerendra Patil of Mysore, in trouble over these escapades, may think otherwise; but that is the truth.

CENTRIST IDEOLOGY

Of course, there has been much satisfaction over Indira Gandhi's performance at the UN. Most observers are carried away by the response of the Afro-Asian delegations to the sentiments she expressed. The perceptive, however, are more interested in the obvious beginnings of the reiteration of a centrist ideology, dynamic and linked closely to the complex continental politics of India. This aspect, much neglected by the new Congress Party, is finding fresh emphasis as questioning intensifies within the party about the implications of the united fronts with formations as diverse as the BKD and the CPI. The argumentative play in S A Dange's epistles to the Young Turks, or in the correspondence of Bhupesh Gupta, or in other such dialogues, written or verbal, hides the reality of this new phase in our political life.

In this context, it will be interesting to follow the debate on the need for preventive detention. Until now, the

ruling party at the Centre has been unable to muster a majority for this critical step in the drive to curb violence and arson in Calcutta. The situation in Calcutta, incorrectly described as the creation of Naxalite excesses, is in fact very largely the doing of traditional bad characters using a convenient political screen. It is clear to every one that only powers under a Preventive Detention Act would prove effective in the situation which now prevails — and this applies with or without incompetent governors and advisers. There is, however, a deep fear of granting the Centre such powers. The next session of Parliament promises to be significant.

In this developing situation, it is anyone's guess what exactly will be the direction of advance. Certainly, furious lobbying will be the resort of every organised section in order to confuse a public opinion which has yet to express itself massively on any issue. Hence, the opposing play on US arms aid to Pakistan and the violation of India's boundaries in Soviet maps, the moves and counter-moves on compensation to the de-recognised privy purse holders, the controversy surrounding the President and his governors, and the pressures now building around the two related issues concerning the advantages of the presidential system and the break-up of the one-State-one-language formula.

Yes, it's a developing situation — and, frankly, quite healthy...

November 2

THE FOURTH ESTATE

Exercised about Liberty

Nireekshak

THE unfolding of the political drama — or melodrama — in Uttar Pradesh, following the imposition of President's rule, was watched closely by the Press. President's rule, as we have seen, was unpopular with the Press; yet when it was revoked to induct T N Singh as the new Chief Minister of the Samyukta Vidhayak Dal coalition, those who earlier had shed copious tears over the "death of democracy", "rape of the constitution", etc, hailed

the rebirth of civilisation. Frank Moraes, of *Indian Express*, attributed it to the strength of "public opinion". However, while the President himself was given a clean chit — among others by *Nagpur Times* — for his labours on behalf of democracy after he returned from East Europe, Governor Gopala Reddy continued to be pilloried for his own role in the resurrection of democracy.

"Dr Gopala Reddy's ways appear

somewhat peculiar to the impartial observers of the current UP scene", wrote *Amrita Bazar Patrika*. For, while "he acted with astonishing alacrity in having the Charan Singh Government removed and President's rule imposed... he has been dilly-dallying over the matter of... revocation of President's rule and installation of a popular Government". However, all was not lost; for on the following day (October 19) *Patrika* found itself saying that the Governor had "done the right thing at the last moment by calling upon the SVD leader, Mr T N Singh, to form a ministry". This step should have been taken "immediately after Mr Singh's election", and "much of the unpleasantness could have been avoided if the Governor had promptly given the majority leader his due and the Congress (R) had gracefully accepted the fact that it was a minority in the Assembly". As it was, "the leaders of the Congress (R) in UP have little reason to congratulate themselves... All criticism of the Governor's role has indirectly tarnished the image of the Congress (R) for, — rightly or wrongly — he has been supposed to be too anxious to oblige the ruling party at the Centre". Since the Press had expressed a near-unanimous wish that President's rule should be ended as quickly as possible, it was interesting to note that *Free Press Journal* stood out as the solitary exception, counselling patience — "no hurry", it wrote — to the Governor in his efforts to restore popular government!

Whatever setback Congress (R) may have suffered in Lucknow, few observers saw any evidence of backsliding at Patna where the AICC was holding its session. The "message" of Patna, *Hindustan Standard* proclaimed, was "distribution by 1971-end of all cultivable waste land". Not that the principle was new. "But the direction, being time-bound, is in the nature of a mandate which Congress (R) Ministries in States are now obliged to honour... If the task is tough, its fulfilment will yield proportionately rich dividends. And, in case of success, the Congress (R) will have a long lease to rule the country".

Patna signified much more than this, *National Herald* explained. For, the Patna session of AICC "has released fresh energies in the only Congress which is the true heir to all Congress tradition and policy, and the Congress is once again more a movement than an organisation or a Government".

Not so fast, not so fast, *Hitavada* seemed to caution. There were many slogans at Patna, it said, and "these slogans may win some votes for those who circulate them, but slogan mongering cannot improve the tone of the Indian economy which is already suffering on account of the enforcement of ideas and theories which were abandoned by the socialist countries of Europe 20 years ago". According to *Deccan Herald*, "the adoption and implementation of policies that tangibly offer relief to the have-nots, who have so often been promised a new deal, are imperatives. For this, a well-thought-out and co-ordinated programme is necessary, not a mere spasmodic radicalism that generates an euphoria which soon dissipates itself".

Some harsh words about the organisational aspects of the Patna AICC meeting were written — for example by A Raghavan of *Blitz*, who minced no words saying that, organisationally, "it was the most chaotic — a non-session". According to M K Dhar of *Hindustan Times* the Patna session was "perhaps, politically the gloomiest, economically the least productive, and organisationally the most disorganised show put up by the party in recent years".

OBJECTIONABLE ARMS

However, the issue on which the Press really burned in indignation was not Congress affairs, but the American decision to resume arms sales to Pakistan. It was "cynical", wrote *Mail*. "Writing on the wall", warned *Free Press Journal*. "The Indian nation", said *Mail*, "will take a firm stand behind the Union Government in its protest against the American decision... The American Government can no longer explain away its dealings with Pakistan. Nor can the Indian nation understate what it is up against".

What *Statesman* found "particularly objectionable" was the "apparently unchanging American addiction to the pernicious doctrine of parity between India and Pakistan... The votaries of this doctrine, especially in the Pentagon, seem curiously blind to the reality that, while India must defend itself against both Pakistan and China, for Pakistan there is only one target: India". "It is strange", wrote *Deccan Chronicle*, "that the American decision should hit the headlines almost on the eve of President Nixon's (Indo-China) peace proposals. American policy seems to be to hold the olive branch in one hand and the sword in the other — a

strange way of winning friends and creating enemies and influencing global 'peace'."

Few by-elections in recent times have aroused as great a national interest as did the Parel by-election held on October 18. The campaign was reported at length, particularly by the Bombay newspapers. This was to be expected — what with film stars enlivening Shiv Sena rallies and the political line-up itself falling into the neat pattern of the now fashionable battle between the forces of "reaction" and the forces of "progress". Editorial reaction too was undoubtedly influenced by this climate, but its range and depth were surprising.

"What Shiv Sena stands for is not unknown", wrote *Amrita Bazar Patrika*. "Its victory is a bad portent". The editorial then went on to pinpoint the second of what the paper called "two evils" afflicting the country: communalism. "If Parel has given regionalism a boost, Kerala has given the Muslim League a big shot in the arm", it said. *Tribune* wrote a much more studied editorial, describing the election result as "distinctly ominous". For, "having secured... a foothold in the State legislature the Shiv Sena will doubtless enter the field in a big way in the next general election". And were it to secure a "sizeable representation in the Assembly, it will probably be wooed by well-established parties for seizing or sharing power... It is not anti-communism that has triumphed at Parel", the paper declared, "but militant parochialism at its worst. The extent of the new menace looming large on the western horizon has to be seen to be believed".

From Madras, *Mail* noted a quite different reaction. Shiv Sena is no, doubt, "rabidly parochial" and its victory "will evoke regret rather than rejoicing... but this is not the main point. The fact cannot be ignored that there was a clear-cut division of Right and Left in this by-election and the Right has triumphed". *Mail* deduced from this that a "process of political polarisation" may have set in and that, at any rate, the Swatantra party's move for a democratic alliance at the national level "is gathering strength". In *Searchlight's* opinion, too, the election result showed a "significant development". It was "a straightforward defeat of the Leftist forces at the hands of an extremely Rightwing party". And it was CPI's "collaborationist role" that did it!

By Controls and Buffer Stocks?

Nishtar

THE oilseeds market has developed remarkable strength. Bulls have turned aggressive. They have not only rigged new crop contracts in linseed, castor and cottonseed to new high levels but they have also lent sizeable support to forward positions in groundnut oil. Within a week, oilseeds futures have risen by about Rs 5 a quintal, and the quotations for groundnut oil November and December deliveries have moved up by about Rs 400 a tonne. The sharp upswing has occurred amidst prospects of reasonably good supply. Cottonseed futures have been pushed up although the spot material is quoted at a discount at all the important centres. And the prices of groundnut oil — forward delivery — have been marked up in anticipation of increase in arrivals in coming weeks. Spot prices have of course eased, following the Gujarat Government's belated announcement lifting the ill-conceived ban on the movement of groundnut oil outside the (surplus) State; but they are still on the high side. Large speculative support for distant positions in groundnut oil will be viewed with concern by those who had been hoping that the record groundnut crop would provide the badly-needed relief to the poor consumer.

It is not only the speculators who are out to create scarcity amidst plenty. Government's intentions are also suspect. It is New Delhi's reported move to fix groundnut prices and to create a buffer stock which has kindled bullish flames in the oilseeds market. According to a PTI report dated October 30, the Political Affairs Committee of the Union Cabinet has approved proposals to fix groundnut prices and to create a buffer stock to help Government in holding the priceline of groundnut oil and vanaspati. It is stated that these proposals will lead, in due course, to the termination of forward trading in groundnut without the need to impose a formal ban on it. The Ministry of Agriculture is to be asked to fix groundnut prices at once — as the cotton and jute prices had been. The Ministry is also to be asked to take in hand the creation of a buffer stock for groundnut so that it can check the cornering of groundnut stocks which are the main basis for manu-

facture of vanaspati. Government is stated to be strongly of the view that no scope should be given for prices of oil and vanaspati to fluctuate. According to the Committee's decision, groundnut stocks offered by growers would be purchased either by the Food Corporation or through a suitable agency to be created for the purpose.

The news agency report is very vague. It provides no indication whatsoever about official thinking on any of the important points. At what level are groundnut prices likely to be fixed? How is the buffer stock to be built and what will be its size? Will the Government agency which is proposed to be set up for purchase of the groundnut offered by growers supplement the established trade or will it displace it?

As it stands, the report makes little sense — not economic sense anyway. One does not expect that from a Political Affairs Committee. The reference to ending the forward trading without imposing a formal ban on it can only evoke ridicule. For there already exists an official ban on forward trading in groundnut and groundnut oil. Of course, illegal forward trading is quite rampant at many centres, including Delhi. The authorities cannot disclaim knowledge of this activity which is freely reported in daily papers. And what is one to make of the reported statement that "no scope should be given for prices of oil and vanaspati to fluctuate"? Can prices be made to fluctuate to order? Prices can certainly be controlled. Whether the commodity will be available at the controlled prices is another matter; it would depend on the honesty and efficiency with which the control is administered.

What exactly the Political Affairs Committee means by "holding the priceline" is not clear. Commonly understood, it implies checking the rising trend in prices. This calls for a better balance between demand and supply, whether by restricting demand or by increasing supply. In view of the continuing acute shortage of edible oils in the country, creation of a buffer stock out of indigenous production would not seem to make much

sense and any attempt to do so is bound to have a strongly bullish impact on the market. If the upward pressure on prices is to be avoided, the buffer stock will have to be built out of imported oils/oilseeds. Continuing inflationary pressures and the rising cost of daily necessities of life have made a complete mockery of Government's solicitude for the common man. How long do the authorities expect him to forgive them on the plea that they know not what they do?

Nature has been unusually kind this year — for the fourth year in succession. Kharif crops are expected to set new records and prospects for rabi crops appear to be quite promising. It would be a pity if the authorities are unable to provide any relief to the common man through cheaper supplies of essential commodities. In order to discourage bull speculation, New Delhi would be well advised to clear the uncertainty created by the reported decisions of the Political Affairs Committee of the Union Cabinet. In determining the level of minimum support prices for groundnut, it is necessary that due consideration be given to the need for international competitiveness. Good sense and reason should not be allowed to be sacrificed at the altar of political expediency.

Racing Towards Moon

ESTIMATES of the cotton crop placed before the Cotton Advisory Board on November 4 ranged between 60 lakh and 62 lakh bales. Unless all the respectable members of this august body are ill-informed, the 1970-71 crop could be safely placed at a minimum 60 lakh bales. Together with the proposed imports of 8.25 lakh bales—comprising 4.50 lakh bales of global and 3.25 lakh bales of US cotton and the balance in cotton or staple fibre—and a carryover of 18 lakh bales, the total availability of fibre will be larger than in the 1969-70 season.

Crop arrivals have been gradually picking up. Even so, the cotton market has displayed remarkable strength and prices have already moved well beyond the highest levels recorded last season. This might appear rather intriguing. But the explanation is simple. The demand for cotton is derived from the demand for cloth and the offtake of cloth has been really good. The cotton piece-

goods market was perhaps the liveliest of all markets at Diwali time. Not only was the 'moorat' business in the wholesale market quite large but transactions took place at considerably higher prices.

When most mills have a ready market for whatever they produce and can realise asked-for prices, raw material prices do not matter. Partial statutory control has lost its meaning because mills can escape its rigours by paying a small penalty (six paise a square metre). Only those mills, which, because of their equipment, have got to produce controlled varieties, stand to lose. Unfortunately, these units also happen to be financially weak. One really wonders whether, in the inflationary conditions obtaining at present, control on cloth serves any useful purpose; though, of course, it may have some political appeal.

At best, the overall supply position of cotton is only relatively comfortable—rather, less uncomfortable. This explains the continuing pressure on prices. However, in order to make adequate credit available for smooth and orderly marketing of cotton and at the same time ensure that credit is not used for hoarding, the Reserve Bank has relaxed control over bank credit against cotton and 'kapas' (unginned cotton). The ceiling limit on advances to mills has been removed. In respect of advances to others, banks have been allowed to maintain a level of credit in each four-month period from October 1, 1970, equivalent to the peak level for each party in the corresponding four-month period of any one of the three preceding years—1969, 1968 and 1967—whichever is highest.

The Reserve Bank has also prescribed a graded system of margins both for mills and other parties. For mills, the margin would be 25 per cent for stocks equivalent to six weeks' consumption, 40 per cent for stocks in excess of six weeks but not exceeding eight weeks, and 60 per cent for stocks beyond eight weeks. Margins are lower for government-run mills and sick and financially weak units.

The minimum margin requirements for parties other than mills are fixed on a graded scale, ranging from 40 per cent to 75 per cent. The margin in respect of new crop would be 40 per cent for the first four months, 60 per cent for the subsequent four months, and 75 per cent thereafter. The minimum margin for the old cotton crop would, however, be 75 per cent, irres-

pective of the period. The other exemptions/concessions, allowed earlier in respect of advances against imported cotton, pre-shipment credit, export bills, etc., will continue. The minimum rate of interest to be charged by banks on advances against the security of raw cotton and 'kapas' has been kept unchanged at 12 per cent.

Neither the industry nor the trade seem pleased with the revised credit control measures. Controls are always irksome. But with cotton prices surging forward despite a larger crop and increasing arrivals, the Reserve Bank could not have been more liberal. The criticism that, the policy discriminates between mills in the private sector and those in the public sector, ignores the very important point that the mills which Government has been obliged to takeover are those which the private sector had been unable to run economically and as such their plight demands a more lenient treatment.

It seems rather odd that the industry, which keeps complaining all the time about soaring cotton prices, should have canvassed at the Cotton Advisory Board meeting for relaxation of stock limits and credit curbs. Perhaps this is part of its strategy to forestall stricter measures. The situation in the cotton market calls for stricter discipline. Cotton prices are racing towards the moon. It is the poor consumer who foots the bill. And who is there to bother about him?

An Unexciting Affair

'MOORAT' trading for the new Samvat Year (2027) turned out to be an altogether unexciting affair. The stock market did wear a festive look but this could not hide its uneasiness over the disturbing statement by the Union Minister of State for Defence that Pakistan was preparing for hit-and-run type of raids on India. If the market did not encounter any important selling it was partly because selling is deemed to be less auspicious than buying, and partly because the market had already staged a sharp retreat from its early October peak and got rid of the weak and not-so-strong bulls. It is foolish to draw any conclusions about the outlook for the new year from the market's mood and behaviour during the auspicious 'moorat' session. Let alone day-to-day fluctuations, even short-term price movements are influenced more by technical considerations than by funda-

mental factors.

After having lost nearly half the ground it had gained during its mid-July to early-October offensive, the stock market has taken a pause. It appears that it would like to mark time and meanwhile have a fresh look at the various bull and bear factors and also to measure its own strength before taking its next important step. With anxious selling nearly over, the market may be expected to put up a steadier front. But bulls have been too badly mauled recently to assume an aggressive posture immediately; it will take time before their wounds get healed up. Penal 'badla' charges are also likely to restrain bullish enthusiasm. Moreover, with surplus funds earmarked for new issues—and there are quite a few of them on offer—investor interest in old shares is likely to remain very much restricted.

The industrial scene presents a confusing picture. Recent trends in industrial production have been far from encouraging; the growth rate has been running well below the previous year's level. The leading spokesmen of the private sector continue to complain that bureaucratic red tape, lack of timely decisions, raw material shortages, and obstacles in the expansion of large industrial houses are retarding growth rate. Industrial unrest has been on the increase and labour is adopting an increasingly militant attitude. The Ministry of Industrial Development, however, has a very different story to tell. It says that the country is well set for a higher and accelerated growth in industrial production following its liberalised licensing approach coupled with freer use of import licences. But this optimism is not shared by the Planning Commission which seems deeply concerned about the state of the economy. Planners fear that the progress of the entire Fourth Plan may not be as envisaged unless radical remedial steps are taken immediately. Recent export performance also has not been encouraging, and the Foreign Trade Ministry is now beginning to take a dim view of the possibilities of achieving the annual export target of seven per cent growth.

The stock market could yet take comfort in the fact that corporate news continues to be fairly encouraging and that most companies stand to benefit from the improving economic tempo, no matter how slow the pace. New Delhi is reported to be seriously thinking of relaxing import licensing in

order to enable the export industries to meet their requirements of raw materials and chemicals, either directly or through public sector corporations. Dinesh Singh has thrown hints about liberal interpretation of the definition of 'dominant' undertakings under the Monopolies Act for purposes of giving industrial licences until such time as a clear productwise demarcation of production is available with Government.

Since the stock market can thrive on scarcity, it might not have much cause to worry in the slow rate of growth in industrial production. But it cannot ignore the consequent in-

crease in inflationary pressures. It will have to carefully assess the possible impact of inflationary pressures on industry's margins. The erosion of industry's margins can have a far-reaching impact on the outlook for equities. The recent increase in steel workers' wages is estimated to cost TISCO and IISCO an additional Rs five crores and Rs three crores a year, respectively. Bhagat has stated that there is to be no further rise in steel prices to offset the increase in wage costs. How are the steel producers going to maintain their profitability which is already on the rather low side?

COMPANIES

Bidding to Expand, Diversify

Hansavivek

TATA CHEMICALS has been issued a letter of intent for its revised fertiliser project, subject to certain conditions—chief among which is that it will have to obtain clearance under the Monopolies and Restrictive Trade Practices Act. The project aims at production, in a phased manner, of 850,000-900,000 tonnes per annum of high-analysis basic fertiliser materials, preferably to be bulk-blended, which will contain 406,000 tonnes of balanced plant nutrients (1:0.8:0.6). The estimated capital cost of the project will be about Rs 55 crores, including a foreign exchange cost of Rs 25 crores. It has been made clear that such licence as may be issued will not commit Government to any of the subsequent stages of the project.

The company has acquired a 25 per cent share in an Argentine company, Tata Sudamerica SACIF (TASUD), formed to set up a 200,000-tonne soda ash plant in Argentina. The balance 75 per cent of the capital will be held by Tata Incorporated and by Argentinian associates. TASUD has in turn promoted Alcalis Argentinos SAIM (ALCAR) in the share capital of which Tata Chemicals proposes to participate to the extent of 48.21 per cent. Both these Argentine companies (TASUD and ALCAR) were formed with the approval of the Ministry of Foreign Trade and the Reserve Bank of India after the Argentine Government had

invited international bids for the establishment of the soda ash plant there.

Tata Chemicals has also received a letter of intent for expansion of its soda ash capacity at Mithapur, from 600 to 1,000 tonnes per day, subject to fulfilment of certain conditions. Industrial licence for the expansion is awaited. Expansion of the benzene hexachloride plant has been delayed slightly because of delay in the receipt of some of the equipment from abroad. Work on the new power plant is proceeding apace. Because of a breakdown, gross production of soda ash, the company's main product, marginally declined by 772 tonnes to 206,800 tonnes. The chlor-caustic group of plants registered an improvement, with output of electrolytic caustic soda increasing by 7 per cent over the year. In the pesticides group, production of benzene hexachloride declined by about 13 per cent because of lack of demand. The copper oxychloride plant, which had been closed down since March 1968, worked for a short period and produced only 164 tonnes. Facilities have been set up for formulation of technical materials at Mithapur at a marginal investment which, it is hoped, will place the company in a better position to compete with other manufacturers of pesticidal materials. During 1969-70, the company manufactured 50 tonnes of copper oxychloride water-dispersible powder-concentrate—a formulated

material from copper oxychloride technical.

The company increased the selling price of caustic soda because of 'substantial' increases in costs of production including wages and because of the heavy impact of taxation. It claims that, nevertheless, its selling prices of major products continue to be lower than those of the other manufacturers and that it passes on substantial benefit to its consumers. Total turnover increased from Rs 11.96 crores to Rs 12.53 crores, and gross profit from Rs 3.12 crores to Rs 3.35 crores. However, net profit was lower at Rs 1.43 crores (Rs 1.50 crores) due to loss of tax concessions to which the company is no more eligible. The unchanged dividend of 15 per cent was covered 2.1 times. Return on total funds employed in business was 12.3 per cent. The company's application for issue of bonus shares, on a one-for-five basis, is still pending with Government.

CENTRAL INDIA MACHINERY MANUFACTURING has once again shown poor results. In the year ended March 1970, sales dropped from Rs 10.74 crores to Rs 7.45 crores and gross profit from Rs 14 lakhs to Rs 11 lakhs. No provision could be made for depreciation; arrears on this account mounted up to Rs 77 lakhs. After making some adjustments, the balance surplus was utilised to reduce the accumulated deficit to Rs 8 lakhs. The usual dividend on preference shares, amounting to Rs 6 lakhs, is to be paid out of reserves. Production of winding machines has been increased to meet the rising demand. The working of the shuttle division might have been better but for the shortage of imported wooden blocks. The steel foundry division's working was affected on account of 'very low' prices of cast steel items. The wagon division showed only slight improvement, as it had to contend with inadequate supplies of steel from producers and of wheel sets from the railways coupled with low prices at which wagon orders were placed. The directors point out that these difficulties still persist in a 'more aggravated form'. Efforts are being made to enter the export market for wagons. Although production of fabricated structures further increased during 1969-70, profitability did not improve due to stiff competition. There was also labour unrest at some of the erection sites, hampering erection work.

FROM OUR CORRESPONDENTS

Congress (R), CPI and CPI (M)

Sumanta Banerjee

"... the idea of Right and Left is an equation which is totally out of date, one can't put it like that."

— A character in Jean-Luc Godard's film "Made in USA".

THE traditional criteria for defining Right and Left in India are fast dissolving under the impact of the recent political developments. Conventional Leftist demands like nationalisation and land reforms have become a common patrimony of almost all the political parties. Even the Jan Sangh at its General Council's meeting in Chandigarh in July this year adopted a resolution on the economic situation demanding nationalisation of foreign banks, Indianisation of foreign-owned industries, strict and time bound implementation of land ceiling laws and distribution of surplus land among the landless.

The test comes when the parties are required to implement their promises. The Jan Sangh's opposition to land reforms in the first United Front Ministries in UP and Bihar was one of the factors leading to the collapse of these governments. The opposition of the Congress (R) Chief Ministers to their Central leadership's proposal for lowering of ceiling on land at the recent conference of Chief Ministers in Delhi, is an indication of the degree of sincerity within the ruling Congress. Possibly referring to the opposition to the official policy within the party, the Congress(R) President, Jagjivan Ram, told the first central training camp of the AICC at Chandigarh on October 19 that all those elements who represented the vested interests had not yet vanished from the party. He, however, hastened to reassure his audience that the "progress of polarisation" had set in and the fight for socialism would continue (*National Herald*, October 20).

Yet it is well known that Jagjivan Ram has consistently opposed his party's alliance with the CPI on a national plane. Would not his opposition retard the progress of polarisation? Should we then include him in the group of vested interests in the Congress(R)? The explanation obviously does not lie then in the simple conflict between the Left and the Right, but in a far more complex set of differences.

The behaviour of the Leftist politicians also cannot be explained in terms

of the old division. The SSP, still supposed to be a Leftist party, has drifted further and further away from the other Leftist parties and is today a staunch ally of the Syndicate-Swatantra-Jan Sangh axis both inside and outside Parliament. The CPI(M) Central Committee warns the democratic movement to "continue to exercise its vigilance against" the Syndicate alliance [*vide* CPI(M) Central Committee resolution, October 11]; yet its party unit in Kerala had no qualms about coming to an understanding with Syndicate Congress candidates parading as Independents in the recent elections there. The CPI National Council stresses the need for a broad front of Left and democratic forces including progressive elements of Congress(R) (*New Age*, October 11). Two days later, the party's Chairman warns that any talk of Left front with Congress(R) is premature (S A Dange's letter to Chandra Shekhar, Chandraseet Yadav and Arjun Arora and others in the AICC, October 12).

Although the leaders of all these parties seek to dismiss the inconsistencies as minor shifts of emphasis, a little probe would reveal that pulls between regional demands and national obligations, sectional interests and overall requirements, immediate necessities and long-term strategy are tending to overshadow the traditional differences between the Left and the Right.

NOT OVER CHANGING SOCIETY

The polarisation, about which much is heard nowadays, is devoid of any ideological positions and heedless of principles. Taking place within the framework of the *status quo*, its aim is election auctioneering. Each side incorporates many of the items from the Socialist catalogue; each side can march us to the polls to keep the other side out; each can mobilise grievances to oust the other. The fight is no longer over changing society, but over who can provide a more efficient and humane administration of the present society.

This was also the issue on which the Congress split about a year ago. The differences were not so much over any ideology as over the strategy to be adopted. The power struggle of individuals was of course one of the factors. But in the main, Indira Gandhi sought

a new mass base for her party. The growing agrarian unrest in the wake of the Naxalbari uprising in 1967 highlighted the need for taking more positive steps against the feudal vested interests. The miserable defeat of the Congress in the mid-term elections in certain States in early 1969 also made it imperative to shift the base from the pre-capitalist strata of big landlords in the rural areas to the small and middle peasantry. The existing structure had to be rationalised for this purpose. The old guard in the Congress, now in the Syndicate, were slow to realise this.

It should be borne in mind that the measures taken by Indira Gandhi till now are primarily calculated to shore up the middle-income group in the rural and urban areas and in the process confer a Leftist aura upon her party. To do this it was necessary to make some structural reforms. Every reform, mainly directed against the feudal interests, was however followed by a conciliatory step so that the industrial bourgeoisie were not driven completely to the wall. Bank nationalisation was meant to divert the flow of credit from big business to the middle income group — the small and middle peasantry in the rural areas and small-scale entrepreneurs and self-employed persons in the urban areas. At the same time, the bourgeoisie industrialists were assured of continuity of aid from the public sector financial institutions.

The decision to raise the wages of white-collar employees of banks and give interim relief to the Central Government employees is another measure aimed at winning over a section of the middle-income group. But in an inflationary economy, a wage rise is indirectly an incentive towards raising prices of commodities. The pay rise has added substantially to the employees' power to purchase high priced consumers' goods, thus hitching up profits. The profit mechanism of the capitalist system is not only accommodated in Indira Gandhi's economic policies, but is often encouraged in such devious manners.

Significantly, Indira Gandhi attacks incomes which are not profits. In this connection her decision to abolish privy purses assumes importance. It was aimed at reducing the social and economic importance of all parasitic incomes — parasitic in terms of the capitalist economy — incomes which are not profits, and cannot be reinvested. Needless to say, this measure was in keeping with

her shift of emphasis from feudal interests.

That all within her party are not unified over the measures indicates the pulls between regional loyalties and national demands. The proposal to lower ceilings on land met with opposition from the Congress (R) leaders of the States — Brahmananda Reddi, Naik and Sukhadia. They are still dependent for their votes on the rural gentry and cannot naturally afford to antagonise them. These same leaders on the other hand, were vociferous in urging ceiling on urban property, since being mainly rural-based, they had little to lose among the urban rich electorate. The extent of their radicalism is thus bound by their ties to the voters.

Jagjivan Ram's opposition to an alliance with the CPI again stems from the rivalry in his home province, Bihar, between his followers and the Chief Minister, Daroga Rai. The latter is working in close alliance with the CPI ("...the Daroga Rai Ministry is taking certain welcome steps thanks to its understanding with the CPI and PSP. These two Left parties are exerting beneficial influence on the Daroga Rai Ministry..." — CPI National Council resolution). The Ministry had to face furious opposition from Jagjivan Ram's followers during the CPI's "land grab" movement for being soft towards the CPI.

In spite of these differences, the Congress (R) as a whole has been skilfully led recently and has come to suggest much greater vigour and flexibility than in the past. As indicated earlier, it is looking for a new mass base. This is happening in the context of a real change. It is not a sudden access of strength to the Congress (R) but an acute disenchantment with the Left. The experience with the United Front Governments in the States since 1967 has taught the people that Right and Left have become indistinguishable in their methods. Their politics seems to have less and less to do with the thoughts and feelings of ordinary people and more and more with their own narrow interests being furthered through defections, corruption, nepotism and empty promises.

Among the Leftist parties, the CPI has been quick to seize on this to further its campaign for giving up anti-Congress prejudices and to work for a "government of Left and democratic unity at the Centre". The CPI strategy now is to concentrate its attacks on the backward, pre-capitalist features of Indian so-

ciety and on the more blatantly negative aspects of large-scale capitalism. As long as it does not attack the structures and real power of Indian capitalism and operates entirely within its system and for goals which the system itself is partially able to accept, it is easier for the Congress (R) and the CPI to work together. The CPI thinks that the feudal relics in India derive from the incompleteness of the bourgeoisie revolution. To complete it, it is necessary to form a government of Left and democratic unity. Thus its fight is not directed against the bourgeoisie state, but against the pre-capitalist structures and forces, represented by the Right Reaction. "Right Reaction should most definitely be singled out as the main enemy..." (CPI National Council resolution).

SHIFT TO THE LEFT

To carry out this strategy the CPI is trying to pull Congress (R) over to the Left or, to quote the National Council resolution, bring about a "shift to the Left". This is being done by papering over divergences and stressing the common objective of anti-feudal land reforms. The strategy was recently applied in Kerala. Through its understanding with the Congress (R), it campaigned for the Congress candidates, provided them with the much-needed support which they have been lacking in Kerala all these years. The new Leftist image of the Congress (R) might have also helped to attract the youth. In return the CPI received the right to exercise the functions of Government.

But in its haste to complete the bourgeoisie-democratic revolution, the CPI is apt to forget that to accept alliance with the Congress (R) is not to put one's hands on the steering wheel, but to share in the responsibilities of the system, without any chance of altering it. Moreover, the increase in the number of Congress seats from 5 to 32 and the fall in the number of CPI seats from 20 to 16 in the new Kerala Assembly suggests that while the CPI could persuade its voters to elect Congress (R) candidates, the Congress (R) either failed or refused to rally its voters behind CPI candidates.

Yet, the overriding desire to isolate the CPI (M) on the one hand and the typical Communist urge to distort the reality to fit it into pet theories on the other, made the CPI hail the Congress (R) in Kerala as a progressive force. As a result of these two motives, the CPI is undergoing a rapid process of integration with the social democratic

elements in the ruling Congress.

But while the CPI at the centre calls for the unity of Left and progressive Congressman, it is difficult to apply the policy in a State like West Bengal. The Congress (R) has not yet been able to rehabilitate itself there and Indira Gandhi's promises of socialism do not seem to cut much ice with the people there. The reality of Central Reserve Police atrocities and the general deterioration of West Bengal's economy being watched complacently by the Centre, do not create an atmosphere conducive to an alliance with the Congress (R). The CPI here therefore has to join the other Leftist parties in the chorus condemning police atrocities, presumably as a sop to its anti-Congress partners in the Eight Party Combination which it leads. In the same breath it pledges to implement the National Council's decision to ally with progressive Congressmen. It would be interesting to watch how long the West Bengal CPI is able to reconcile the two trends.

Apart from this conflict between the immediate tactics in West Bengal and the long-term national perspective, there are difficulties on the national plane also. While it is easier for the CPI to find common areas of agreement with the Congress (R) in the agrarian sector because of the latter's anti-feudal measures, the Government's concessions to the industrial bourgeoisie are creating problems for the working class movement. No wonder, S A Dange, being a trade union leader, has to hasten to restore the balance and remove the impression that his party is out for an alliance with the Congress (R), by reminding the Young Turks (and also perhaps his own partymen) of the fact that "even in the Congress government at the Centre, where the leadership of Indira Gandhi is supposed to be decisive, the anti-working class policies and measures continue to inspire governmental behaviour" (Letter to Chandra Shekhar and others in the AICC).

Thus, sometimes the needs of immediate tactics or the pressure from the rank and file might prevent the leadership from allying with the Congress (R) immediately. It is yet to be seen also how far Indira Gandhi would go to come to an understanding with the CPI. There are misgivings among her own partymen — not only among the old leaders like Jagjivan Ram but also among the younger elements who claim to be socialists — about the CPI. A time may come when the CPI

could be left in the lurch by Indira Gandhi if she felt that she could dispense with it and yet retain her Leftist image.

Unlike other parties like the SSP which were vertically divided in the wake of the Congress split, the CPI may suffer from a horizontal split. If the CPI leadership in its urge to maintain harmonious ties with the Congress (R) fails to respond to the compulsions of the trade union or peasant movements, it may lose its base, which may go over to the more militant parties. As for the middle ranking leaders, mostly intellectuals, driven by their social democratic ideology, they may join the Congress (R).

While the CPI is following a clear-cut strategy, the CPI(M) is still uncertain about its real orientation. Since the split in the Congress in 1969 it has been hoping to pressurise Indira Gandhi, taking advantage of the uneasy balance of forces in Parliament. Typical of this attitude was the behaviour of the party leadership early this year when the West Bengal United Front Government was threatened by an internal split. The ruling Congress party's General Secretary S D Sharma dropped a veiled hint that his party would not mind Ajay Mukherjee heading a government in West Bengal in "changed circumstances" (*Statesman*, January 25, 1970). The CPI(M) immediately sent its General Secretary, Sundarayya, and Jyoti Basu to Delhi on January 27. They handed over a letter to Indira Gandhi assuring her of their support to her against the Syndicate-Jan Sangh-Swatantra axis. At the same time, they warned her that if there were attempts to oust the Marxists from the West Bengal Government and form a mini-front Government on the Kerala pattern, "the support your party and Government are seeking in their struggle to fight the threat of the conservative alliance, from the democratic and advanced sections of the people, will surely be vitiated". The threat worked for some time and postponed the collapse of the West Bengal UF Government. But while in the meantime Indira Gandhi was consolidating her strength to dispense with inconvenient allies like the CPI(M), the latter was still labouring under the impression that she would not dare to isolate it.

The illusion collapsed in Durgapur in August this year. The miserable failure of the CPI(M)-led strike there on a political issue showed that the Marxists had been underrating Indira Gandhi's strength. The CPI(M) leadership felt at the beginning that after about a week, the management may agree to re-

lease the CPI(M) leader of the striking workers, Dilip Mazumdar, and the strike could be called off. While the West Bengal unit's secretary, Promode Das Gupta, sought to keep up the tempo by threatening every now and then a blood bath and general strike all over West Bengal if the Centre did not yield, the other CPI(M) leader, Jyoti Basu, held behind-the-scenes talks with Governor Dhavan seeking a face-saving device to call off the strike. But the Centre was adamant. Nothing came out of the talks and the strike had to be withdrawn. In deciding to begin the strike, the CPI(M) also made miscalculations about the likely role of the CPI. It did not expect that the CPI would go the whole hog in trying to break the strike and that it would even go to the extent of co-operating with the police.

RIUAL AGITATIONS

The failure only indicates the bankruptcy of CPI(M) politics. Its politics all these years consisted of building up the image of a big party, assuming a superior position from where to dictate terms and to issue threats without the need to live up to them. The agitations were actually ritualistic trials of strength to provide the rank and file with some occupation till election time.

Used to achieving its immediate objectives by threats, it was also lulled by the belief that Indira Gandhi's party or the CPI consisted of gentlemen who would play the Parliamentary game according to the rules laid down in the Constitution. When things went wrong in Kerala, therefore, the CPI(M) wailed about the "subversion of the Constitution", forgetting for the time being that it had demanded only the other day that the Constitution should go lock, stock and barrel. When the police were let loose on the striking workers at Durgapur, it was taken aback by the severity of the police repression, oblivious of the basic rule that the bourgeoisie would go to any length to defeat its enemies.

Two possibilities are emerging before the CPI(M). First, in Parliament it is likely to be more and more driven into the company of the Right-wing antagonists of Indira Gandhi. It took this position during the debate on the no-confidence motion against Indira Gandhi in the last session. On the question of the Governor's role in the recent UP crisis, it was willy nilly drawn into the same company again. Outside Parliament also, in its hostility towards Indira Gandhi and desire to defeat CPI, it is bound to seek alliance with the only consistent anti-Indira Gandhi group —

the Syndicate-Swatantra-Jan Sangh-SSP combine. This explains its support to Syndicate candidates in the Kerala elections.

Secondly, in places like West Bengal where the Right-wing axis is a non-entity, the CPI(M)'s anti-Indira Gandhi attitude may take a more militant form. The stress in its political campaigns will be on the futility of Parliamentary politics. In West Bengal, where the cult of violence is now an accepted feature of politics in party meetings there is already talk about preparation for partisan warfare. It is doubtful, however, whether the leaders of the party — middle class *babus* with a stake in the the present *status quo* and hopeful of positions in some future coalition government and power to distribute favours — are serious about such a possibility. It may be another form of the old strategy of keeping up the tempo among the rank and file and threatening the ruling class with a new bogey. The party leaders in West Bengal also have to reckon with the attraction of the Naxalite ideology among its rank and file. There is strong pressure from the CPI(M) cadres, brought up on revolutionary phraseology all these years, to act out the phraseology in practice. To appease them, CPI(M) politics in West Bengal may take a limited violent turn.

But the indications available till now are that the CPI(M) has not yet given up its attitude of improvisation for meeting immediate emergencies which has marked its politics so far. In Kerala it hopes to rehabilitate its militant image by taking advantage of possible dissensions within the ruling coalition or labour discontent. In West Bengal it is expecting clashes over harvesting by the end of the year. This would enable it to come back to the forefront in the State, where now utter demoralisation has set in among the people due to the failure of the Leftists and police repression.

LARGE-SCALE EROSION

These short-term militant actions, divorced from any fundamental ideology, would not be able to hold back the CPI(M) rank and file much longer from the Naxalites. A large-scale erosion in the ranks is expected unless the party goes in for a more basic change in its strategy.

But such a change requires a leadership bold enough to chart out an independent course of action and give up petty immediate gains to rehabilitate the image of Socialism in the Indian mind. Leftism has lost its sting for the Indian bourgeoisie. It has been

turned to the safe, beaten path of empty slogans, electioneering, coalition governments and constitutionalism — shared in common by both the Right and the Left.

When a motley mixture of such crying contradictions as a CPI-Muslim League combination or a CPI(M)-Syndicate understanding or a Jan Sangh-SSP alliance is received with equal interest and appreciation by the electorate, it is clear that the latter is suffering from a

SOUTH

Beginning in Kerala

Mohit Sen

THE United Front Ministry, which is in coalition with the Congress(R), has made the right beginning — not only in the sphere of the Assembly but in the wider arena of political action. This novel experiment of regrouped political forces has, of course, been in existence for only a very few months. It is far too early to predict how the experiment will fare or even how long it will last. There are too many contingent factors at the moment, above all, those of intelligence and vision. But this experiment needs to succeed, and not just for the sake of Kerala's advance.

There was considerable jubilation among the opponents of the experiment when the United Front and the Congress(R) could not agree on a joint list for the Trivandrum Municipal Corporation elections. While this was a failure, the results did not go the way the opponents — especially the CPI(M) — expected. In the event, it was more or less a repetition of the all-Kerala election results. The Congress(R) and the United Front parties won roughly an equal number of seats and, with this, an absolute majority in the Corporation of Kerala's capital. The CPI(M) and its partners made an impressive showing but were unable to win the expected majority, despite the split between the Congress and the United Front. While the decline in the number of seats held by the PSP was significant, it should also be noted that the CPI won two seats, whereas previously it had none and the number of seats won by the Congress(R) was less than that of the undivided Congress. Evidently, a joint front of the Congress(R) and the United Front, established on the basis of a proper estimate of each other's strength, would have simply swept the polls. It is equally evident that the coalition which has been established at the State level will be consolidated only

progressive atrophy of political consciousness.

The Naxalite rejection of any hope to bring about changes in Indian society within the present constitutional framework assumes an independent character in this context. If their activities and utterances sometimes appear shrill, it is not their fault alone. We all tend to raise our voices when we speak to persons who are getting deaf.

October 26

through a degree of struggle leading to better understanding and more mutual adjustments. It is all to the good that an agreement was fairly quickly reached on the joint candidate for the Rajya Sabha.

The Congress(R) in Kerala demonstrated through three important events that it was a new entity. Along with the CPI it issued a joint statement calling for an inquiry into the police firing on Kuttanad agricultural labourers. It wanted the Agrarian Reforms Act to be amended in a radical direction by removing exemptions relating to plantations. And it refused to be provoked by the speeches of the CPI(M) members in the Assembly or to be drawn by the enticing prospects offered by the Kerala Congress MLAs, instead defended the Achutha Menon Ministry and declared its determination to do all in its power to have the programme of reforms and economic advance implemented as speedily and efficiently as possible. It is in this manner that mutual trust and understanding may be created and traditions established that could make this coalition a pace-setter for the rest of India.

It is obvious, of course, that the coalition could become a pace-setter only if it succeeds in implementing the programme of democratic reforms and development, thereby establishing stability through change. It will certainly not succeed if it functions as a standstill government wedded to the better functioning of the *status quo*. From the Governor's address and from the speech of Chief Minister Achutha Menon, it appears that the leaders of the United Front as well as of the Congress(R) are quite aware of this fact.

Problematic issues, of course, abound. Important among them is the position of the Muslim League. Whatever outside, and rather academic, ob-

servers might assert, it is a fact that the Muslim League in Kerala is a different entity from the Muslim League of the pre-Independence period. It has the characteristics of a regional party and has the distinction of being committed to a programme of democratic reforms and secularism. It does have a religious basis, but this is not its exclusive *raison d'être*. Its representatives in the previous Achutha Menon Ministry as well as in the present one have conducted themselves with great decorum and reasonableness. As a matter of fact, it is through such joint effort that Kerala could set an example to the rest of India on communal harmony and national integration. This issue should not be mixed up — as it sometimes tends to be — with that of the expansion of the Muslim League at the all-India level.

Another issue is that of relations with the Centre. The opponents of the United Front and its coalition with the Congress(R) fondly hope that this is the rock on which the coalition will founder. It is, however, a fond hope. It is, after all, only because of the changed complexion of the Centre that the coalition experiment could commence in Kerala, and its success is undoubtedly dependent on further such changes. Further, as far as the legitimate demands of Kerala are concerned, it would not be difficult to establish an all-in unity, even if this should necessitate some struggle against the Central Government. Finally, the Kerala coalition cannot confine itself to the problems of the State. It would have to concern itself also with larger all-India issues and project alternatives to existing programmes and policies where these are in need of rejection and replacement.

Yet another problem, is the celebrated one of combining administration and agitation, so beloved of the CPI(M). The whole issue has been quite wrongly posed. The real issue is whether the programme of democratic reforms can be implemented only by and through the existing administrative machinery. Obviously not. The efforts of the Ministers and the more well-meaning and better bureaucrats would need to be backed up and supplemented by the united action of the masses. Action by the masses would also be required to defend their interests against the entrenched reactionary forces who have had to retreat but who have by no means been defeated finally. In Kerala, as elsewhere in the country, the Left and democratic parties and forces can only advance if they combine parliamentary and extra-parliamentary struggles.

The aggressive postures of the CPI(M) leadership have not softened after their electoral defeat, although no aggressive actions have been undertaken as yet. As time goes on and as the United Front Government proceeds with the implementation of its

ANDHRA

Through Politics or Plants?

THE by-election to the State Assembly from the Siddipet constituency in Medak district, to be held towards the middle of November, might prove something of a turning point in separatist politics. Both the integrationist and the separatist groups are staking their prestige and their future on its results. If the election goes in favour of the Praja Samithi, it will boost the separatist morale, strengthen the separatist claim, and so encourage it to contest the 1972 election as a distinct political party. On the other hand, the cards are not quite so clear; the ruling Congress in the State, which at one time was inclined to support a CPI integrationist candidate instead of setting up one of its own, has lately changed its mind and decided to set up a Congress(R) candidate — also on an integrationist ticket. While the recent land grab agitation by the CPI has alienated the ruling Congress circles from it, the real reason why the Congress(R) leadership now wishes to enter the by-election independently of CPI seems to be its new confidence that the result will be in its own favour. The recent shift in the loyalties of a number of prominent separatist Congressmen in Medak district to the ruling party, has indicated a serious split in the separatist ranks and has encouraged Congress(R) to go it alone.

Congress(R) also realises that, its own serious lapses in the past had led to the outcome of the Khairatabad by-election last June, in which the separatist candidate had won by a large majority. To avoid taking chances this time in Siddipet, Congress(R) will select a candidate who could command maximum local support. It may be helped along by the fact that, today, separatist ranks in Telengana by no means represent a united front. The Praja Samithi under Chenna Reddi and the separate Telengana Congress Committee under Konda Laxman fail to see eye to eye on any *modus operandi* for achieving the separatist objective. Konda Laxman is even credited with wanting to follow in the footsteps of three or four other separatist legislators to stage a retreat from the Telengana United Front and to

programme, the huge mass base of the CPI(M) would undoubtedly begin to shift its position. This could well lead to very startling developments within that party — without which, of course, Kerala's pace-setting would lack its total thrust.

sit in the ruling party benches.

Part of the disenchantment among separatist ranks stems from the fact that, the Prime Minister's reported assurance to Chenna Reddi of an early fresh move on Telengana has not yet — even after a month — taken concrete shape. What the Prime Minister's next move is going to be is indeed anybody's guess, notwithstanding her recent 'appreciation' of the demand for separate Statehood for Meghalaya and of the need to carry out the "necessary groundwork" for it as well as the Centre's move to confer Statehood on Tripura and Manipur.

The separatists, nevertheless, take heart from the thought that, after conceding Statehood to Meghalaya, she cannot refuse Telengana's demand for Statehood; just as integrationists draw hope from the anticipation that she cannot afford to alienate Chief Minister Brahmananda Reddi whose position at the State level is unassailable at present.

FERTILISER PLANT

Meanwhile, the Rs 71-crore, coal-based fertiliser plant in the public sector at Ramagundam, of which Triguna Sen laid the foundation stone in the first week of October, is under execution. When commissioned and operating to full capacity, it will help the fertiliser supply position considerably. The techno-economic report of the scheme projected a return of 16 per cent on the capital employed, which means that the capital would be repaid in the course of four to five years. Also, an estimated Rs 36 crores in foreign exchange are expected to be 'saved' through the attendant reduction in fertiliser import — as well as an estimated Rs 120 crores by way of a cut in food-grains imports consequent to the increased production within the country itself. The plant will have an annual capacity of about three lakh tonnes of ammonia for conversion to about five lakh tonnes of urea; and it will require about eight tonnes of coal annually.

These projections depend very much, however, on how far the construction schedule — to be completed by 1973

— is adhered to. For, while there are several factors favourable to such achievement, close co-ordination among all of them will be essential. The Fertiliser Corporation of India, which commands the requisite technical know-how and has control over half the nitrogen production in the country, is in charge of construction. Yet Sethna, Chairman of the Corporation, is worried about the availability of suitable equipment for the plant within the country. Coal, which is to be the main raw material, is to be supplied by the Singareni collieries, since the fertiliser plant is being located in the heart of the colliery area. Much depends on whether adequate supplies of coal, and of uniform quality, are provided by the collieries for the life span of 15 to 20 years of the plant. The requirements of power are to be met largely from the Ramagundam thermal station, while ample water supply will be available from the river Godavari on the banks of which the plant will be located. The full employment potential of the project is estimated at 1,200, but when in full production the plant will indirectly provide employment to about 3,500 persons in coal mining alone. The State Government has placed an area of nearly 45 acres at the disposal of the Fertiliser Corporation of India for this plant, and has promised all kinds of other assistance to it.

Significantly, the principal beneficiary of the Ramagundam plant's production will be the Telengana region. With increased land utilisation in the region, the demand for fertiliser supplies in the region are likely to rise progressively, especially if irrigation facilities under the Kadam, Pochampad, and Nizamsagar projects are provided and if rural electrification is rapidly extended.

Some years ago a licence was issued to a private party for the construction of the fertiliser plant on the same site; but the licence lapsed because the party wanted to base the project on imported naphtha instead of on locally available coal. Considering the massive coal deposits in the area which are convertible into ammonia, the present project is eminently suitable.

What will be the impact, of the construction of the Ramagundam fertiliser plant and of the other projects for power and irrigation now under execution in the Telengana region, on the demand for a separate State? Will it pacify separatist tendencies which have been based on resentment arising from underdevelopment? Or will it at this stage of alienation strengthen the demand for an economically viable and culturally distinct Telengana State?

Women, Work and Growth

Kamla Nath

Woman's Role in Economic Development by Ester Boserup; George Allen and Unwin, London, 1970; pp 283.

IN analyses of poverty of nations, and the possibilities of their economic development, the contribution of man as a factor of production is given a prominent place, but the contribution of women to production and the possibilities of using their labour for economic development are generally overlooked. As a result, while economists have been concerned with unemployment of men and while care is taken in development programmes to use only those production methods which do not drive men out of employment, displacement of women workers in the process of economic development is not considered of much consequence.

DOWNWARD TREND

A number of recent studies have pointed to the downward trend in female work participation rate in the developing countries, but this trend has been correlated with the rise in the levels of incomes;^{1,2} it is not attributed to faults in development planning or to the character of the development strategy selected by the countries. Ester Boserup, a Danish woman economist, who is well known as the author of "Conditions of Agricultural Growth",³ is among the first to examine in detail the reasons for the decline, with economic development, in women's participation in economic activity. In her new book, "Woman's Role in Economic Development", she attributes the decline primarily to lack of opportunities for women to acquire the education and training needed for the white collar and skilled jobs in the growing modern sectors of developing economies. She points out that, the fall which reflects the inability of these countries to use their female labour force efficiently also slows down the speed of economic development and that it should not be regarded as a sign of satisfactory development. She has brought together extremely interesting data on female work participation rate, derived from official sources, various field studies, and her own field observations, for a large number of developing countries of Asia, Africa and

Latin America. She shows that women contribute equally, or more, to the family income in the traditional economies, in which the producing unit is the man-and-wife team (in agriculture as well as in industry and trade), but that their contribution declines in the process of modernisation of the sectors, which is accompanied by progressive adoption of capital-intensive methods. This change is primarily due to women having a disadvantageous and late start in acquiring the education and training needed for skilled work associated with capital-intensive production. The large demand for skilled workers in the modernising sectors and the need to provide the training facilities to meet that demand are recognised by planners in the developing countries, but the training facilities are provided primarily for male workers ignoring the needs of the other half of the labour force. Thus, in most developing countries — the Latin American countries, influenced by USA's attitudes and patterns are a notable exception — while men emerge as skilled workers with higher productivity and wages, women get thrown out of employment, or are employed only as unskilled labourers. "In the modern sectors the pattern of men doing the skilled and supervisory work and women the unskilled and subservient jobs... dominates the developing countries" (p 140). Moreover, the conditions of work for female unskilled labourers — such as low wages, long hours at hard and often degrading manual work, work under the supervision of men other than those of their families, and separation of home and place of work — are in sharp contrast to conditions in the traditional sectors, where women have shorter and more flexible hours of work, men and women work as members of a team, and women can look after their homes and children while working. In other words, work is available to women in the modernising sectors under conditions which are all to their disadvantage. The result is a widespread prejudice against women's participation in economic

activities, which leads in turn to association of non-domestic work by women with poverty and destitution. The association reinforces the pre-existing value against work by women outside the home, which is particularly strong in countries of Hindu, Arab and Chinese culture.

Ester Boserup points out that prejudice against non-domestic work by women so dominates the thinking of the leaders and policy makers that, even when provision is made for the education of girls it is not done with a view to training them for careers. On the contrary, "an ever larger number of women receive higher education just in order to live as highly educated housewives and mothers" (p 132). Even professional training facilities are restricted to home-based professions such as teaching, medicine and nursing. But the number of women who enter these professions for which training facilities exist is also not large — teachers being the sole exception. The reasons are diverse: expensive training requirements (as for medicine) or difficult working conditions and low wages (as for nursing). In India, there is in addition a strong prejudice against nursing, because of its association with low castes in the traditional society. Moreover, most women who get trained for these professions are urban women, whereas the expanding job opportunities are in the rural areas. Consequently, one sees in many developing countries unemployed teachers and doctors in the towns while there are schools and hospitals without teachers and doctors in the rural areas.

The attitude against encouraging women to enter the modern labour market, is justified by the male leaders of the developing countries, on the plea that, they have a serious problem of unemployment among men and that women's entry would only aggravate it. It is also argued that, if women substitute men, there would be uneven distribution of income, with some families having more than one income, and others having none. This reasoning is not well founded, according to the author. She discusses the unemployment situation in both the urban and the rural areas of developing countries, and shows that employment of women would not only not affect employment adversely but would

Flight into the future!

Today, the name of the economic game is Tourism.

Playing it well will earn the Taj Mahal Hotel Rs.1.4 crores in foreign exchange in 1970.



Deutsche Marks. Dollars. Yen. Swiss francs. Hard currencies backed by aggressive economies. Five day (four day?) work weeks.

Affluence and leisure the order of the day. Soaring gross national products which have created the international tourist. Indeed, the name of the economic game today is tourism. Take a look at the facts!

1. In 1970 world tourism will be worth Rs. 13,000 crores, roughly twice the size of the oil industry.
2. It is growing faster than world export (12% annually as against 7.7%).
3. In 1959, 109,000 tourists visited India. In 1969, 244,000. The figure for 1970 will be in the region of 300,000 and in 1973, 400,000!

Roughly half this number will spend some time in Bombay. And spend hard currencies. Twice as much as in 1969. Probably more. But is Bombay ready to take on 200,000 hungry, tired, slightly bewildered tourists, feed them, rest them, entertain them, and send them off on the Grand Tour, fighting fit and ready to go?

The Taj Mahal Hotel has every intention of doing its bit. It is investing Rs. 2 crores right now in a massive expansion plan which will increase capacity and service ability by a clean 100% by 1972.

AN EYE TO THE FUTURE WITH OUR FEET ON THE GROUND. There are two aspects to our expansion. Running concurrently and dovetailing to offer one complete package, the plan will be completed in stages until 1972, when the baroque splendour of the Taj will be complemented by the 22-floor, high-rising tower of the Taj Inter-Continental.

There will be 650 rooms in all (up 300 from 1970), restaurants offering four different kinds of international cuisine, and amenities ranging from a resident Astrologer in a Bazaar to a Health Club and a Swimming Pool. A WORLDWIDE, ELECTRONIC DIALOGUE. The collaboration with the Inter-Continental Group will offer many obvious—and other more subtle but equally important—advantages. It will supplement the experience of the Taj with an international assembly of skills garnered worldwide over many years. It will also link the Taj with PANAMAC, the computerised booking system connecting 950 Inter-Continental sales offices, all their hotels, all the offices of Pan American... a global electronic grid which provides advice on availability of rooms, flights, routings, etc., in minutes.

All of which is one way of saying that we are prepared to take on a fair share of the 200,000 tourists who will visit Bombay in 1973. This is wise, and makes good business sense. But beyond efficiency and foresight, beyond good management of money and manpower, lies a simple fact: people would rather stay at the Taj than anywhere else. This is a tribute beyond analysis, bestowed by time and memory to a handful of hotels, great hotels, the world over...

COME SHARE OUR FUTURE
THE TAJ MAHAL HOTEL, BOMBAY

Flight into the future!

200,000 world tourists will descend on Bombay in 1973.
With two hotels and 650 rooms, the Taj Mahal Hotel will be ready and waiting.



There will be 400,000 tourists visiting India in 1973 (twice as many as in 1969), and half of them will stay in Bombay for a while. All of us at the Taj are getting ready to welcome them. We've got a lot going for us. 65 years of practise, for instance. And it pays. This year the

Taj will earn Rs. 1.4 crores in foreign exchange alone.

The name of the game is people. People who know how to make other people comfortable and happy. Our guests are our friends. And to keep a friend requires wisdom, genuine care and maturity. All this can be acquired, and training is an important part of the learning process at the Taj. Key departmental personnel are sent off to study hotel operations around the world. Junior cooks learn under French chefs in Paris. Senior sales executives attend travel and trade conventions in places as far removed as Tahiti and Amsterdam.

The process is often reversed. Hans, our Swiss pastry cook, is teaching his Indian colleagues the fine art of the macaroon, the eclair and the truffle.

All of our people will have their work cut out for them. For Rs. 6.30 crores is now being invested in the entire renovation of the Taj, and the construction of the 22 floor Taj Inter-Continental.

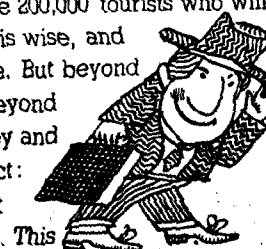
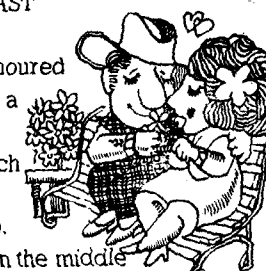
"QUITE THE MOST SPLENDID CARAVANSERAI IN THE EAST"

The historian who wrote this about us will never go unhonoured and unsung, for the Taj has a splendid future. Guests will dine at Indian, Chinese, French or Continental restaurants. Rejuvenate at a Health Club. Cool off in a swimming pool in the middle

of a garden. Have their fortunes told by an Astrologer located in a ground floor Bazaar. Observe the city from a restaurant on the 22nd floor. Eat waffles at the Coffee Shop below the first floor garden. Or do nothing, and do it delightfully, watching the boats go by in the harbour from the Sea Lounge.

Which is one way of saying that we are prepared to take on a fair share of the 200,000 tourists who will visit Bombay in 1973. This is wise, and makes good business sense. But beyond efficiency and foresight, beyond good management of money and manpower, lies a simple fact: people would rather stay at the Taj than anywhere else. This is a tribute beyond analysis, bestowed by time and memory to a handful of hotels, great hotels, the world over...

COME SHARE OUR FUTURE
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even help to develop both the urban and the rural areas at minimal cost.

As for unemployment among rural males, she points out that it is highest among young persons from better off families who remain unemployed for comparatively long periods, "because they are ambitious about the type of jobs they are prepared to accept" (p 204). The entry of women into the available jobs will not make the situation any worse for them. She argues further that, "in countries where the typical unemployed person is a migrant for whom there is an alternative job of productive work in the village, provision of work for women could be a means of raising the total male and female employment — provided measures are taken to limit the stream of rural-urban migration" (p 197). She favours limiting such migration on the ground that it will save public budgets the burden of providing the migrant families with housing and various urban services, and also because, "it is not desirable even if it were possible — for male urban employment to expand so rapidly that it absorbs the whole of the male population increase in the rural areas. Therefore, increasing female participation in urban labour market may often help to keep rural-urban migration within bounds in the interest of rural development" (p 200).

According to the author, a much larger number of non-professional educated women could enter the clerical, administrative and commercial jobs — as in the Latin American countries and in the developed countries. In her view, non-participation by women of the developing countries in such jobs not only deprives the countries of the contribution of educated workers, but also does not justify the expenditure of scarce capital resources on their education.

As for employment of women in the rural areas, she explains that women can contribute to agricultural development if they are given training in modern agricultural methods. In some developed countries, including Japan and the US, women are taking over the management of farms, while men work in non-agricultural jobs and a kind of housewife farming system is emerging. But in the developed countries training in agriculture is not provided for women because of the opposition of men; and both the school curricula and the community develop-

ment programme are designed to give women training only in nutrition, cooking, child care and other domestic subjects. Besides agriculture, she advocates training of women in food processing industries, rural trade and other service occupations. She says that the rural uplift programme "has a better chance of success if it includes possibilities for the educated girls to find attractive employment in the village" (p 223); otherwise, if, "such opportunities do not exist, enterprising young girls will migrate to towns before marrying or will press their husbands to migrate" (p 223). Provision of such job opportunities will help, in her view, the economic growth of the country without uprooting a large mass of population from the present environment.

The problems of unemployment and underemployment in the agricultural sector have been summarily dismissed by Ester Boserup, by saying that there is no surplus labour in rural areas. She says, "what we see is labour-in-waiting or seasonal unemployment which can be solved by intensification of agriculture" (p 200), and "in nearly all developing countries the agricultural sector could absorb much more labour with little, if any, decline in annual wages or income, provided that more labour-intensive system of agriculture were adopted, whereby employment could be secured for a large part of the year" (p 198). However, she herself does not seem too convinced about the scope for employing increasing numbers in agriculture. For instance, in connection with training plans for rural women, she says that the future lies in training them for work in "industries processing food and other materials of agricultural origin, with rural trade and increasing numbers of rural service occupations" (p 223).

The handicaps of late education and restricted training facilities for women are, no doubt, responsible for the low participation by women in the modern sectors of the economies of the developing countries. But the fact that, even in the developed countries, where no such handicaps exist, and where the majority of women are educated and trained, work participation rates for women are much lower than those for men (see Table) leads one to the conclusion that women's primary role of home-making and raising the children also reduces their work participation rate.

TABLE: CRUDE WORK PARTICIPATION RATES BY SEX IN FIVE DEVELOPED COUNTRIES, 1960-61

Countries	Work Participation Rate	
	Male	Female
USA	53.8	24.6
Switzerland	65.9	27.4
Canada	51.3	19.7
Sweden	60.9	25.7
New Zealand	55.3	18.7

Source: United Nations: Demographic Year Book, 1964, Population Census Statistics III, 16th Issue, New York 1965; Table 8.

International data on female work participation rate also shows that the highest participation rate is found in the least developed countries, the rates decline with increase in income and begin to rise again after a certain level of per capita income; but even in the most developed countries they never reach the levels of the underdeveloped countries.¹ The initial fall in participation rate with economic development can perhaps be explained partly by Ester Boserup's argument of late and disadvantageous start in training and education facilities for women; but the static participation rate, of around 25 per cent, among the developed countries needs to be explained. The possibility of women's primary roles — of raising the family and home building — leading to lower economic participation rates has been explored in an opinion poll conducted by *Good Housekeeping*, an American women's magazine.² The poll was conducted among 1,000 *Good Housekeeping* readers, between the ages of 18 and 34, married and with children under 15. Of the respondents, 71.7 per cent had the experience of work outside — part time or full time — but only 53.5 per cent were working at the time of the survey, and among the workers, 45 per cent were doing only part-time jobs. The women who had left work gave various reasons for doing so, e.g. needs of the children, pregnancy, trouble with baby sitters, non-co-operative husbands etc. To the question "Does it pay for a mother to work", 51.2 per cent replied in the negative; 11.4 per cent gave no answer, and only 37.4 per cent replied in the affirmative. The replies indicated also that the cost of the job in emotional wear and tear was too high to make the money returns worthwhile. Totally missing from the poll replies were any strident cries for women's rights to work.

In the traditional economies, wo-

men sacrifice these roles to an extent in the interest of sheer survival, but they devote greater attention to the roles and cease working as soon as they can afford to do so. Ester Boserup herself describes, and indeed bemoans, the plight of Asian and African working women: "The woman of the Asian plantation has a double job, as housewife and as full time labourer... while the men are at leisure when work in the plantation is over" (p 78). In my own field studies³ among village women of Rajasthan, I found that working women of both agricultural and non-agricultural households expressed a strong desire to be able to afford the leisure of preparing two hot meals and looking after the health and personal hygiene needs of their children, as could the high-caste, higher-income group women of the area who were not working. It was observed further that, women of the non-agricultural group, in which both men and women were workers in a cement factory, withdrew from work as soon as the husband or one of the sons became a permanent worker with higher wages in the factory.

Keeping in view the handicaps of women's primary roles, therefore, one may disagree with Boserup that women should enter in all fields of the labour market. There is no denying that the leaders of the developing countries need to change their attitudes against entry of women in the labour market and that positive encouragement needs to be given to women to enter such jobs in all sectors of the economy in which they can combine their two roles. And, while the training and education programme for women should be career-oriented, women should be trained for those careers where they can combine their two roles of home-maker and worker.

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Society" (unpublished). The study was conducted during 1961-62 in three villages of Sawai Madhopur district of Rajasthan among women of three castes — Meena cultivators, Chamar factory workers, and Brahmins.

Political Organisation and Urbanisation

Victor S D'Souza

Urbanisation and Social Change — A Study of a Rural Community on a Metropolitan Fringe by M S A Rao; Orient Longmans, 1970; pp xi + 240.

THE radiating influence of the urban centre on its surrounding areas is a major source of social change in any country. Its scope and significance in India has not yet been sufficiently studied, though a few small studies dealing with particular aspects are available. Rao's systematic and comprehensive study of a community on the metropolitan fringe is, therefore, almost a trail blazer in this important area.

The community studied is a village seven miles from the Delhi railway junction toward the north-west. The village has its interaction patterns both with the surrounding rural area and with Delhi, but the author has concentrated on the interaction with the rural area. The study was conducted at two points of time, once in 1956-57 and the second time in 1963-64, though the author was in constant touch with the village during the interim period. Consequently the author has succeeded in giving a vivid picture of the process of change as it has unfolded in the community.

Starting with a discussion of the impact of urban influence on the village economy and its occupational structure, the author brings out the repercussions of this change on consumption patterns, village administration, and political organisation. The introduction and the conclusion elucidate the problems and the issues. The main conclusion that emerges is that, while there has been a modification in the interaction pattern of the community, its integrity is still maintained. There has been a considerable degree of occupational diversification, but the higher castes on the whole still retain their economic superiority over the lower castes. Nevertheless, the diversification has increased the scope for inter-caste social exchange. A noteworthy exception is the scheduled caste of leather workers whose improved economic condition has not resulted in adequate recogni-

tion of them by the higher castes in terms of social relations. Although this causes tension, it has not resulted in any open revolt as in some other communities living under similar conditions. The author attributes this to the political organisation in the village which is based on factions that cut across caste lines and which prevent any single caste from putting up a common front against the others. This observation has far-reaching implications regarding the changing social organisation in rural India.

The author, in fact, is at his best when he is analysing the political organisation of the village. Although the analysis is based mainly on presentation of case studies, and not on systematic evidence, the author provides clear insight into the political processes and throws up many fruitful hypotheses which are worth further investigation.

The study is a contribution to both urban sociology and to an understanding of social change in India, and is thus a welcome addition to the slender volume of literature in both these fields.

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Profits and Investment in Coal Industry—I

Trends During First Three Plans

A B Ghosh

This study of profits and investment in the coal industry during the first three Plans concludes that:

- (1) In spite of lower profitability ratios relative to industries in general, dividends as percentage of profits were higher in the coal industry.
- (2) Following from this, the industry did not make any serious effort to mobilise internal sources of finance.
- (3) The involvement of banks and the financial institutions in the coal industry grew appreciably during the three Plans.
- (4) As compared to all industries, growth of equity investment relative to that of debt has been higher in coal.
- (5) During the three Plans, Government adopted specific fiscal measures to aid the coal industry in the form of higher development rebate and tax credit certificates and also raised prices on 28 occasions — on 24 occasions for adjustment to higher wages and on 4 for non-wage adjustments.
- (6) This continuous wage-price spiral under Government auspices enabled the coal industry to bypass the problem of improvement of productivity.

[The article is published in two parts. In this, the first part, trends in profits and investment in the coal industry in the First and Second Plans are studied. Trends in the Third Plan will be examined in the second part.]

THIS is an attempt at finding the response of equity investors to the profits of the coal industry during the first three Plans. Reserve Bank of India has constructed a series of profit indices. These indices are:

- (1) Profits before tax which include tax provision, dividends distributed, profits retained as reserves (other than taxation and depreciation) and balance carried to Balance Sheet;
- (2) profits after tax which equal (1) less tax provision;
- (3) ratio of gross profits [which equal (1) plus interest charges plus managing agent's remuneration] to total capital employed (which equals net assets);
- (4) ratio of profits after tax to net worth (which equals paid-up capital plus free reserves and surplus);
- (5) gross profits including depreciation;
- (6) gross profits excluding depreciation, i.e. gross profits as defined in (3) above; and
- (7) distributed profits on ordinary, preference and deferred shares.

Of these indices the investor in his selection of equities is primarily guided by items (2) and (4). He has to make allowance for the lack of exact corres-

pondence between tax paid and tax provision and this limits the comparability of the index (2) from year to year for the same industry and even in the same year for different industries. For, tax provision as a source of funds will vary according to the behaviour of other sources of funds the causes of which may have little to do with profitability; e.g. variations in trade dues and other liabilities may be due to transitory factors affecting the customers; variations in bank borrowings may be due to special features of an industry; variations in borrowings from statutory financial institutions may be due to limitations imposed upon them. To the extent, however, the indices reflect larger rebates of one kind or another, a true picture in absolute as well as relative terms is given.

Indices (1), (3), (5) and (6) are of interest to the creditor as reflecting creditworthiness of the industry.

Index (7) does not show profitability but only dividend policy. By itself a rise in the index may indicate ill health as reflecting lower ploughing back of profits and thus lack of inner strength.

The financial manager is interested in all the indices in his role of a guardian angel protecting the interests of the equity investor, the creditor and the entire organisation.

Our analysis may be usefully pre-

ced by a brief account of the coal industry during the first three Plans.

First Plan's additional coal requirements of 8 million tons was met from the then capacity of the industry as anticipated. Second Plan's additional requirements of 22 million tons was planned to be met to the extent of 12 million tons by "the establishment of new collieries" "wholly in the public sector" and 10 million tons "by the private sector [collieries] from their existing workings and immediately contiguous areas".¹ The National Coal Development Corporation and the Neyveli Lignite Corporation were registered as private limited companies in the public sector on September 5 and November 14, 1956, respectively. The former took over the eleven Railway collieries. (A public sector coal company, viz. Singareni Collieries Limited with a paid-up capital of Rs 63 lakhs existed in 1956. This public limited company was registered in 1920 under the Hyderabad Companies Act 4, 1320 Fasli.) At the end of the Second Plan output was 54.6 million tons the share of the public sector being 9.1 million tons.

Towards the conclusion of the Second Plan, the rate of expansion in some industries had slowed down owing to shortage in coal supply caused by the transport bottle-neck. So the Third Plan fixed a target of 97 million tonnes

of which the share of the public sector was to be 20 million tonnes. The capital outlay for achieving the targets was tentatively fixed at Rs 137 crores for the public sector and Rs 55 crores for the private sector. The World Bank agreed to lend Rs 16.7 crores to meet the foreign exchange requirements of the private sector for expansion and modernisation. A number of circumstances during the Third Plan, e.g. Chinese aggression, war with Pakistan and widespread drought in two successive years slowed down the tempo of economic development. "In February 1965 Government indicated that not more than 72 million tonnes of coal would be required to meet the demand upto the end of the Third Five Year Plan".² Bulk of the cut in production fell on the public sector.

Coal industry reveals the following features during the first fifteen years of planned development.³

- (i) Average value per tonne of coal raised increased at an annual rate of 4 per cent.⁴ (Wholesale prices of all commodities rose at the annual rate of 3.5 per cent during this period.)
- (ii) Output increased at an average annual rate of 7.4 per cent.
- (iii) Number of mines decreased by 7.7 per cent upto 1957, increased (with fluctuations) between 1957 and 1963 by 6.9 per cent and again decreased between 1963 and 1965 by 4.3 per cent registering a decrease of 5.6 per cent in the entire period.
- (iv) Excepting in 1965 the movement in the number of joint stock companies is inverse to that of mines during corresponding years. It increased upto 1957 by 16.6 per cent, decreased between 1957 and 1963 by 14.6 per cent, increased in 1964 by 5.1 per cent and decreased in 1965 by 11.8 per cent registering a decrease of 7.7 per cent in the entire period.
- (v) Paid-up capital of joint stock companies in the aggregate and in the private sector grew at an average annual rate of 51.9 per cent and 2.4 per cent respectively.

During the first half of this century paid-up capital (private sector) increased at an average annual rate of 24 per cent (i.e. from Rs 140 lakhs to Rs 1,820 lakhs). The disastrous fall in the rate of growth of paid-up capital in the private sector was compensated several times over by the phenomenal growth in the public sector as will be seen in Table A giving Plan-wise break-

up of the above five features in terms of percentage changes (+ increase; — decrease).

II

During the First Plan coal industry recorded more than 18 per cent growth of output with more or less constant prices and 4 per cent diminution in the number of mines. Good profits are in-

dicated by about 15 per cent rise in the number of joint stock companies accompanied by a much higher rise (approximately 24 per cent) in paid-up capital in the private sector; the corresponding figures for all industries was 5 and 32.

Table B gives the state of profits in coal mining [excluding distributed pro-

TABLE A: FEATURES OF THE COAL INDUSTRY IN FIRST THREE PLANS

	Average Value Per Tonne of Coal Raised	Output	Number of Mines	Joint Stock Companies		
				Number	Paid-up Capital	
					Private Sector	Public Sector
First Plan	+ .23	+18.2	-4.2	+15.6	+24.3	+Nil
Second Plan	+43.5	+34.2	-0.6	-5.4	-25.1	+7096
Third Plan	+15.5	+33.3	-0.8	-15.6	+48.4	+206

TABLE B: INDEX OF PROFITS IN COAL MINING, 1951-1955
(Base 1950 = 100)

Year	Profits before Tax*	Profits after Tax	Ratio of Gross Profits to Total Capital Employed	Ratio of Profits after Tax to Net Worth	Gross Profits including Depreciation	Gross Profits excluding Depreciation	Distributed Profits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1951	107.4 (132.9)	96.1 (133.3)	93.7 (118.9)	92.5 (124.7)	108.2 (128.7)	107.8 (131.2)	91.7 (114.4)
1952	119.9 (86.6)	128.3 (78.8)	105.4 (84.4)	117.9 (74.0)	122.9 (99.0)	120.6 (94.1)	97.3 (102.8)
1953	73.0 (100.9)	76.4 (98.1)	71.7 (93.3)	70.1 (88.3)	94.9 (109.6)	83.6 (105.3)	82.2 (110.2)
1954	82.7 (121.6)	91.5 (115.2)	77.2 (101.1)	83.6 (101.3)	101.9 (125.1)	92.3 (123.5)	94.0 (125.5)
1955	121.4 (150.1)	135.4 (149.8)	104.3 (113.3)	119.4 (122.1)	132.4 (150.8)	126.3 (150.3)	108.7 (138.4)

Source: Reserve Bank Bulletin, September 1957, November 1958 and October 1959.

Note: Includes 38 public limited coal companies with 51 per cent paid-up capital of the industry. Brackets indicate all industries and include 750 public limited companies with 66 per cent of the aggregate paid-up capital of the industries.

*For definition of the indices see the first paragraph of Section I above.

TABLE C: SOME RELEVANT INDICES IN INDUSTRIES AND COAL MINING
(1951-1955)

Index of	1951	1952	1953	1954	1955
(1) Industrial production					
(a) General	100	103.6	105.6	112.9	122.4
(b) Coal	100	105.6	104.5	107.2	111.4
(2) Wholesale price					
(a) Manufactures	119.3	100	100.4	99.7	102.9
(b) Coal	100	100	100	100	101
(3) Industrial wage					
(a) Factories	100	107.1	107.7	107.7	113.1
(b) Coal	100	107.4	107.5	109.7	112.2
(4) Wagon loading					
(a) Total	105.7	108.9	105.8	112.5	121.8
(b) Coal	105.9	86.0	81.3	89.8	90.2
(5) Pithead stocks of coal at the year end as percentage of output	100	107	122	121	118

Sources of the indices are as follows:

Items (1) and (2) Reserve Bank Bulletin. Item (3) Indian Labour Statistics (1968). Item (4) is derived from data in Reserve Bank Bulletin. Item (5) is derived from data in Monthly Coal Bulletin, December 1966, p 18, issued by the Director-General, Mines Safety.

Note: Items (2) and (4) have reference to 5 financial years beginning 1951-52.

TABLE D : PRICE INDICES OF SELECTED VARIABLE DIVIDEND INDUSTRIAL SECURITIES

	Coal	Jute Mills	Cotton Woollen and Silk Mills	Iron and Steel	Sugar	Paper	Cement
Base : 1940-50 = 100							
1952-53	84	91	94	97	85	151	113
1953-54	78	82	96	107	85	159	116
1954-55	82	93	107	140	101	211	141
1955-56	81	95	118	154	105	256	164

Source : Report on Currency and Finance, 1956-57.

TABLE E : INDEX OF PROFITS IN COAL MINING 1956-60 (Base 1955 = 100)

Year	Profits before Tax	Profits after Tax	Ratio of Gross Profits to Total Capital Employed	Ratio of Profits after Tax to Net Worth	Gross Profits including Depreciation	Gross Profits excluding Depreciation	Distributed Profits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1956	72.3 (112.0)	45.5 (105.9)	69.7 (93.9)	47.0 (96.7)	82.1 (109.7)	74.1 (108.9)	97.5 (110.3)
1957	124.7 (90.4)	94.6 (83.8)	95.5 (73.7)	84.8 (71.4)	109.9 (101.1)	115.8 (96.6)	107.4 (110.3)
1958	147.6 (102.9)	118.7 (97.1)	104.5 (79.8)	101.5 (78.0)	118.0 (113.0)	137.2 (108.9)	116.0 (120.5)
1959	116.4 (138.7)	103.6 (153.0)	84.3 (93.0)	92.4 (115.4)	105.3 (141.2)	110.9 (140.4)	127.2 (166.7)
1960	153.8 (160.9)	153.6 (170.6)	102.1 (101.8)	130.3 (118.7)	132.0 (166.1)	148.4 (159.2)	137.0 (182.1)

Notes: Columns (1), (3) and (5) have been taken from *Reserve Bank Bulletin*, January 1953, pp 140-141; other columns have been derived from data given in *Reserve Bank Bulletin*, September 1951, June 1962 and July 1962. Brackets indicate all industries and include 1001 public limited companies with 78 per cent of the paid up capital of the industries. Coal indices refer to 44 public limited companies with 63 per cent of the aggregate paid up capital of the industry. For the definition of different indices see the first paragraph of Section I above.

TABLE F : INDEX NUMBERS OF VARIABLE DIVIDEND SECURITY PRICES

	Group Index	Coal	Jute Textiles	Cotton Textiles	Iron and Steel	Sugar	Paper	Cement
(Base 1949-50=100)								
1956-57	121.2	78	70	134	147	105	266	176
1957-58	100.3	67	52	105	119	95	211	141
(Base 1952-53=100)								
1957-58	125.4	89	63	120	116	160	160	125
1958-59	137.3	107	80	114	145	164	185	129
1959-60	155.3	114	97	129	161	179	209	136
1960-61	171.7	120	90	151	160	187	224	144

Source : Report on Currency and Finance, 1960-61.

Note : Security prices of coal in 1957-58 reflect the low profits distributed in the previous year. The Table also bears out the inferior position in coal relatively to some old industries (excepting jute).

fits, col (7), which indicate dividend policy that may not necessarily be governed by the level of profits].

(i) Relatively to industries in the aggregate, all indices in all the years excepting 1952 show the weak pro-

fit position of coal.⁵ This is explained by the movement of the indices in Table C.

(a) Except 1952 the rate of growth of coal production throughout was lower than that of total

industrial production.

(b) Rate of growth of pithead stocks of coal was higher than that of output in all the years.

(c) The chronic transport problem of coal mining relatively to industries in general is shown by the indices of wagon supply.

The only reason for the relatively better profit position of coal in 1952 seems to be coal exports which had attained the highest level of 3.36 million tonnes⁶ registering an all-time record. For, price-wage relatives⁷ derived from items (2) and (3) of Table C [with the same base year (1951) for the original indices] as given below do not support the view of the trade that relatively low profits in coal were due to rising wage costs compared to prices.

	1951	1952	1953	1954	1955
Manufactures	100	78.2	78.0	77.5	76.2
Coal	100	93.1	93.0	91.1	90.0

Relatively favourable price-wage relatives for coal were not reflected in the profit position of coal *vis-a-vis* other industries. Even taken by itself the improved profit position of coal in 1952, deterioration in 1953 and improvement again in 1954 and 1955 are not supported by the indices of price-wage relatives of coal. Indeed, price-wage relatives do not seem to have played any crucial role in the industry in the First Plan. (Further observations on the relevance of such relatives follow later in the article.)

(ii) All profit indices in coal mining between 1951 and 1955 show the same tendency, *viz.*, a considerable rise in 1952, a heavier fall in 1953 followed by a steady rise reaching the highest level in 1955. Reason for the rise in 1952 has been stated in a preceding paragraph. The very low level of profits in 1953 is explained by a fall in the foreign (particularly East Pakistan) demand; an indication of a low level of activity in 1953 may be noticed in the lowest level of wagon loading and the highest level of pithead stocks as percentage of output. The cheerful profit position in 1954 and 1955 is explained by the gathering momentum of development as is evident from the index of production in spite of the hindrances of a rise of wages, accumulation of pithead stocks and inadequate wagon supply.

(iii) In the case of coal mining the index of profits before tax is lower than that of profits after tax in all the five years excepting 1951 whereas for industries in general the corresponding index is higher with the exception of the

year 1951. The difference is explained by the fact that in the case of coal the percentage⁸ of tax provision of profits before tax is lower than that of the base year in all years excepting 1951 and in the case of industries in general it is higher in all years excepting 1951.

Relatively unattractive character of coal for the investing public indicated by the figures of comparative profit situation given in Table B above (excepting 1952) is further confirmed by Table II (Statistical Appendix) giving a synoptic view of the growth of coal mining and industries in general during the Plans. It may be noticed, however, that in all items including dividends distributed coal lags behind but in respect of retained profits it scores. This latter seems to mark a healthy departure from the policy of immediate profit-making that ruled the industry in the pre-Plan period.⁹ This impression is strengthened by an analysis of the sources and uses of funds in coal mining and industries in general during the First Plan (See Table IV Statistical Appendix). It will be noticed that the coal industry used a larger percentage of its funds in plant and machinery (45.1) than industries in general (43.0). Of the sources of funds the reliance of the coal industry on internal sources (*viz.*, items B, C and D) was greater (72.2) than industries in general (61.1 per cent). Of the external sources, paid-up capital and bank loans together supplied 4.2 per cent for coal and 13.3 per cent for all industries indicating the relative unwillingness of the public and of the banks to invest in coal. This is evident from the price indices of a few selected variable dividend industrial securities shown in Table D.

A further indication of an earnest attempt on the part of the industry to grow with its own resources is given by the last two items of Table II (Statistical Appendix). The effort was, however, inadequate as evident from the First Plan quinquennial averages of a few crucial ratios in Table III (Statistical Appendix); profitability ratios confirm the relatively unfavourable profit position of the industry; profit allocation ratios show a tendency to continue in the pre-Plan tradition indicated further by the lower all-round rates of capital formation compared to industries in general. Inadequacy of the effort of the industry to grow by its own resources is also clear from the impact of the progress of mechanisation of coal mines (Table V and Table VI, Statistical Appendix). The very low output per man-shift in India compared to that

TABLE G : SOME RELEVANT INDICES IN INDUSTRIES AND COAL MINING, 1956-1960

Index of	1956	1957	1958	1959	1960	
(1) Industrial production						
(a) Manufacturing	1951=100	133.3	136.9	138.5	150.4	168.5
(b) Coal		114.9	126.8	132.2	137.1	150.9
(2) Wholesale prices						
(a) Manufactures	1952-53=100	105.8	107.3	109.5	117.0	128.8
(b) Coal		116	128	133	135	141
(3) Industrial wages						
(a) General	1951=100	115.4	120.8	122.3	126.4	134.4
(b) Coal		158.7	178.9	194.2	210.3	214.9
(4) Wagon loading						
(a) Total	1955-56 = 100	106.5	112.2	112.6	119.9	124.6
(b) Coal		100	105.7	117.7	116.8	130
(5) Pithead stocks of coal at the year end as percentage of output	1951=100	90	95	76	71	82

Note : For sources see Table C. Items (2) and (4) have reference to 5 financial years beginning 1956-57.

of some developed countries shows that mechanisation had only scratched the surface of the problem of productivity in India. It is, therefore, not surprising that the Government entered the industry in a big way in the Second Plan.

III

During the Second Plan the coal industry was on the whole healthier than in the First as shown by the higher rates of growth of prices and output (rates of growth of output during the Second Plan in the private and public sectors being 28 per cent and 91.5 per cent respectively and in the First Plan 13.3 per cent and 73.2 per cent respectively) accompanied by a fall (negligible) in the number of mines¹⁰ indicating a modest commencement of the movement of voluntary amalgamation¹¹ of collieries. There was at the same time a reduction in the number and paid-up capital of joint stock companies in the private sector which was however compensated several times over by a fantastic growth of paid-up capital in the public sector.

Following trends (Table E) are indicated:

(i) All profit indices in coal (except 1956) were higher than in the last

year (which registered the highest level) of the First Plan. Deviation from this trend is only apparent and is due to different rates of growth compared to the base year in relevant items, *viz.* col (2) 1957 in tax provision and profits before tax, col (3) 1957 and 1959 in total capital employed and gross profits and col (4) 1957 and 1959 in net worth and profits after tax.

(ii) In 1956 coal profits dipped much below the level of 1955. The also underwent a moderate fall in 1959; industries in general met similar fate in 1957.

(iii) Growth was continuous in the indices primarily guiding the prospective equity investor [e.g., col (2) and (4)] and in indices chiefly relevant to the creditor [e.g., col (1), (3), (5) and (6)] except [as noted in (ii) above] in 1957 for all industries and in 1956 and 1959 for coal. Lower levels of indices of col (3) compared to those of col (6) indicate a high rate of growth of net assets than that of gross profits.

(iv) Relatively coal was better off in 1957 and 1958. In 1960 variation in cols (2) and (4) for all indus-

TABLE I: INVESTMENT AND PROFITS OF JOINT STOCK COAL COMPANIES, 1951-1965

Year	Number at Work on 31st March	Paid-up Capital (Rs Lakhs)	Average Value Per Tonne of Coal Raised (Rs)	Number of Coals Mines	Output of Coal (lakh tonnes)
1	2	3	4	5	6
1950	428	1839	14.23	891	328
1951	442	1820	14.46	884	350
1952	448	2109	14.52	860	369
1953	458	2167	14.46	858	366
1954	475	2242	14.39	853	375
1955	495	2272	14.46	853	388
1956	498	2284	16.30	843	399
1957	499	2466	17.98	822	440
1958	484	3322	18.62	837	460
1959	473	4594	19.21	854	477
1960	468	6187	20.76	848	521
1961	436	9347	20.47	848	557
1962	433	13328	20.53	851	614
1963	426	14279	21.96	879	668
1964	448	15297	23.26	860	640
1965	395	16335	24.00	841	695

Note: Tables I-VI comprise Statistical Appendix Brackets under column 3 indicate paid-up capital of companies in the public sector.

Sources: Indian Coal Statistics (Annual).
Report of the Chief Inspector of Mines (Annual).

tries is explained by difference in the rate of growth of net worth in coal (11 per cent) and all industries (42 per cent) compared to the base year.

- (v) Profits distributed [col (7)] grew throughout the period in all industries as well as coal (except in 1956 which registered a slight fall). In industries as a whole they were relatively higher throughout the Plan maintaining a constant level in the first two years and a relatively high rate of growth in the last three years. This is borne out by Table F.

Explanation of the above trends may be sought through some crucial indices given in Table G, e.g., of production, prices, wages, wagon loading and pithead stocks. Index of coal production rose steadily after the last year of the First Plan. Output increased considerably in 1956 in spite of labour strikes in some important groups of collieries in Raniganj field and unprecedented floods¹² and also in 1957 despite large-

scale absenteeism following the influenza epidemic.¹³ Rate of growth came down in 1958 due to large pithead stocks of the preceding year and in 1959 due to transport bottle-neck indicated by lower level of wagon loading compared to the preceding year. The high rate of growth in 1960 resulted in rising pithead stocks owing to transport difficulties.¹⁴ Output trends do not bear out the profit trends of 1956 and 1959.

Indices of prices and wages may best be considered together. The Coal Price Revision committee¹⁵ 1959 said, "The extent to which wages have become closely interlinked with prices will be seen from the fact that a price increase of Rs 3 was given in 1947 to enable the industry to implement the Conciliation Board Award. Another increase of Rs 3 was given in July 1956 in connection with the Industrial Tribunal Award¹⁶ and then again a further increase of Rs 1/8- per ton in July 1957 in connection with the Appellate Tribunal Award.¹⁷ A further increase of Rs 12 per ton has been given only very

recently on May 17, 1958 to enable the industry to pay enhanced dearness allowance to workers." Later adjustments to variable dearness allowance in terms of the Labour Appellate Tribunal Award resulted in lowering of prices by 35 paise per ton on 17.10.1958, raising of prices by 9 paise per ton on 2.4.1959 and 50 paise per ton¹⁸ on 1.4.1960. Prices were also raised¹⁸ by 50 paise per ton on 25.8.1959 on the recommendations of the Coal Price Revision Committee and 25 paise per ton on 1.4.1960 to compensate for the expenditure on labour amenities under statutory requirements of the Coal Mines¹⁹ Regulations 1957. Prices were raised¹⁸ by 6 paise per ton on 1.4.1960 and again on 24.8.1960 to meet the higher expenses in terms of the Das Gupta Award²⁰.

Price-wage relatives derived from indices (2) and (3) of Table G on the same base (1951) are given below:

1956 1957 1958 1959 1960
Coal 73.0 71.5 68.4 64.1 65.6
Manufactures 76.7 74.4 74.9 77.5 81.2
These indices do not support the continuous growth of coal profits during the Second Plan excluding 1956 (trend iii), considerable dip in 1956, moderate fall in 1959 (trend ii) and larger profits in 1957 and 1958 (trend iv). The tenacious and persistent complaints of the coal industry, against lower proportionate rise of prices compared to that of wages is not justified by the coal profits obtained during the Second Plan. It seems that the declared cost of coal contained considerable cushion for absorbing higher wages during the Second Plan. And the cushion acquired elasticity during a period of rapid economic development allowing simultaneous growth of production, prices, wages and profits.

Of the other two indices of Table G, movement of pithead stocks exhibit little correlation with movement of profits. Indeed the crucial index during the Second Plan seems to be that of wagon-loading whose trend depicts the trend of coal profits. This singles out the real bottle-neck of the industry. It is admitted that, "Difficulties have been experienced in the movement of coal, particularly from the Bengal-Bihar coal-fields. This is partly due to changes in the pattern of coal production and in the plans for supply of raw materials to the steel plants, resulting in longer leads for the railways than were originally anticipated, and partly to a short-fall in some of the railway development programmes, notably wagon procurement" during the Second Plan.²¹

Despite this chronic problem of the industry profit position during the Second Plan as seen above was an improvement over that of the First Plan. Was this improvement reflected in the response of the investor?

"Over the Second Plan period, the Indian capital market witnessed a marked expansion in investment activity, the market evincing a particularly buoyant tone in the last two years when a number of new issues were heavily oversubscribed. In 1957 and 1958, the activity was somewhat sluggish mainly due to the imposition of drastic import curbs to ease the severe strain on the country's foreign exchange reserves and to the far-reaching changes in taxation in the May 1957 Budget. Total consents granted by the Controller of Capital Issues to the private sector for the issue of shares and debentures, which had risen from Rs 86-87 crores in 1954 and 1955 to Rs 109 crores in 1956, fell to Rs 77 crores in 1957 and further to Rs 66 crores in 1958. Subsequently, there was a marked upsurge in activity, consents showing a spurt to Rs 112 crores in 1959 and further to Rs 114 crores in 1960. The growing level of activity during this period reflected principally the confidence of investors inspired by the growth prospects of industry behind the protectionist barrier of continued import curbs. The various export promotion measures taken by the Government from time to time as well as the discontinuance, with effect from April 1, 1958, of the compulsory deposit scheme for companies and the announcement in the budget for 1959-60, of the withdrawal, with effect from April 1, 1960, of the Wealth Tax on companies were interpreted as indicative of a welcome change in Government's attitude towards the private sector and helped increase the flow of both domestic and foreign capital. Investment activity was also assisted by the strengthening of the institutional structure by the establishment of the State Financial Corporations, the ICICI and NIDC in the latter half of the First Plan period and of the Refinance Corporation in 1958. Not only did the volume of assistance provided by the financial institutions record a significant increase in recent years, but the emergence of some of these institutions also led to an expansion in under-writing activity. During the years 1956 to 1960, total consents granted by the Controller of Capital Issues for the issue of capital in the private sector amounted to Rs 479 crores as compared to Rs 296 crores during the period 1951 to 1955. Share

TABLE II: GROWTH OF COAL MINING IN PLAN PERIOD (Percentage)

	1950-1955	1956-1960	1960-61 to 1965-66
Paid-up capital plus free reserves (net worth)	12.5 (26.8)	17.6 (41.5)	18.1 (38.4)
Gross fixed assets	28.5 (48.7)	26.4 (73.1)	42.2 (59.1)
Net fixed assets	15.4 (47.0)	26.6 (78.3)	50.0 (43.8)
Inventories	-2.3 (22.1)	82.1 (62.6)	37.1 (59.4)
Total assets (net)	23.1 (34.4)	35.4 (58.4)	54.6 (55.1)
Total income	8.3 (36.9)	53.0 (51.1)	56.0 (72.0)
Sales	17.3 (37.7)	48.4 (56.8)	57.2 (71.9)
Profits before tax	27.7 (51.6)	63.1 (57.9)	-18.8 (36.2)
Profits after tax	40.0 (53.8)	54.5 (70.6)	-17.7 (8.9)
Dividends	9.1 (33.3)	37.5 (82.2)	-25.0 (16.2)
Retained profits	111.0 (80.0)	100.0 (51.7)	-11.6 (-1.9)

Note: Brackets indicate corresponding figures for all industries. 1950-55 relate to 750 public limited companies of which 38 are coal companies. 1956-60 relate to 1001 public limited companies of which 44 are coal companies. 1960-61 to 1965-66 relate to 1333 public limited companies of which 42 are coal companies.

Source: The Table has been computed from data published in Reserve Bank Bulletin of September 1957 (pp 839 and 882), June 1962 (pp 847, 864 and 865), July 1962 (pp 1144 and 1162) and December 1967 (pp 1533, 1559-60, 1565 and 1588).

values also recorded a rise of about 15 per cent during the Second Plan period, as compared to a rise of about 8 per cent during the First Plan period".²²

It may be recalled that the number of joint stock coal companies came down in the private sector by 5.4 per cent and the paid-up capital by 25.1 per cent during the Second Plan as shown in Table A. This is in sharp contrast with the optimistic tone in the entire capital market given above. The following table will further testify to the very much unattractive character of the coal industry to the equity investor compared to the industrial sector as a whole and some selected industries.

PAID-UP CAPITAL OF JOINT STOCK COMPANIES AT WORK (Rs crores)

	All Companies	Sugar	Textiles	Cement
1956-57	1077.6	34.4	192.5	26.4
1957-58	1306.3	36.5	200.3	31.8
1958-59	1515.6	38.3	206.0	35.4
1959-60	1618.8	39.5	209.5	36.3
1960-61	1818.5	44.2	224.8	41.5

Source: Statistical Abstract of the Indian Union.

The degree and extent of the relative unattractiveness of coal may be further

appraised from a synoptic view of the growth, a few crucial ratios and an analysis of sources and uses of funds of the coal industry during the Second Plan given in Tables II, III and IV respectively in the Statistical Appendix.

(i) Growth rate in the private sector of the coal industry was lower than in industries in general barring inventories, profits before tax and retained profits (Table II). Larger inventories included larger stores as cushion against rising prices resulting in heavier interest charges. Higher retained profits manifest the attempt to keep down interest charges through diminished dependence on borrowed funds at high rates of interest a tendency which is confirmed by an analysis of sources and uses of funds (Table IV). It may be noted that relatively to industries in general dependence of coal for source of funds was much greater on tax provision (item D) which explains its higher rate of growth of profits before tax as against profits after tax (Table II/Statistical Appendix and trend i of Table E) and much less on borrowings (19 per cent against 28.9 per cent for in industries in general). It is however encouraging to note that coal industry could get accommodation from bank to the extent of 18.7 per cent of it

TABLE III: SOME CRUCIAL RATIOS OF COAL MINING AND ALL INDUSTRIES (QUINQUENNIAL AVERAGE)

	1951-55	1956-60	1960-61 to 1965-66
Profitability Ratios			
(a) Gross profits as percentage of sales	9.0 (9.2)	8.9 (9.4)	8.1 (9.4)
(b) Gross profits as percentage of total capital employed	8.3 (9.2)	8.1 (9.0)	7.7 (10.2)
(c) Profits after tax as percentage of net worth	6.5 (7.9)	6.0 (8.8)	6.7 (9.2)
(d) Dividends as percentage of net worth	4.3 (4.8)	5.0 (5.7)	4.1 (5.8)
(e) Ordinary dividends as percentage of ordinary paid-up capital	7.1 (8.2)	9.0 (9.7)	8.1 (11.3)
(f) Total dividends as percentage of total paid capital	—	(Average for 1956 to 1959)	(10.6)
Profit Allocation Ratios			
(g) Tax provision as percentage of profits before tax	42.7 (40.7)	54 (43)	47.8 (49.7)
(h) Dividends as percentage of profits before tax	38.5 (36.3)	40.4 (38)	33.2 (31.8)
(i) Profits retained as percentage of profits before tax	19.4 (22.9)	5.4 (19.7)	18.7 (18.4)
(j) Dividends as percentage of profits after tax	66.3 (61.3)	90.7 (66.1)	65.4 (63.3)
(k) Profits retained as percentage of profits after tax	33.4 (38.7)	9.3 (33.9)	34.4 (36.7)
Capital Formation Rates (per cent)			
(l) Gross fixed assets formation	6.0 (9.7)	9.3 (11.6)	7.5 (9.7)
(m) Net fixed assets formation	4.0 (9.4)	5.3 (12.4)	8.9 (7.7)
(n) Inventory accumulation	-0.6 (4.4)	12.5 (10.5)	7.4 (9.4)
(o) Gross capital formation	5.6 (7.6)	6.1 (11.2)	7.3 (9.7)
(p) Net capital formation	4.2 (6.9)	6.9 (11.5)	8.4 (8.6)

Source: Computed from data published in *Reserve Bank Bulletin*, September 1961, June 1962 and December 1967. Brackets indicate all industries.

sources of funds during the Second Plan compared to 3.9 per cent during the First Plan. Continuous indifference of investors and creditors to the coal industry owing to its relatively lower profitability (see Table III, Profitability Ratios) is further reflected in the higher percentage of financing of its funds from internal sources (52.5) compared to industries in general (42.8); corresponding figures for the First Plan were 72.2 per cent and 61.1 per cent; an improvement in coal as well as industries in general is shown during the Second Plan, response of the outsider being relatively favourable for the latter. This is evident from the fact that whereas during the First Plan, Trade Dues and Other Liabilities (item G of Table IV) constituted more or

less equal percentage as a source of funds for coal and industries in general (about 14 per cent), the corresponding figures for the Second Plan were 26.4 per cent and 15.1 per cent respectively. (ii) In spite of an attempt on the part of the coal industry to grow with funds from internal sources indicated by the high rate of growth of retained profits and smaller dividends than industries in general (Table II), profit allocation ratios (Table III) betray continuation of pre-Plan tradition.²³ This is also reflected in the relatively lower rates of growth of capital formation (Table III and Table IV, item I).

Growth of capital formation may be judged from the progress of mechanisation of mines during the Second Plan (Table V, Statistical Appendix). Although

all columns except (3) register steady progress, extremely slow pace is indicated by the productivity gap that India has to fill (See Table VI Statistical Appendix). In 1960 OMS in India was one-half of the lowest of that of the European countries which were very far behind USA and this, despite the growth of the paid-up capital of companies in the public sector by 7096 per cent during the Second Plan.

Insignificant impact of this unprecedented growth of paid-up capital on productivity raises important issues e.g. role and implication of mechanisation in public and private sectors, the relevance of the period of gestation, the structure of the industry and the need for finance with reference to that structure etc, issues important as they are, need not detain us here. The question at this stage is: What is the explanation of the relative unattractiveness of coal in the midst of a rosy picture for the industrial sector as a whole? The main factors are:

(i) *Uncertainty in the Industrial Policy Resolution of 1956 as applied to coal industry.* During the Second Plan the private sector was allowed to develop new areas in 49 cases of which 25 were contiguous and 24 non-contiguous although the Plan document had explicitly confined the expansion of the private sector to "immediately contiguous areas". The Estimates Committee of the Third Lok Sabha in their thirty-second report stated that the liberal interpretation of the Industrial Policy Resolution tended to create uncertainty and was not conducive to the proper development of the industry. "It is necessary that any relaxation or reorientation in the working of the policy should be given due publicity . . . There should be more definiteness and clarity in the matter of enunciation of policy".²⁴

(ii) *Cumbersome procedure for grant of mining leases and delays in acquisition of land* which sometimes took 5 to 6 years became an obstacle in the flow of finance to private sector in coal.²⁵ This factor grew in strength with the development of the economy opening fresh alternative opportunities of investment.

(iii) *Special features of the coal industry.* Given the demand for a manufactured product, the production unit has more or less a perpetual life by the replacement of plant and equipment as and when necessary through the investment of the depreciation reserve.²⁶ In a coal mine by contrast, fresh investment is required to merely maintain the level of output. For, "unforeseen" geological

conditions are encountered involving the outlay of additional capital to overcome such obstacles as dykes, faults, sills, disturbed or heavily watered strata and the like . . . Working faces become progressively more distant from the outlet of the mine to the surface and a progressively greater quantity of rolling stock, plant and other equipment is required.²⁷ Traditional procedure has been the use of borrowed funds through the creation of creditor's confidence by the declaration of high dividend rates (a) made possible due to a low capital base, and (b) rendered obligatory by the managing agents constituting the medium of flow of finance and having a substantial interest in dividends. The diminishing importance of this traditional method since the severe restrictions imposed upon the managing agents in 1956 is evident from their declining role in the industry indicated by a diminution in their number from 44 to 30 and in the percentage of their remuneration to profits before tax from 21 to 10 during the Second Plan.²⁸ Increase in the percentage of borrowings as a source of funds with a decrease in the percentage of expenditure in gross fixed assets and decrease in the percentage of inventories²⁹ support the preceding statement by emphasising the use of borrowed funds as working capital. Relatively lower coal dividends rendered the industry unattractive in all recognised centres of finance including the statutory finance corporations. Persistence of the traditional method in face of the urgency of the needs of development led the Government to enter the industry in a big way. This is not, however, peculiar to India. "We know, for instance, that one of the reasons put forward for the nationalisation of the coal industry in the United Kingdom was the need for modernising equipment."³⁰

Notes

- Second Five Year Plan, p 378. Share of private sector was later raised to 11.4 million tons owing to short-fall in the public sector target. (Report on Currency and Finance 1957-58, p 17).
- Central Wage Board for the Coal Mining Industry (1967), Vol I, p 14.
- Statistical Appendix, Table I. A large number of mines is owned by individual proprietors and syndicates. Columns 2 and 3 refer to joint stock companies only. Columns 4, 5 and 6 refer to the entire industry. For a more detailed reference on this point attention is invited to an article by the present writer in *Economic and Political Weekly* dated October 25, 1969 entitled "Coal Industry in Pre-Plan Period: Trend of Profits and Investment".

4 Rise in the average value of coal is the result of the increase of statutory price of coal from time to time. Price control (fixed not ceiling) was introduced in 1944. Since 1959 ceiling (not fixed) price control was placed on Grade II and Grade III coals of Bengal/Bihar fields. In July 1967 coal price was decontrolled. From 1947 to December 1965 prices were changed thirty-one times, downward revision

TABLE IV: SOURCES AND USES OF FUNDS IN COAL MINING AND ALL INDUSTRIES DURING THE PLAN PERIODS (percentages to total)

	1951-55	1956-57 to 1960-61	1961-62 to 1965-66
Sources			
A Paid-up capital	3 (7.2)	1.4 (12.8)	1.2 (9.6)
B Reserves and surplus	17.1 (23.6)	12.3 (15.6)	10.9 (15.2)
Capital reserves	9.1 (6.3)	-2.6 (1.6)	0.3 (1.0)
Development rebate reserve	4.4 (6.8)	14.9 (14.0)	12.2 (6.9)
Other reserves and surplus	3.6 (10.5)	-1.6 (8.2)	-1.6 (8.2)
C Depreciation provision	51.3 (29.6)	31.7 (24.5)	26.1 (30.5)
D Taxation provision	3.8 (7.9)	8.5 (2.7)	4.3 (1.2)
E Other provisions	—	—	1.5 (0.2)
F Borrowings	12.8 (17.1)	19.0 (28.9)	27.6 (28.4)
From banks	3.9 (6.1)	13.7 (16.4)	17.9 (18.8)
From other debentures	3.5 (1.5)	1.1 (0.5)	3.6 (1.6)
From other mortgages	4.6 (5.5)	-0.3 (8.6)	1.8 (2.7)
From others	.8 (4.0)	4.3 (2.6)	3.5 (4.3)
From statutory financial corporations	—	0.2 (0.8)	0.8 (1.0)
G Trade dues and other liabilities	14.3 (14.8)	26.4 (15.1)	28.3 (14.9)
H Miscellaneous non-current liabilities	0.4 (-0.2)	0.7 (0.4)	0.1
Uses			
I Gross fixed assets [of which plant and machinery]	71.7 (45.1)	59.4 (62.8)	65.7 (56.3)
J Inventories	-1.2 (14.3)	18.5 (24.1)	8.6 (24.2)
K Receivables	16.6 (11.6)	15.5 (10.6)	21.1 (17.8)
L Investments	3.6 (5.2)	0.3 (1.6)	0.7 (1.5)
M Cash and bank balances	3.4 (4.1)	6.0 (0.7)	2.4 (—)
N Miscellaneous assets	5.9 (2.3)	0.4 (0.2)	1.5 (0.2)
	100 (100)	100 (100)	100 (100)

Note: Brackets relate to all industries as in Table II above. Figures for coal mining in this Table have been computed from the data published in *Reserve Bank Bulletin*, September 1957 (p 882), June 1962, July 1962 (p 1162), December 1967 (p 1588). Figures for all industries have also been taken from the *Bulletin*.

TABLE V: MECHANISATION OF COAL MINING IN INDIA

Year	Per Cent of Mines Using Electric Power*	Output of Mines in (2) as Per Cent of Total Output	Per Cent of Mines Using Coal Cutting Machines*	Output of Mines in (4) as Per Cent of Total Output	OMS	Coal Output Per Man-year Tonnes (all employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1940	24.6	—	11.1	11		127
1945	16.5	64	11.2	9.1		90
1950	27.3	72	13.4	18.8		94
1951	30.0	77	14.4	18.9	0.34	100
1952	30.0	81	17.2	19.2	0.35	106
1953	34.0	81	17.5	22.2	0.35	107
1954	40.0	85	17.4	22.7	0.37	110
1955	42.6	90	17.7	23.2	0.37	112
1956	46.7	95	19.9	23.9	0.39	113
1957	50.9	96	21.0	22.8	0.41	119
1958	53.0	92	17.8	23.2	0.41	120
1959	60.5	93	23.3	25.1	0.43	124
1960	64.2	88	23.4	27.0	0.44	131
1961	72.7	94.0	23.5	26.7	0.46	135
1962	77.3	96.0	25.0	27.9	0.48	142
1963	78.4	92.0	26.2	28.1	0.50	148
1964	78.5	98.0	28.1	29.3	0.50	149
1965	78.7	98.5	29.2	31.7	0.55	164
1966		98			0.56	165
1967					0.59	173
1968					0.65	191

Sources: *Journal of Mines, Metals and Fuels*, Mechanisation of Mines—Special Issue 1962, pp xlviii to liii.

Monthly Coal Bulletin and Annual Reports of Chief Inspector of Mines (now Director General, Mines Safety).

Indian Coal Statistics.

* Computed by the writer from published data.

TABLE VI: OMS IN SOME DEVELOPED COUNTRIES

	UK	Belgium	Netherlands	France	W Germany	USA
	(tonnes)					
1950	1.21	0.69	1.11	0.77	1.06	
1951	1.23	0.74	1.09	0.84	1.10	
1952	1.21	—	1.02	0.89	1.11	
1953	1.24	0.77	0.99	0.93	1.10	
1954	1.25	0.78	0.97	0.99	1.13	
1955	1.24	0.83	0.95	1.04	1.16	
1956	1.23	0.84	0.83	0.98	0.95	8.84
1957	1.23	0.81	0.82	1.02	0.97	9.15
1958	1.25	0.83	0.83	1.03	0.99	9.73
1959	1.32	0.88	0.87	1.05	0.96	10.61
1960	1.38	1.02	0.97	1.11	1.23	11.21
1961	1.43	1.09	1.10	1.15	1.33	11.96
1962	1.54	1.17	1.08	1.18	1.42	12.83
1963	1.62	1.13	1.08	1.19	1.52	13.72
1964	1.69	1.13	1.11	1.26	1.56	14.54
1965	1.76	1.21	1.13	1.26	1.55	15.39

Source: Indian Coal Statistics.

sion having taken place on two occasions only. (Report of the Coal Price Revision Committee 1959 and Report of the Committee of the Indian Mining Federation for 1966. The latter is not a priced publication.)

5 In Tables B, C and E based on studies given in the *Reserve Bank Bulletin*, all industries include public limited companies in the private sector excepting banking, insurance and investment companies, Government Companies, companies limited by guarantee, non-profit associations and branches of foreign companies. The companies included have paid-up capital of not less than Rs 5 lakhs each. (*Reserve Bank Bulletin*, September 1957, p 839).

6 Cf. "India's Export Trade in Coal since Independence" by A B Ghosh in *Foreign Trade Review*, October-December 1969.

7 During 1951-54 there was no increase in controlled prices of coal. Prices of Grade II coal were reduced from 18.2.1954 as large rebates were being offered by many collieries. In July 1955 a small increase in the prices of selected A and B and Grade I coals was allowed for the increased cost of higher provident fund contributions. In November 1955 again a small increase was allowed on coking coal prices to counteract the disability of pegging (Report of Coal Price Revision Committee 1959, p 6). Wages and earnings of labour were governed by the Conciliation Board Award of 1947 and Joshi Agreement of 1948. (See Report of the Central Wage Board for the Coal Mining Industry, 1967, Vol I Ch 5 on the History of Wage Fixation.)

8 See *Reserve Bank Bulletin*, September 1957, page 877.

9 Cf *Economic and Political Weekly*, *op cit*.

10 See Table A.

11 See "Amalgamation of Small Collieries" by A B Ghosh, *Visva-Bharati Quarterly*, Vol 30, No 4, 1964-65.

12 Report on Currency and Finance, 1956-57, p 14.

13 Report on Currency and Finance, 1957-58, p 17.

14 Report on Currency and Finance, 1960-61, p 22.

15 Para 61. See Chapter 2 of the Report for details. Also, Report of the Central Wage Board, *op cit*.

16 Popularly known as Majumdar Tribunal after J N Majumdar, the Chairman.

17 Considerable dissatisfaction with the award of Majumdar Tribunal led to appeals to the Labour Appellate Tribunal of India which gave its decision on January 29, 1957 providing among others a scheme of variable clearness allowance.

18 Tariff Commission Report on Pri-

ces of Coal and Soft Coke, etc. (1967), para 6.3.4 and Appendix IVA.

19 Report of the Coal Price Revision Committee, *op cit*, para 38.

20 Implementation of the Majumdar award as modified by the Labour Appellate Tribunal raised differences among organisations of employers and workmen. These differences were referred to A Das Gupta, a member of the Labour Appellate Tribunal who gave his award on 30.12.1959. (Report of the Central Wage Board for Coal Mining Industry, Vol I, p 33).

21 Third Five Year Plan, p 539. The

problem of transport has been studied in detail by the Coal Transport Study Team of the World Bank whose findings were submitted to the Government of India in June 1964. (Tariff Commission Report, *op cit*, Para 8.1.)

22 Report on Currency and Finance, 1960-61, pp 53-54.

23 Cf, my article in the *Economic and Political Weekly*, October 25, 1969, *op cit*.

24 Estimates Committee, Third Lok Sabha, Thirty-second Report, March 1963, p 3.

25 Estimates Committee, Third Lok

Sabha, Thirty-third Report, April 1963, p 10.

26 Cf, "Depletion Allowance in Coal Industry" by A B Ghosh in *The Economic Weekly*, August 8, 1964, pp 1345-53.

27 Report of the Central Wage Board for the Coal Mining Industry Vol II, pp 116.

28 *Reserve Bank Bulletin*, December 1967, p 1611 and October 1961, p 1753.

29 Statistical Appendix, Table IV.

30 Report of the India Coalfields' Committee, 1946, p 169.

(To be concluded)

International Social Science

Some Political Aspects

A Comment

Ward Morehouse

NO responsible North American scholar, certainly not one who is socially concerned, can view with equanimity or accept passively the situation which Satish Saberwal describes in his article in the *Economic and Political Weekly* (July 4, 1970). Still I think that his analysis requires qualification and extension with additional data at several points, and that is the purpose of this comment.¹

I have no quarrel with Saberwal's basic thesis, except that I would insert "some" before "social scientists" in his summation, so that it would read as follows:

To sum up, during the past fifteen years, some North American social scientists have succeeded in persuading the Pentagon and other controllers of purse strings, that heavy investments in the social sciences — and in research abroad — will yield rich dividends.²

I

The "soft" interest of North American scholars in the Third World, based on humanistic traditions of scholarship, goes back much farther than Saberwal implies (the American Oriental Society was established in 1842) and remains a substantial part of American scholarly interest in the less developed countries. Consider Table 1 based on the membership records of the two leading learned societies concerned with Asia in the United States.

In short, the "soft" interest of the humanistic disciplines is today, notwithstanding the growth of concern with

Asia and other parts of the Third World in the "hard" social science disciplines within the last two decades, a substantial part of total North American scholarly activity related to the Third World. I am not arguing whether "soft scholarship" is any more or less disinterested than "hard scholarship" but only pointing out that it is a more substantial part of the total effort than one would gather from Saberwal's article. All other things being equal, the findings of "soft" scholars are likely to be less relevant to the military-industrial complex in the United States than the work of "hard" scholars.

II

My second qualification is a reflection of the standard reply which the American humourist, James Thurber, used to give in response to inquiries regarding the health of his wife, "Compared to what?" For, while "hard" interest in the Third World within the social science disciplines has grown, indeed has grown exponentially, in the last two decades, it remains a distinctly limited part of total North American social science activity. Tables 2 and 3 reflect the distribution of interest in the Third World in two of the "hard" disciplines for which such data are available. (History is only partially "hard", since historians interested in periods of time before the Second World War are likely to be of marginal utility to the military-industrial complex.)

Nor am I as convinced as Saberwal is of the positive impact of scholarly excursions into the Third World on career patterns of North American social scientists. Although I would stand corrected on his observations by someone who has access to the pertinent records which I do not at present, I am unaware of any president of the American Political Science Association, American Economic Association, or American Sociological Association, generally regarded as prestigious positions in the American social science community, who have had a dominant research and teaching interest in any part of the Third World. At most it would be one or two. The power structures in these disciplines remain overwhelmingly in the hands of those who have made their mark by studying human society in the more immediate terrain of North America and Western Europe.

North American scholarly enterprise in relation to a country like India does seem massive from the Indian side of the globe, for at least two reasons. The first is the overall magnitude of social science work and the correspondingly large number of social scientists in the United States and Canada. Even a small proportion of such a large number makes the interest appear substantial elsewhere in the world.

The second reason, which I think is an important part of the problem Saberwal analyses in his article, is the relative affluence of North American society in general and North American

TABLE 1: "SOFT" AND "HARD" INTEREST IN ASIAN STUDIES IN NORTH AMERICA IN 1967-68

(Based on Membership in the Association for Asian Studies and American Oriental Society)

"Soft" Disciplines		
Art and archaeology	72	
Pre-World War II history ¹	538	
Literature ²	171	
Music and performing arts	10	
Oriental studies ³	1203	
Philosophy and religion	159	
Miscellaneous and unknown ⁴	256	
Total	2409	2409 (49%)
"Hard" Disciplines		
Anthropology	255	
Economics	168	
Education	34	
Geography	113	
History ¹	539	
Journalism and communication	15	
Language and linguistics ²	172	
Law	33	
Library science and bibliography	41	
Natural sciences, engineering and medicine	14	
Political science and international relations	731	
Psychology	21	
Sociology (including demography)	122	
Miscellaneous and unknown ⁴	256	
Total	2514	2514 (51%)
Grand Total	4923	4923 (100%)

Notes:

- History is both a "soft" and a "hard" discipline. Distribution has been calculated by assuming that half of the historians are primarily interested in pre-World War II periods of Asian history and therefore have a "soft" interest.
- Separate figures are not available for language, literature, and linguistics. Distribution has been calculated in the same manner as history by dividing the total figure evenly into literature (a "soft" discipline) and language and linguistics ("hard" disciplines).
- This figure has been calculated by assuming approximately a 50 per cent overlap between the aggregate of the "soft" disciplines in Association of Asian Studies and the total membership of the American Oriental Society. The overlap has been deducted from the total AOS membership and entered here as "Oriental studies". "Oriental studies" are concerned with the philosophy, religion, language, literature, history, and other aspects of pre-modern classical Asian civilisations, notably in China, Japan, India, and the Middle East.
- This category has been split evenly between "soft" and "hard" disciplines.

academia in particular. The mobility which results from such affluence gives North American scholars the appearance of substantial numbers, the more so when contrasted with, for example, social scientists from Western European countries, who, while affluent by Indian standards, still do not have the mobility of their North American counterparts and are correspondingly less visible in the Third World.

Even the substantial support expended on the development of North American scholarship related to the Third World by private foundations and government is not as large as it seems within the North American context. The US Office of Education is currently spending about \$ 16 million, which is only 2 per cent of its total budget for higher education (\$ 850.9 million in the 1969-70 fiscal year) on research and teaching activities related to the Third World. On the other hand \$ 16 million is Rs 12 crores or Rs 1,200 lakhs and that is a lot of money in the coin of the realm for the social sciences in India, where the total budget of the Indian Council of Social Science Research appears to be in the neighbourhood of Rs 30 lakhs (based on research and publication grants sanctioned in the Council's first year or taken over from Research Programmes Committee of the Planning Commission).³

Saberwal rightly points out that in the late 1940s some North American social scientists thought "work in the United States alone — or in the Euro-American cultural contexts generally — was suspected to be culture-bound and it was believed that this bias could be corrected by basing the generalisations on a wider range of cultures".⁴

This seems to me still to be an affliction of a substantial amount of North American social science research. To correct such deficiencies in North American scholarship, I presume would be an intellectual virtue. Saberwal raises by implication the interesting question of whether it is possible to pursue an intellectual virtue without acquiring an imperial vice. Perhaps he is right. I had previously considered cultural pro-

vincialism and the myopic view of the world which characterise all too much North American scholarship in both social sciences and humanities as a bad thing. But if Saberwal is right and the imperial vice is an inescapable part of the intellectual virtue, such provincialism and myopia may be better left undisturbed.

III

The largest single source of institutional support for research and teaching programmes related to the Third World made available by the United States Government is that provided under the so-called "Language and Area Centres" Section (Title VI) of the National Defence Education Act of 1958. (This title provides support to American colleges and universities for research and teaching through "centres" for the study of "critical" languages and related area studies, mostly of the Third World. Assistance is also provided to individual faculty members and students at these "centres".)

Saberwal quite appropriately asks what significance should be attached to the word "defence". The Act itself is characteristic of the double talk which seems increasingly to pervade the modern world and was so well expressed by George Orwell in "1984" with Big Brother's slogans, "War Is Peace" and "Slavery Is Freedom". The purpose of NDEA is simultaneously, in the words of the Act itself, "to strengthen the national defence" and to "advance the cause of peace". I personally think that Saberwal's academic friends in the United States are in considerable measure right when they argue that the word "defence" was inserted in this piece of legislation in order to make it more palatable to the American Congress.

By contrast to NDEA (which until this year had no apparent difficulty in getting funds out of Congress, albeit at an extremely modest level for US public finance), consider the fate of the International Education Act, which was passed in 1966. This Act is a much more "disinterested" piece of legislation in proposing government support of programmes to enlarge understanding of other societies and cultures as a source of intellectual and cultural enrichment in American life and hopefully as a means of advancing the cause of world peace and international brotherhood. These lofty virtues have thus far succeeded in extracting from the Congress not one penny!⁵

Saberwal speculates on the likely in-

TABLE 2: GEOGRAPHICAL INTERESTS OF MEMBERSHIP OF AMERICAN HISTORICAL ASSOCIATION IN "NEGLECTED" AREAS OF HISTORY (Based on response of 77 per cent of AHA members, June 1967)

Geographical Interest	Number	Percentage of Total Adjusted Membership
South Asian History (India and Pakistan)	70	0.63
South-East Asian History	51	0.46
East Asian History (China, Korea, Japan)	318	2.85
African History (South of the Sahara)	131	1.17
Latin American History	506	4.53
Russian and East European History (Russia, Central and Eastern Europe, Balkans)	836	7.48
Middle East History (East Mediterranean, Egypt, Israel, Turkey, Arab World)	142	1.27
Total for "Neglected" Fields	2,054	18.39
Percentage of "Neglected" Areas to Total Adjusted Membership		11,172
Adjusted Total Membership, June 1967 (77 per cent of total)*		

* Total membership in June 1967 was approximately 14,500, but since figures for the geographical areas of interest are based on a 77 per cent response of the membership, a correspondingly adjusted total has been used to calculate percentages represented by different geographical areas of interest.

Source: American Historical Association Membership Records.

TABLE 3: CLASSIFICATION OF MEMBERS OF THE AMERICAN POLITICAL SCIENCE ASSOCIATION BY GENERAL AND GEOGRAPHICAL FIELDS OF INTEREST (Based on 7,862 responses from 15,185 APSA members, August, 1967)

General and Geographical Fields of Interest	Number	Percentage of Total Responding
Contemporary Political Systems		
"Neglected" Areas		
South Asia	121	1.54
South-East Asia	122	1.55
East Asia	234	2.98
Africa	236	3.00
Latin America	356	4.53
Russia and East Europe	304	3.87
Near and Middle East	123	1.57
Total for "Neglected" Areas	1,496	19.04
Western Europe	545	6.93
United States and Canada	2,452	31.19
Other or No Answer	710	9.03
Total for Contemporary Political Systems	5,203	66.19
International Law, Organisation and Politics	1,328	16.88
Political Theory and Philosophy	928	11.80
Other Fields in Political Science (Public Administration, Public Law, etc) and Cognate Fields (History, Economics, etc)	403	5.13
Total for Responding Members	7,862	100.00

Source: American Political Science Association, "Biographical Directory", Washington: The Association, 1968.

terest of the Pentagon in the passage of the National Defence Education Act. I have no doubt that such interest was there. I have not made a systematic study of this particular legislative enactment and how it came to be passed. But writing on the basis of "informal participant observation", which is the basis, according to Saberwal, of much of his analysis, I can state that there were extremely active effects on behalf of the passage of Title VI of this Act

by the American Council of Learned Societies and the Modern Language Association, the latter being the professional organisation of language and literature professors in American colleges and universities. Their objectives may have been imperial, but I think in a domestic rather than an international context. Those involved in the effort to pass this legislation and endowed with crasser motives no doubt saw this as an opportunity to share in

federal largesse already being expended so freely in other fields of academic interest, particularly the natural sciences.

IV

But even if we assume that the major force behind the passage of the Act was the Pentagon and that the dominant purpose of the Act was conceived by Congress (as it may very well have been) "to strengthen the national defence", the question arises as to what has happened to the money made available to colleges and universities and individual scholars in the United States under the "Language and Area Centres" section of NDEA. I find considerable evidence to support the proposition that academia, rather than simply being manipulated at will by the military-industrial complex, shows a considerable capacity for bending to its own purposes resources provided with quite different motivation by others.

Here is an analysis of grants made to the faculty members of NDEA language and area centres by the Office of Education. (These funds were actually appropriated, as a technical matter, under another related Act but are administered by the same office which is responsible for the NDEA Title VI funds. Grants until last year, furthermore, were restricted to faculty members at NDEA language and area centres.)

This analysis, done by subject matter rather than individual research topic, probably overstates the number of such topics of possible interest to the military-industrial complex. For example, while facility in modern language is certainly of potential interest to the military-industrial complex, some of the research topics in that category, as well as even some of the political and economic topics which have been classified as "hard", are likely to be of rather remote interest to the Pentagon and its allies in American government and industry. Consider these examples:⁶

- Analysis of spatial structure, in regard to theoretical geography, for data on individual propensity to communicate over space, and innovation diffusion (grant for field research in India).
- Structural comparison of two Balkan dialects belonging to two different linguistic families: Arumanian/Romance and Macedonian/Slavic/spoken in Krusovo/Yugoslav Macedonia.
- A study of Colombia's balance of payments, exchange rate policies, and economic growth 1947-66.

It would probably be fair to state that no more than half of the research grants to faculty members at language

TABLE 4: GRANTS TO NATIONAL DEFENCE EDUCATION ACT LANGUAGE AND AREA CENTRE FACULTY MEMBERS BY THE US OFFICE OF EDUCATION FOR RESEARCH ON ASIA, AFRICA, LATIN AMERICA, AND RUSSIA AND EASTERN EUROPE

Year	"Soft" Interest (Research Topics of No or Marginal Inter- est to Military-Indus- trial Complex — Cols 1 and 2)		"Hard" Interest (Research Topics of Possible Interest to Military-Industrial Complex — Cols 3 and 4)		Total
	Art, Literature Music, Religion, Philosophy, etc.	History Prior to World War II	Political, Economic, and Social Behaviour and Insti- tutions and History Begin- ning with World War II	Contempo- rary Langu- ages and Linguistics	
	1	2	3	4	5
1966-67	13	5	20	9	47
1967-68	12	19	25	9	65
1968-69	11	10	16	10	47
1969-70	15	12	28	7	62
Totals	51	46	89	35	221

Note: Figures for 1969-70 include 22 non-NDEA Centre faculty members.
Source: Lists of grants issued by Division of Foreign Studies, US Office of Education, Washington.

and area centres supported under National Defence Education Act Title VI are of any potential relevance, and the rest have virtually no conceivable pertinence, to military-industrial interest in dominating the Third World. A few examples of "soft" interest will illustrate what I mean:¹

- 1 Music among the Zu/Wa-si of South West Africa and Botswana.
- 2 Art and culture in Benue River Valley.
- 3 Portugal's First Republic and Portuguese Africa, 1910-1926.
- 4 Collection, cataloging and organising audiovisual materials on the art of East Africa for the purpose of strengthening the fine arts programme and overall international understanding of DePauw University.
- 5 A literary biography of Liu Tsung-Yuan (763-819).
- 6 The narrative style of vernacular Chinese literature.
- 7 The "responsiveness" of the Russian Council of Ministers, 1906-1914.
- 8 A study of the later works of Leo Tolstoy (after 1880).
- 9 The poetics of V K Trediakovskij and Russian manuscript songbooks of the 17th and 18th centuries.
- 10 The literary world of Brazil.
- 11 A traumatic decade: Argentina in transition, 1912-1922.
- 12 Ottoman observers of decline.
- 13 Research in classical Persian literary and intellectual history.
- 14 Bio-bibliographical survey of Turkic literatures (Part I: from the early beginnings until the 15th century).
- 15 The modernising intelligentsia of 19th century Bengal: institutional action and ideological commitment.
- 16 Agrarian change: the Philippines sugar industry, 1920-1941.

- 17 The impact of British rule on rural society in North India in the 19th century.
- 18 Preparation for publication of a volume of poetic translations from the Eight Anthologies of classical Tamil literature.

Other categories of financial support under NDEA Title VI provide additional evidence. One example of which I have personal knowledge involves a programme of institutional (as distinct from individual faculty) grants for language and related area research. Under this programme a project, the primary purpose of which was to compile slide materials in Indian art history and for which I served as the "project director" was financed.²

But even more interesting evidence is to be found by examining the degree to which North American "radical" scholars and students (who would certainly be in substantial accord with much of Saberwal's analysis, as indeed am I) have received support under the National Defence Education Act as students or faculty members. An analysis of 99 individuals participating in the work of the Committee of Concerned Asian Scholars (probably the largest single organisation of "radical-activist" students and scholars interested in Asian studies) over the past two years, reveals that 33 of them or one-third have received fellowship support under NDEA Title VI and the Foreign Area Fellowship Programme financed by the Ford Foundation, which I mention because it is often bracketed alongside of the United States Government as being an instrument of American

imperialism in the Third World.³ In fact, of the 28 individuals who received NDEA Title VI (and related) grants from the United States Government, five (half the total number of 10 Ford Foundation grants to "concerned" Asian scholars) also received Ford grants. What this means, of course, is that these "radical-activists" were very good students and thus able to compete effectively for fellowship funds.

I wish to make myself clear. I am not suggesting through these illustrations that Saberwal's assertions about the use of these resources by certain North American scholars, wittingly or unwittingly, to advance the cause of United States "neo-imperialism" in the Third World are not correct.⁴ Indeed they are. All I am saying is that this is only part of the story. The same resources have also been used to advance the cause of "disinterested" scholarship, and in considerable measure at that.

V

Saberwal is entirely correct when he points out the growing disparity in accumulation of data for social science research about India between North America and India itself and of the sophistry involved in the assertion by the managers of data banks in North America that data are freely available to all comers. Given the relative poverty of Indian social scientists, how often can they come to North America to avail themselves of this privilege (or even to buy card decks and code books, the prices of which, when translated into rupees, become astronomical and require foreign exchange to boot)? All survey data about India and other Third World countries in North America should, in my view, also be available in the country of origin. The one project in India in which I have been directly involved and for which survey data has been collected is observing this stricture but on a voluntary basis. As Saberwal notes, voluntary "controls" are not enough. The recent efforts of the Indian Council of Social Science Research to establish ground rules which would see that such survey data in fact are made available in India (as well as to collect from North America as much previously accumulated survey data on India as possible for deposit in the proposed network of data banks around the country) are long overdue.

Concern, however, should be extended beyond data banks. For example, the massive acquisitions programme in

India of the US Library of Congress for the benefit of some 20 American research libraries is soon going to result in a situation where US libraries have more substantial collections of Indian publications than any library in India. (And this for the period since India achieved its political independence! The situation with respect to the India Office Library in London is different, at least historically, if only because the bulk of the India Office Library collection is related to the period when India was under British colonial rule.) Is there any reason, for example, why the Library of Congress should not be required to deposit at least one copy of all books and periodicals which it acquires for American research libraries in a designated depositary library in India, along with one copy of each of the catalogue cards which are prepared at the Library of Congress Office in Delhi?

The same should apply to the micro-filming of Indian newspapers and government documents now being done by the Library of Congress office in Delhi. At the present time, the microfilm is exposed in Delhi and then despatched to the Library of Congress in Washington for processing. Thereafter it is freely available for purchase through the Photo-Duplication Service of the Library of Congress, but in dollars and at prices which, when expressed in rupees, are totally beyond the reach of virtually all Indian institutions. By contrast, an effort is now under way to assure meaningful access by scholars in India, through the Indian Council of Social Science Research, to the microfilm holdings of the South Asia Microfilm Project, a co-operative undertaking of a group of North American university libraries administered by the Centre for Research Libraries in Chicago.

The provision of depositing one copy of materials acquired in India through such programmes will be a small part of the total cost of such acquisition efforts, but it should be regarded by North American institutions and agencies as an essential cost of working in India. At least a part of the problem in the past has been that the Government of India has been too accommodating. Hopefully in the future the Government itself, or such instrumentalities as the ICSSR, will insist upon observance of this condition as it relates to survey data and acquisition of library materials and microfilms.

My concern, however, goes beyond both data banks and library acquisition

programmes to the problem of scholarly publication in North America and its accessibility to the Indian scholars and academic institutions. A \$10 book, now commonplace in North America, costs Rs 75 in India, a substantial sum in relation to institutional budgets and a staggering amount in relation to personal incomes of Indian academics. The result is that books published in North America about India are almost totally inaccessible except to a tiny handful of the most privileged in the Indian social science community. It is difficult to see how this can be made a matter of government regulation but certainly North American scholars should regard as a very serious obligation of doing research in India and other Third World countries publication of the results of their research within the country where the research has been conducted as well as in North America.

VI

Let us assume that the various inequities and imbalances which Saberwal has described are in the future removed — i.e., that survey data and published results of social science research are as freely available in less developed countries as in North America, that support for North American social science research in the Third World comes only from "disinterested" (or at least non-military) sources, and that there is genuine collaboration, on a basis of true equality and mutuality, between North American social scientists and scientists in less developed countries. The basic dilemma will remain as long as nation-states represent the dominant form of political organisation in the modern world. This dilemma, furthermore, applies as much to Saberwal as it does to me. If we publish the results of our research, it automatically becomes available to the North-American military-industrial complex. The fact that this is so does not make me think of Saberwal or other social scientists in India as instruments of the North American military-industrial complex, any more than I regard myself as being such an instrument. But if the definition of United States military needs is to be cast as broadly as Saberwal suggests ("the US military establishment must have access to a steady flow of knowledge that originates in social science studies conducted by US and foreign scientists engaged in unclassified research tasks overseas"⁵), it is hard to see how we are not both,

however unwillingly and marginally, performing a service for the Pentagon whenever we publish anything.

The obvious way to avoid this unwitting assistance to the military-industrial complex is, of course, to stop publishing the results of all social science research in or about the Third World. The alternative might be to do in reverse what Saberwal suggests sometimes happen to North American social science research about less developed countries which is inspired or supported by defence-related interests in North America. We could, for example, produce just 100 copies of our research and give it limited circulation only to like-minded individuals and institutions in order to prevent the findings from coming into the hands of the Pentagon and being misused to advance the military, political, and economic interests of the United States.

Of course, this kind of cure would be worse than the disease. It would be tantamount to allowing the North American military-industrial complex to dictate the mode of scholarly communication in America, India, and elsewhere. Worse than that, it would mean abandoning one of the most vital canons of scholarly research — namely, open publication and circulation of the results of such research in order that it may be exposed to the critical scrutiny of one's scholarly peers.

VII

Saberwal's typology of North American social scientists is in its essence a sensible one. Like all such typologies, it, of course, represents an oversimplification of the reality in the interests of analytical clarity. In fact, what exists is a continuum, on which the "Supremacists or Amoral Nationalists" and the "Reformers" constitute the extremities and the "Purists" an intermediate point. There, of course, are an almost infinite number of gradations on this continuum when one begins to look at individuals, who, furthermore, may be at one point on some issues but at another point on other issues. Since the "Reformers" seem to represent about the only positive point on the continuum in terms of confronting the underlying issues which Saberwal has analysed so well and since I suppose that, applying his criteria, I would fall in that category, I should like to address myself to the position and impact of the "Reformers" within the North American social science community.

Saberwal is only partially correct when he asserts that the "Reformers are not, by and large, taken seriously in the context of North American politics".¹² It is obvious, of course, that the Reformers neither dominate nor control the political system in either Canada or the United States. No better testimony is to be found than Nixon's election in 1968 to the US Presidency and the "silent majority" which he has been cultivating ever since as the base of his political power. On the other hand, there are still "liberal" or socially concerned forces in American society, of which academic "Reformers" are one, and these forces have had some influence on the course of domestic politics and the international military involvements of the United States in the last two or three years. Certainly some kind of causal relationship exists between the activities of such forces and Johnson's withdrawal from the 1968 presidential campaign or the de-escalation (or is it cessation of escalation?) of the war in Vietnam since mid-1968.

Again on the basis of being an "informal participant observer", I think it is a fair generalisation about North American academia that concern about and opposition to the "military-industrial complex" has been rising on university campuses and in professional scholarly organisations in the last decade. One of the interesting and potentially melancholy consequences of this rising level of concern, especially within the last year or so, is the growing polarisation of North American society, at least in the United States, into "intellectual" and "anti-intellectual" camps. Needless to say, the "intellectuals", while numerous, are nonetheless in a distinct minority.

I should like to express my appreciation to Saberwal for the sympathy which he has extended to me and other North American academics of like outlook over our plight. I should like in turn to offer my sympathy to him. To me, the basic dilemma of North American society (growing material affluence, accompanied by decreasing concern for the condition of one's fellow man) is a challenge rather than a cause for lament. It seems to me that social scientists in India genuinely concerned with advancing the cause of human welfare in their own society, let alone elsewhere, face similar challenges in building a better world, although in India pervasive poverty constitutes the critical challenge rather than the socially degenerative affluence of America. For my part, I shall, to use an advertising slogan

now current in North America, "Try Harder" precisely because I represent a minority view in my own society.

VIII

As to what should be done about the dilemma posed by Saberwal's analysis, I find myself in substantial agreement with his three suggestions. The first is opposition to a blanket ban on social science research by North Americans in India and other Third World countries. (I would be hypocritical if I said otherwise, because I would not now be in India if such research were banned.) The second is closer scrutiny of what is going on in North American social science research, to which I would add closer scrutiny of who wants to come to the Third World and under what circumstances will he be related to social science research in these countries. The third and unquestionably the most important is the vigorous development of the social sciences in India and other less developed countries. But I would hope that this last named endeavour would be undertaken not so much as a defence against encroachments of more affluent North American scholars but rather because this is an important task in its own right — for India, other Third World countries and the rest of the world.

Saberwal is doubtless right in the assumption on which his analysis implicitly rests — i.e., that the nation-state is an inescapable part of contemporary political reality, that social science research is never completely "disinterested" (regardless of the intent of the individual scholar), and that all too often such research serves the political and economic interests of nation-states, especially the more affluent and powerful. In the long run, however, research directed toward enlarging our understanding of human society should advance not the interests of nation-states but the frontiers of knowledge and the welfare of mankind. Today persons who maintain an ultimate allegiance to humanity are either regarded as visionary or dismissed as hypocrites. If that allegiance can only be a remote ideal in 1970, socially concerned scholars everywhere can at least direct their efforts towards the proposition that this will be regarded as a more realistic aspiration for the next generation of social scientists in India, North America and elsewhere in the world.

NOTES

- 1 See the author's forthcoming study, "Globalism and the American Academics: An Inquiry into Human

- Resources in International Studies", Albany, New York: Centre for International Programmes and Comparative Studies, State Education Department, University of the State of New York, expected late 1970 or early 1971.
- 2 Satish Saberwal, "International Social Science: Some Political Aspects", *Economic and Political Weekly*, July 4, 1970, p 1050.
- 3 "The First Year", *ICSSR Newsletter*, March 1970 (Vol I, No 2).
- 4 Saberwal, *op cit*, pp 1045-1046.
- 5 Under United States Government legislative procedures, authorisation legislation (in this case, the IEA) must first be passed before money is appropriated in a separate bill. Passage of authorisation legislation does not mean that money will be automatically appropriated. Without money, an act like the IEA is in effect null and void. For background on the passage of the IEA, see Education and World Affairs, "The International Education Act of 1966", New York: EWA, 1967.
- 6 Research topics have been taken from master lists of NDEA Title VI language and area centre faculty fellows for 1966-67, 1967-68 and 1968-69, issued by the Division of Foreign Studies, US Office of Education, Washington, DC.
- 7 Same source as in note 6 for 1969-70.
- 8 University of the State of New York, "Slide Materials in South Asian Language and Area Studies" (Report Submitted to the US Office of Education Under Title VI, Public Law 85-864, as amended [National Defence Education Act], Section 602, Ward Morehouse, Project Director, Walter Spink, Principal Investigator, and Edith Ehrman, Project Editor), New York: Foreign Area Materials Centre, November 1965. I should emphasise that I am not an art historian. The principal intellectual input for the project came from Walter Spink, a specialist in Indian art history at the University of Michigan.
- 9 Compiled from the 1969 and 1970 annual programs of the Committee of Concerned Asian Scholars, the *Bulletin* of the CCAS, and announcements of fellowships award by the Foreign Area Fellowship Programme.
- 10 Saberwal's bibliography would benefit from two additions: Ralph H Hunkins, "The Influence of the Military-Industrial Complex upon Education for International Understanding", *Social Education*, January 1970. David Horowitz, "Sins of Empire", *Ramparts*, October 1969. The first is intellectually trivial and the second is polemical, and in several important respects, factually inaccurate, but both belong with the *genre* of literature cited in the list of references in his article.
- 11 From the Report of the Panel on Defence, Social and Behavioural Sciences as quoted in Saberwal, *op cit*, p 1048.
- 12 Saberwal, *op cit*, p 1049.

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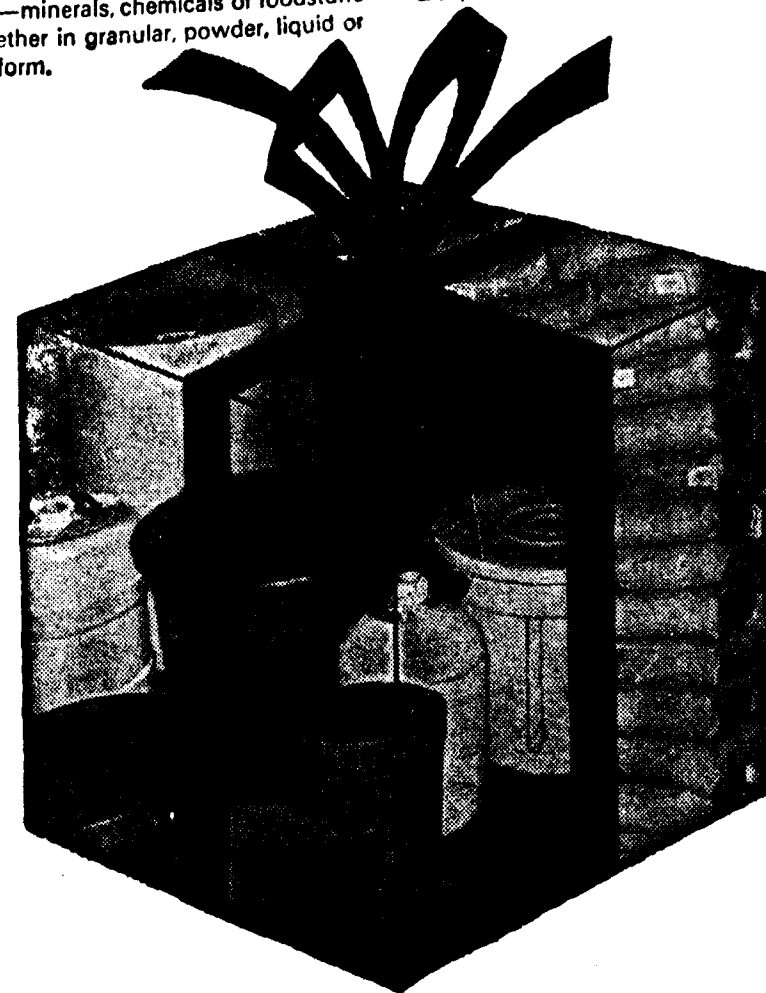
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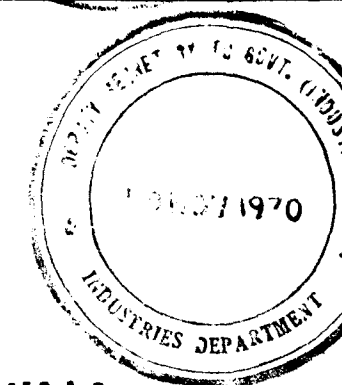
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ECONOMIC AND POLITICAL

WEEKLY

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Unplanned Credit

WHATEVER happened to credit planning? The phrase was, it will be recalled, much in vogue about the end of the Third Plan when after the unsatisfactory experience with techniques of direct control, many economists in Government and outside thought they had the answer to the problem of regulation of a mixed economy. Much interest was then evinced in the so-called French model which allegedly put credit at the very core of planning. The then Governor of the Reserve Bank said in a public speech in February 1966:

"Where the pattern of investment is regulated in accordance with a development programme, as is the case in India, it behoves those responsible for formulating monetary policy to see that the distribution of credit conforms to the pattern of investment... Credit planning in this positive sense may be considered as an integral part of the centralised direction of the economy. I would draw your attention to the French experience in this regard. The control on the level and direction of activity in the French economy under their indicative planning system is not any the less effective — indeed it is probably more purposive — for its being operated through fiscal and monetary controls. Monetary policy is as much an aspect of the state's intervention in the economic process and must naturally be attuned to the larger economic objectives of the state. Even within a system of planning, its role could be conceived of as a substitute for administrative decisions..."

We have had, since then, the short-lived experiment in 'social control' followed by the nationalisation of the major Indian banks. But what happened to credit planning? Even before the question is asked, one is apt to be flooded with statistics of the number of bank branches opened since nationalisation, of the increase in commercial banks' lending to the so-called priority sectors — agriculture, small-scale industry, exporters — and so on. The statistics are impressive and there is no denying that banks have been pushed and prodded into new areas. But is this the same thing as credit planning? The Reserve Bank has led banks into financing the priority sectors mainly by assuring them that this would make no demands on their own deposit resources since it would freely provide the wherewithal to finance lending to these sectors. There was thus no question of allocation of credit. The allocation problem arises when more credit to one sector means less to another. In this instance, increased credit to the priority sectors has not meant any diminution of credit to the other, by definition, lower priority sectors. This freedom from allocation worries has been bought with liberal Reserve Bank lending to commercial banks — which stood, on the eve of the current busy season, at the unprecedentedly high level of Rs 150 crores.

A conjunction of economic circumstances has served to draw attention to this fact just now. In the first place, inflationary pressures have put in their expected appearance; the gap in the wholesale price index over the level of last year had, after having narrowed to 3.3 per cent in July, widened to about 7 per cent by last month. Simultaneously, deficit financing by the Central Government has picked up sharply, being about Rs 150 crores higher than at this time last year. But so completely have some of the cherished achievements of nationalised banking been built on liberal Reserve Bank finance that even in this situation it was unthinkable for the Reserve Bank to close the credit tap. Yet some pretence of a credit squeeze had to be made. This was sought to be done by announcing as part of the credit policy for the busy season that in respect of banks' advances to the priority sectors, only the increments over the level of the corresponding calendar quarter of 1969-70 would be eligible for refinancing at the Bank Rate. It has been claimed that this would reduce banks' capacity to borrow from the Reserve Bank by some Rs 150 crores. This is a paper calculation, however; the change will not affect the present level of banks' borrowing and, of course, all future advances to the priority sectors will continue to be eligible to be freely refinanced. On the other hand, the category of priority advances eligible for Bank Rate refinancing has been actually enlarged to include bills discounted by banks under the new bill market scheme. Banks' advances against book debts are currently estimated at approximately Rs 400 crores; if one-fourth of these are converted into bills, banks would be able to borrow Rs 100 crores from the Reserve Bank in addition to what their incremental advances to the priority sectors will entitle them to. The only justification for the move is the Reserve Bank's

anxiety to drum up support for its bill market hobby-horse. In this instance, moreover, there cannot be even the pretence of priority of end-use of credit.

But the total debunking of any rational credit planning is perhaps best seen in the massive financing of sugar stocks by banks at the Reserve Bank's instance. Banks are currently financing the holding of over 2 mn tonnes of sugar accounting for more than Rs 100 crores of bank credit and another Rs 100 crores or more are expected to be added to this during this busy season. Since when has stock-piling by industry of a commodity like sugar become a high priority activity for purposes of bank lending? And if sugar, why not almost any other commodity whose manufacturer wishes to jack up prices by withholding supplies from the market? Of course, it will be pointed out that given the Government's policy of regulating release of sugar for sale, somebody has to finance the accumulated stocks. This may be so, just as it may be a fact that the Government's solicitude for the sugar industry is entirely on account of its political need to assure the cane-grower scarcity prices in a situation of abundance and to get the industry to put in more than a copper in the election-chest. But that is precisely the point. While Government policies might spring ultimately from political considerations, what one misses is any hint of an independent central banking position on matters which are the Reserve Bank's concern. Did the Reserve Bank, for instance, suggest to the Government that, in view of the emerging price situation and the likely trend of budgetary deficit, it should undertake to finance not the whole but, say, only half the incremental commercial bank lending to agriculture and small industry? Did it, similarly, make any attempt at all to convince the Government of the desirability of forcing a phased reduction of the absurd sugar board?

What the Reserve Bank in fact did do was, from all accounts, exactly the opposite. It cocked up its own political ears and tried to anticipate what would be good public relations and politically acceptable to the Government, accordingly framing its credit policy. The pattern is not unique; civil servants (who are once again taking over the Reserve Bank) have long been playing the guess-what-the-master-wants game. But in the case of the Reserve Bank it does make its much-

vaunted claims to independence of the Government a laughing matter. Just as well, then, that no more is heard of credit planning.

Sagacious Statesman

NATIONALISM, along with the other parochialisms which human society has created to satiate its craving for differentiation, is essentially a divisive force. Yet this loyalty to an abstraction has been used again and again to rejuvenate, invigorate and unite a dispirited and divided people. In this sense, de Gaulle represented the abstract spirit of France and twice, at moments of great national peril, he embodied the national will to overcome adversity — in 1940, at the time of almost total French submission to the Nazis and in 1958, when France was teetering on the brink of civil war. But unlike that other staunch nationalist, Churchill, de Gaulle was not regressive or nostalgic in his view of history. He did not seek to maintain and enhance the glory of a crumbling empire. Despite the limitations set by his almost Hegelian worship of the "State" of France (though he had no particular love for the French people whom he dismissed as "ungovernable" during his moments of exasperation), he was a man of vision and astute political foresight.

He saw more clearly than most contemporary French politicians that Algeria and the other French colonies could not be governed against their will and that France could not be saved from economic and political chaos without retreating from Algeria. Employing every political tactic, including guile and double-talk, mixing repression and reward and exploiting an uncanny instinct for springing political surprises through a perfect sense of timing, he succeeded in backing out of Algeria by 1962. Even before 1962, Gaullist France allowed 15 French colonies in Africa their independence in 1960 alone.

Quite distinctly from other Western leaders he empathised with the aspirations of countries in Africa, Asia and Latin America. During his tours of Latin America and Cambodia he made it quite clear that his incisive intellect had understood that the movements for resurgence in these continents must be respected as a historical force not to be trifled with, a realisation which is still beyond the reckoning of the rela-

tively woolly-headed political leaders of the USA, Britain and most of Western Europe. In this context, he also recognised the basic justice of the Viet Cong cause in Vietnam and the Arab case in West Asia. It cannot, however, be forgotten that where it suited French economic interests, for instance, in the arms deals with South Africa, he chose to ignore Afro-Asian feelings.

With the establishment of political and financial self-confidence within France, he embarked on undoing the bi-polar domination of the world by the USA and the USSR. France's role in NATO was played down, American military forces were pushed out of France, overtures were made to Moscow and other East European capitals and French diplomacy was geared to dissipate the inertia which kept the two power blocs in their separate, frozen, ridiculous postures. This policy of independent movement fitted in with his passion for freeing France and other nations from American and, to a lesser extent, British influence and pressures. French policies under de Gaulle were, undoubtedly, an important factor in disentangling the rigid attitudes of the Cold War and finding a place for medium-sized powers in international politics.

De Gaulle's exceptional political sagacity enabled him to take the initiative in developing political situations rather than reacting to events. Yet, in the final analysis, in part due to his infatuation with the furtherance of the greatness of France, he failed to recognise the symptoms of disaffection amongst the French people in the late sixties and was taken by surprise by the lightning events of May 1968 which were sparked off by the student uprising. He reacted with characteristic wisdom in suggesting a significant devolution of power at the district (*Department*) level and greater participation for students and workers in running of universities and factories, but the proposed reforms came a bit too late. His proposed constitutional amendments were narrowly rejected in the referendum of April 1969 and he chose to retire to his village home. This abrupt end to his political career in no way lessened his stature as a unique statesman.

Arab Federation

ARABISM has not died with Nasser. On the contrary, the end of "Nasserism" may well portend more fruitful expressions of the concept of "the Arab nation" than its most emphatic votary could achieve in his lifetime. In his last years, Nasser did try to bring the UAR, Sudan and Libya closer together which led to a vague tripartite alliance last December, but a federal compact under a triumvirate leadership, as decided upon between the three countries on November 8, would have been almost unthinkable with Nasser alive. Nasser was too tall a personality for such a venture to materialise. That indeed was the tragic fact of Arabism, which the forthright Bourguiba of Tunisia put thus: "Never have the Arabs been so divided as they have been since Gamal Abdel Nasser decided to unite them". But it was also Bourguiba who admitted on another occasion that "our brother Gamal Abdel Nasser has always worked for the Arabs' welfare".

Nasser was invariably the anode or the cathode of every Arab unity move, be it the Egypt-Syria union, the Arab Federation of Iraq and Jordan, the tripartite Egypt-Syria-Iraq grouping, the Greater Maghreb aspirations of Morocco, Tunisia and Algeria, or the Saudi-inspired concept of pan-Islamism. This was credit enough for a leader whose country's last royal dynasty claimed Albanian origin and whose Constitution framed as recently as 1956 found it necessary to proclaim in its First Article that "Egypt is an Arab state". Having proclaimed this and provided the Arabs with a dream, Nasser was indeed cautious in giving concrete shape to Arab unity. Nasser was pushed by Syria into the abortive United Arab Republic, while he had fought shy of the overtures of Sudan's Unionist Party and, later, of General Abboud's friendly approaches.

In the Sudanese case Cairo had to live down bitter historical memories of pre-revolution Egypt's role in the Anglo-Egyptian condominium over Sudan — Gordon Pasha's "mission", Kitchener's expedition, *et al.* On the other hand, Nasser's revolution can be said to have been partly hatched in Sudan, where the young army officer, then a mere second-lieutenant, had got himself transferred to and joined his close friend Abdel Hakim Amer. That was when Nasser sought to undo the isolation of Sudanese troops from the Egyptian Army, so assiduously fostered by

the British, while his other close confidant, Anwar el-Sadat, furthered the cause of the revolution in Cairo. The goodwill then built up and later augmented by the Anglo-Egyptian agreement of 1954 giving freedom to the Sudan — which was the first positive achievement in foreign policy by the revolutionary regime in Cairo — is coming to fruition only now, when Sadat has succeeded Nasser.

Whether it was Sudan that set the pace for neighbouring Libya to join in or *vice versa* is difficult to tell. Though Libya falls outside the purview of the ancient idea of unity of the Nile Valley, Egypt has wielded great political influence over this oil-rich country. As early as 1964, Nasser's call for the liquidation of British and American military bases in the Middle East brought an immediate response from Libya whose ruler was obliged by the pressure of public opinion to seek negotiations for a revision of the agreements on bases. And last year, even as Nasser repeated the call at the Rabat summit, it was implemented by what has come to be known as the "miracle" of the Libyan revolution. If in between, Libya flirted with the Maghreb group and even joined the Tangier conference on the economic unity of the region, that, as it turns out, was a mere passing phase. The federation now decided upon will marry the oil wealth of Libya to the soil wealth of the Nile Valley. Ironically, the Western powers had sought to keep Egypt away, so that they could exploit the natural resources of Sudan and Libya for their own purposes.

Shifting Focus in Fertilisers

AN element of sophistication seems to have entered official thinking on fertilisers, probably because the imperatives of the fertiliser situation are making themselves felt. Thus, while the Fourth Plan sets out the target of 3 mn tonnes for N and 1.4 mn tonnes for P, and promises that, with 2.5 mn tonnes of N under implementation and with eight and six projects, respectively, in the public and private sectors having been approved, "capacity approved and under implementation is well in excess of the Fourth Plan target", the focus has subsequently shifted to other issues. Experience over the previous Plans has already underscored that, it is not investment in the industry so much as production that requires greater attention and effort.

The preoccupation with investment and capacity is now being further splin-

tered by a number of emergent factors in the fertiliser situation. One is the rather startling realisation that consumption is not rising as fast as anticipated. There have been scattered reports of stocks piling up with the State Co-operative Marketing Societies. Imports, too, were to be halved this year because stocks in the Central Fertiliser Pool — built partially with imports — have accumulated to about 1.5 mn tonnes. The desperate search for investment and investors in fertilisers, which had led the Ministry under Asoka Mehta in 1966 to attract private entrepreneurs into the fertiliser field through heavy concessions, has now given place to a bridling up — in order to obtain the best terms (as witness the shelving of the Korba project) and to weigh all available considerations before taking decisions (as witness the unhurried deliberations over the Tata fertiliser project).

Alongside the realisation that fertiliser is not quite so scarce has come the attempt by producers — including the public sector units — to promote their marketing and promotional activities. These include demonstration schemes for farmers and an attempt to market fertilisers through the Food Corporation of India, through a wide network of private dealers, and through the district administrative set-up itself on an incentive basis — in addition to the existing, and not entirely satisfactory, co-operatives.

There are indications too of a regional imbalance in fertiliser production and marketing, with surpluses emerging in the southern region. A survey of market potential for a fertiliser unit in the south, carried out by Southern Petrochemicals Industries Corporation, also led to this conclusion. The focus is thus likely to be diverted — *ex post* as in cement — to the problem of location of fertiliser units. Hindustan Lever's Rs 50-crore proposal is, therefore, understandably for Punjab or Haryana. And one could expect proposals for the northern and eastern areas to get greater consideration.

It is also a time to examine gestation periods, to look for cheaper as well as freely available feedstocks, and to probe into the details of how much production in existing plants is lost on account of maintenance or electricity failures. Time lost in procedural delays and in long procurement lags is unpardonable at all times in a poor economy, but it is less likely to seem tolerable in times of emerging surpluses when, in the emerging competition, pro-

ducers begin to feel the pinch of higher costs. The Minister of State for Petroleum and Chemicals admitted, at last week's seminar in Cochin on maintenance of fertiliser plants, that a significant part of loss of production in fertilisers is on account of poor preventive maintenance — an overwhelmingly 'management' failure. Similarly, where standard fertiliser plants can be set up abroad in a span of less than two years, plants here are constructed and commissioned in three years or more. If

the industry is to grow into a viable competitive one designed to produce economically for an internal market that has its own logic of growth, it is indeed time to concentrate attention on the many aspects of fertiliser consumption, project planning, plant construction, and production. But the 'target' syndrome dies hard. At the same seminar, the Minister of State could not resist promising a capacity of 6 mn tonnes of N at the end of the Fifth Plan!

under its control — that BHEL should explore for improving its efficiency is material handling. More careful planning here will reduce the deadweight of inventories and also to some extent alleviate the difficulties in procurement of forgings and castings and other raw materials that Murthy refers to. In this connection, BHEL also needs to examine more closely the possibilities of cutting raw material inventories and saving itself procurement headaches through greater farming out of components manufacture.

Finally, BHEL has yet to learn to make money work hard enough. Here, again, it admittedly works under severe constraints — the most important one being that such a large part of its business is with the State Electricity Boards. No one with the slightest acquaintance with the Electricity Boards' methods of working will be surprised by Murthy's revelation that, as at March-end 1970, BHEL's dues from them were Rs 12.76 crores out of which Rs 9.05 crores had been outstanding for more than six months. All attempts to enforce financial discipline on the Electricity Boards have evidently failed and so Murthy's complaint will remain a cry in the wilderness.

State Bank In Call Market

IF the State Bank's intention in deciding to operate in the inter-bank call money market is to merely lend without security to other scheduled banks or borrow from them on the same basis it deserves to be dismissed as an overpublicised non-event. Though the State Bank, like its predecessor, the Imperial Bank of India, did not operate in the call money market, it used to grant call loans to other scheduled banks against Government securities. It also used to accept notice money at varying rates of interest from large institutions when that was possible. In view of its semi-central bank character, it did not need to deal in the call market proper but the difference between the market on the one hand and the State Bank's call loans and notice money on the other, was in practice hardly significant from the point of view of the organised money market as a whole. The present decision, therefore, would not amount to much except that the size of the call money market would be enlarged. However, since the scale of operations of the State Bank is likely to be large in relation to the total market, fluctuations in call money rates may be expected to be accentuated.

BUSINESS

Not by Window-Dressing

ASSISTED by the step-up in investment in power development in the Fourth Plan, Bharat Heavy Electricals (BHEL) continued its long haul out of the red in 1969-70. Output during the year rose by over a fourth, from Rs 35.26 crores in 1968-69 to Rs 44.61 crores, though even at the higher level of production substantial unutilised capacity remained, especially at the Hyderabad and Hardwar plants. For the second year since its inception, BHEL made a manufacturing profit — Rs 10.38 crores against Rs 6.54 crores in 1968-69. After providing for depreciation, interest, contingencies and deficit on township and other social overheads, there was a loss of Rs 1.49 crores against losses of Rs 3.37 in 1968-69 and Rs 6.57 in 1967-68. This is a measure of the improvement in BHEL's performance.

In his annual statement, BHEL's chairman, O S Murthy, complains of the high incidence of capital-related charges. Depreciation and interest on Government loans, he points out, amounted to as much as 25 per cent of the value of production in 1969-70. This is a preposterous situation no doubt, but one wonders whether Murthy has the right solution to the problem. Murthy points out that as the authorised capital of the company had been fully subscribed, funds received from the Government in 1969-70 were all in the form of loans and this had raised the company's debt-equity ratio to 1.4:1 as on March 31, 1970. Murthy's solution is to persuade the Government to convert a part of its loans to BHEL into capital so as to bring down the debt-equity ratio to 1:1. This would really amount to passing on some more of the company's losses to the Govern-

ment. As it is, since it has never paid any dividend on equity (nor will it for some time), BHEL gets about 40 per cent of its capital entirely free of cost and even on the rest it pays interest at much lower than normal commercial rates. Murthy would now have the no-cost capital raised to 50 per cent of total. This is the approach of one who is more concerned with window-dressing than with improving profitability through efficient working.

It is really in the latter direction that Murthy should concentrate his efforts. And there is ample scope here. The most important task, of course, is to improve capacity utilisation. As Murthy himself concedes, the ratio of capital-related charges to the value of production, which was 25 per cent at the 1969-70 level of production, would decline to 8.5 per cent at rated capacity production. Murthy is on firm ground when, in this context, he refers to the need for advance planning for power development. Not only have power projects long gestation periods — ranging from 8-10 years for hydro schemes to 5 years for thermal projects — but, from the point of view of the manufacturer of power plant equipment, it is important that sufficiently advance and long-term planning of power schemes is undertaken. The manufacture of custom-built heavy equipment requires considerable time for planning, organising and co-ordinating production activities. That apart, the efficiency of operation of plants such as BHEL's depend on continuity of orders since any interruption in the production programme due to lack of orders would result in a setback to the development of skills all round.

Another avenue — and one more

The State Bank will, therefore, cease to be a steady influence in the money market.

The State Bank's Chairman is reported to have expressed the view that the Bank will get about Rs 20 to Rs 30 crores from the call market. This seems to be unduly optimistic considering that the total amount of funds in the market is variously estimated at between Rs 40 crores and Rs 70 crores. This suggests that perhaps a further enlargement of the money market is envisaged to include a host of financial and non-financial institutions. The Bill Market Scheme has been put into operation and new financial institutions may come to be established for doing acceptance and discounting business. The discrepancy between the amounts of fresh bills and maturing bills in the portfolios of such institutions and scheduled banks might significantly increase the supply of and demand for call money.

The Dehejia Committee had recommended a shift from cash credits to loans with prescribed repayment schedules. Whereas borrowers can repay cash credits as and when cash inflow occurs, demand loans will create the possibility of temporary cash surpluses and deficits. It is possible to argue in fact that a precondition to changing over from cash credit to demand loans is the creation of a proper money market.

In the light of these considerations the State Bank's decision may be regarded as part of a plan — whether conceived by the Reserve Bank or not — to establish a money market. The emerging pattern of financial organisation in the country needs to be anchored to a money market of considerable size. Whether or not the State Bank has taken into account this long-term perspective while deciding on entering the call money market, it has given the Reserve Bank an opportunity and an occasion to consider the possibility seriously.

Bitter Sugar

THE 1970-71 sugar season has just completed its first month. The Government has decided to continue the policy of partial decontrol for the fourth year in succession. It has also announced that minimum sugarcane prices remain unchanged at Rs 7.37 per quintal. The monthly quota of 4 lakh tonnes was released on October 17; of this 2.60 lakh tonnes will be for controlled distribution and the

balance of 1.40 lakh tonnes for sale in the free market.

The 1969-70 season ended with an all-time record production of 42.66 lakh tonnes of sugar as well as a record stock of almost 21 lakh tonnes. Since December 1969 Government has been toying with the idea of building a buffer stock. It is still dithering in the matter since as late as last month the Deputy Minister for Food was saying that a buffer stock was under the "active" consideration of the Government. Sugar stocks have locked up more than Rs 250 crores and the industry is running short of godown space to stock current production. Further, not surprisingly, there has also been some tardiness in making payment to growers. As a matter of fact, growers have yet to receive over Rs 35 crores for cane supplied last season.

Prices during the last season declined from the high level of Rs 220 to Rs 165 in June 1970 and finished the season at Rs 175. It is interesting to note, though, that the monthly average price of Rs 169 in June increased to Rs 180 in August. The free market quota, which was 8 lakh tonnes for the first quarter, was stepped up to 13 lakh tonnes in the last quarter. In spite of this, free market prices remained higher than in June 1970. Apparently the generous facilities extended to the industry in the form of liberal credit, extension of despatching period from 30 to 45 days, etc, and constant inspired talk of Government building up a buffer stock — ranging from 10 to 18 lakh tonnes in size — and maximum exports at any cost encouraged industry to go slow in their sales.

Molly-coddled by Government, the industry, which began the 1969-70 season with a stock of about 13 lakh tonnes, ended the season with stocks of 21 lakh tonnes. Production in the current season will not be below 40 lakh tonnes. Even with such plentiful supplies prices in October moved between Rs 172 and Rs 180 and averaged Rs 176, i.e., a rupee higher than the September average. In October the co-operative sugar factories in Maharashtra are reported to have sold about 2,00,000 bags at tender rates ranging between Rs 118 and Rs 123 for D-30 variety ex-mill and ex-duty. They have rejected lower tenders several times. There manoeuvres are possible because Government has refused to decontrol the industry. Decontrol should have been announced last season;

failing that, it should have been introduced right at the start of the current season. Now with the general election in 1972 (if not earlier) the industry has no cause to worry. It can continue to rig up prices by withholding stocks from the market — with Government's blessings.

Price-Cost Chase

THE steel industry is again due for a price rise, Bali Ram Bhagat's denial notwithstanding. The recent wage settlement arrived at between the steel plants (both public and private sector) and their workers is expected to raise minimum wages by almost 40 per cent (from Rs 173 to Rs 240 per month).

There has also been some systematisation of employment-categories and standardisation of wages. The cost of the whole exercise is placed at Rs 15 crores (Rs 44 per tonne of steel) for Hindustan Steel, Rs 5 crores (Rs 35 per tonne) for TISCO, and Rs 3 to 3.5 crores for IISCO.

Given the precarious finances of all steel companies the cost-consequences of the settlement cannot be in doubt. Not surprisingly, representatives of all steel companies have come out with suggestions for a price rise. At the same time, the impact of the wage settlement on labour relations and productivity in the industry needs to be taken into account. Even the representatives of Durgapur workers have expressed satisfaction over the settlement.

The greatest scope for improvement in production and productivity is at Hindustan Steel which is capable of producing a quarter more than its actual output in 1969-70. Even TISCO's management and product-mix are capable of improvement. A price-rise would be justified only after the scope for improvement in management and productivity has been exhausted. Given inflationary tendencies in the economy it is hardly desirable to set prices chasing costs.

A Correction

The writer of the letter from London entitled "The Malle Melodrama" (October 3, 1970, p 1635) is Farrukh Dhondy and not Jehangir Dhondy, as was printed.

The error is regretted.

—Ed

Fateful Decision

Romesh Thapar

IF debates are a pointer to the condition of a people, you would imagine that our India has only esoteric problems to think of. While in Raipur (Madhya Pradesh) a Jain religious head is sought to be 'disciplined' by revanchist, orthodox Hindus, the Capital has been in the throes of a variety of competing spiritual demonstrations. Meanwhile, a veritable storm is sought to be kindled over the remarks of a talkative deputy Defence Minister who thought he would get a headline by declaring that Pakistan would attempt an 'Israeli-type' attack on India: a motley crowd of retired military men, faded bureaucrats and would-be academics, and professors of the international scene thought they would do a little lobbying for 'a new defence policy' following US military aid to Pakistan! As a punctuation mark, we have the melodrama now developing over the 'alleged death' of Subhas Chandra Bose and the 'alleged murder' of Lal Bahadur Shastri. Obviously, the politics of manipulation require these side-shows or we would become dull girls and boys...

FEROCIOUS FUND-RAISING?

What is not coming through, however, is the major obsession of the Indian elite in the Capital. This is the speculation around the prospect for an early election. Despite the new Congress Party's setbacks in Uttar Pradesh, and the possibility of similar developments in Bihar and Assam,

opposition parties are convinced that a snap-general election is being planned for some time in February or March 1971. Indeed, the Jan Sangh leader, Vajpayee, is so insistent that Indira Gandhi is forced into a situation where she is compelled to deny even though the denial is vague.

One of the factors which has convinced the opposition parties that a decisive trial of strength is planned is the ferocious effort alleged to be under way to collect funds from industrialists and business. These 'deals', true or false, are the talk of political circles and attention is drawn to the favours bestowed on this or that person. This talk cannot be dismissed as idle because all parties go to the same sources for funds. Either our industrialists and businessmen are playing a very subtle game or they are really hard pressed.

Another 'fact' which is advanced to suggest that the present governmental arrangements will not last is the near paralysis which exists within the system. All promised reforms, reshuffles, reorganisations, and remedial actions remain in abeyance. We are being fed a steady diet of theoretical radicalism, a familiar development on the eve of country-wide elections. There is deep reluctance to take unpopular positions, to discipline those who are threatening the stability of the public sector, to break illegal and racketeering strikes and to purge the system of the incompetent and the

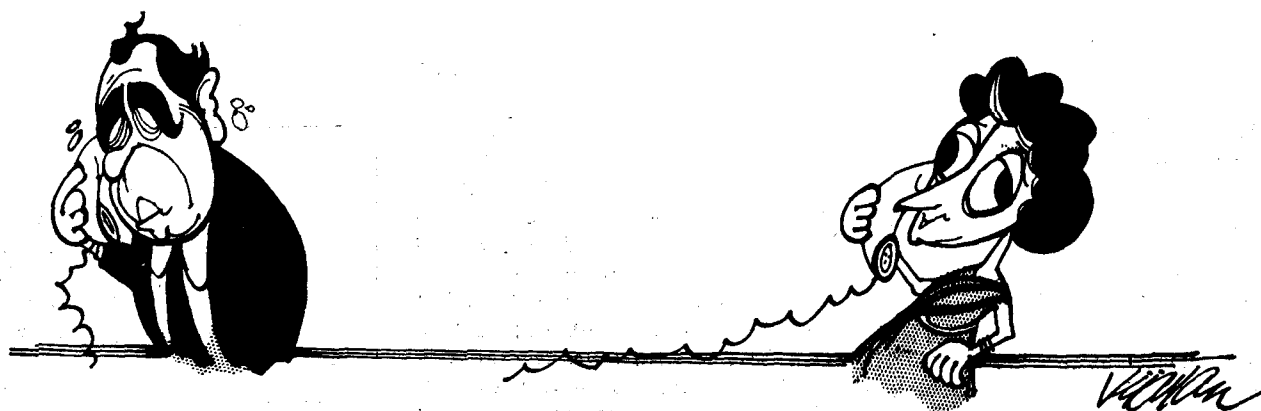
corrupt. Actually, the worst elements in our political life are being backed in the hope that they are the 'vote organisers'.

DANGERS OF DRIFT

The speculation on the general election has yet to enter the phase when politicians will begin to pick out and emphasise the issues which might be seized as an excuse to dissolve Parliament. The Prime Minister speaks of a stormy session, but then such descriptions are also becoming clichés. Maybe, the Preventive Detention Bill will spark the kind of polarisation which will bring matters to a head. Of course, MPs are so keen to keep their privileged jobs for the full term that they may well abstain *en masse* to let the bill through. Maybe, the aftermath of the Supreme Court verdict on the Executive Order derecognising the princes will provide the basis for shaking up the political situation...

The thoughtful politician is certainly apprehensive of continuing until 1972 with a minority government incapable of decisive action and vulnerable to pressures. The unthinking drift into united fronts and election compacts with better organised parties holds dangers which are only too obvious. Opinion is crystallising in the new Congress Party that the strategy and tactics appropriate for the new era of coalitions must be worked out on the basis of a fresh assessment of trends within the electorate. Anyhow, whatever the decision, it has to be taken within the next few weeks. It is a fateful decision — and let's keep the astrologers out of it...

November 9



"I'm sure, Dick, you find *your* ideological majority great fun too."

Oilseeds Ablaze

Nishtar

WHEN Nature proposes and Government disposes, God alone can save the poor consumer. Reports that the Political Affairs Committee of the Union Cabinet had approved proposals to fix groundnut prices and to create a buffer stock had set the oilseeds market aflame. These flames have spread on reports that the Committee's proposals have now been given a concrete shape. Oilseeds futures have been rigged further; since the beginning of November cottonseed and linseed have been marked up by Rs 11 a quintal and castor futures have risen by Rs 7. Even spot groundnut oil prices which had started declining under the pressure of increasing arrivals have turned firm and moved up by Rs 300 a tonne. What is more, December position has begun to command premium over the spot quotation.

According to informed market-men, Government has almost made up its mind (almost, because there can be no certainty about New Delhi's decisions until they are officially announced) to fix the support prices at Rs 1,000 per tonne for groundnut (in shell) and at Rs 3,000 for groundnut oil. Procurement prices are stated to have been fixed at Rs 1,250 and Rs 3,500, respectively. The Food Corporation has been asked to get ready to build a buffer stock of one lakh tonnes of groundnut oil. And this is not the end of the story. It is also proposed to allow for export of one lakh tonnes vanaspati and refined groundnut oil to enable import of larger quantities of cheaper oils and fats so as to augment domestic supply without any net foreign exchange expenditure. International prices being substantially lower, exporters are to be allowed to utilise 75 to 85 per cent of their foreign exchange earnings for imports of soyabean oil, mutton tallow, copra and coconut oil.

The idea of a buffer stock to hold the priceline has much to commend itself and the proposal to export high-priced oils for importing larger quantities of cheaper oils and fats is also not without some merit. But even well-intentioned measures, unless properly implemented, can ruin the cause they seek to promote. The consequences of the Government's proposed

serious. Despite a bumper crop, consumers of groundnut oil will now have to give up all hopes of getting their supplies at cheaper prices.

The overall supply position of edible oils being far from comfortable, though better than in the previous season, groundnut oil prices might not have declined much below the level of Rs 3,500 a tonne, except for a short period of peak arrivals. With the procurement price fixed at Rs 3,500, even this little hope is not likely to materialise now. To think that prices would be allowed to decline to the procurement level is to underrate the ingenuity and resources of big speculators. While it is extremely doubtful whether Government will be able to build any worthwhile buffer stock unless it effects purchases at the ruling market price, speculators have already accumulated big positions.

The export of dehydrogenated and refined groundnut oil is bound to aggravate the bullish tendency which has already taken a firm hold of the market. Its impact is likely to be out of all proportion to the quantum of exports as there will be a big time-lag between exports and subsequent imports. This could be easily avoided if imports were to precede exports. There is no reason why arrangements cannot be made for commercial imports to precede exports. This is the only sensible thing to do. Commercial imports — good, if supplies could be arranged under PL 480 — of cheaper oils and fats will help ease the pressure on domestic prices and make exports less unremunerative. But why must Government at all think of exporting vanaspati or refined groundnut oil? Why not adopt a more helpful policy to exploit the huge potential for export of groundnut extractions which seem to be running into difficulties because of continuing uncertainty and heavy incidence of freight and penal export levy.

Under conditions of not-so-satisfactory supply position, there is little sense in building a buffer stock out of indigenous production. Unfortunately, logic has seldom been Government's strong point. Since there has been no official announcement of policy so far, New Delhi will be well-advised

to do serious rethinking on the subject. It is still not too late to give up the buffer stock plan unless it is to be built entirely through imports. Speculators have already seized the initiative from Government and no one can tell what havoc they might play with the market.

Finance Minister Chavan told the Rajya Sabha the other day that Government was fully seized of the disturbing price situation and that it was trying to keep prices under check through fiscal and credit policies as well as through measures designed to increase production and supplies of scarce commodities. He said that Government was making efforts to arrange larger imports of soyabean oil and mutton tallow. What one would like to know from Chavan is what further steps the authorities propose to take to hold the priceline since measures already taken have not had the desired effect. Prices have continued to surge forward despite four successive good harvests. Only clean and efficient administration can enforce strict discipline needed to contain inflationary pressures when production is unable to catch up with expanding demand.

Another Mis-adventure

COTTON importers have at last agreed to work as associates of the Cotton Corporation of India on half per cent commission earned from foreign shippers. The 55-day strike has thus proved to be yet another mis-adventure. An extra ½ per cent commission on import business effected between September 5 and 14 is about all that importers have gained from the strike. Now that the strike has been called off and all points regarding commission, pre- and post-import charges, import procedure, etc, have been settled, one can expect early revival of import activity. Since the delay in imports caused by the prolonged strike had been an important factor contributing to the recent runaway rise in cotton prices, prospect of early flow of supplies of foreign cotton has imparted an easier tendency to the market. Prices have moved down by Rs 50 to Rs 75 a candy from the fantastic levels to which they had been pushed earlier in the week. How long this easy spell will last, it is difficult to say. With trading conditions in the piecegoods market continuing to be quite encouraging, there seems little chance of any major break in prices.

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AYAS M 75 0

With cotton prices moonward bound, the committee of the Indian Cotton Mills' Federation has made a plea for importing another 200,000/300,000 bales of cotton and 150,000 bales of staple fibre in addition to the 825,000 bales about which Government has already made known its intentions. Good, if additional supplies can be arranged. But cotton mill industry's requirements have been considered in the context of many competing claims on the country's limited foreign exchange resources. Several important industries are suffering from acute shortage of raw materials.

In spite of its grave concern over soaring cotton prices, the ICMF committee has pleaded for relaxation of stock limits and credit curbs and a reduction in the rate of interest on advances against cotton from the present level of 12 per cent to the normal levels which obtained before January 1970. The argument that these curbs have failed to serve any useful purpose and should therefore be removed is not convincing. If these measures have failed it is essentially because they have not been strictly enforced and the erring mill have seldom been taken to task. Since the situation in the cotton market calls for stricter discipline, one would have expected the Indian Cotton Mills' Federation to devise a code of self-discipline in the interest of weaker units in the industry who are less fortunately placed in regard to the marketing of their products but have got to pay high prices for cotton. That the chairman of the Tamil Nadu Millowners' Association, K T Chettiar, should have urged the Union Minister for Foreign Trade for immediate requisitioning of cotton and rationing to the textile units is ominous.

Further Retreat

STOCK markets had hardly recovered from the shock administered by Mahida's warning about hit-and-run type of raids by Pakistan when they were forced to beat a fresh hasty retreat. Last week's plunge has carried them fairly close to the base from where they had launched their last major offensive about the middle of July. The avalanche of selling which swept markets off their feet last week was touched off by Chavan's observations on the role of taxation in his inaugural address to the two-day all-India conference of tax executives convened by the Federation of Indian Chambers of Commerce and Industry.

Chavan stated that there could be no tax incentives for a few well-to-do people when there were tremendous disparities in income and living conditions. Further, that taxation would continue to be an important instrument for resource mobilisation as also for ensuring distributive justice.

According to Chavan, stock markets have not interpreted his observations in a corrective perspective. That, of course, is a matter of opinion. Markets can be very impulsive at times. It is true that Chavan's observations are of a very general nature. But then one does not expect a Finance Minister to discuss his plans for taxation in public. Stock markets may not be wrong in presuming that a major resource mobilisation effort by the Centre would be inescapable. In view of the big increase in civil expenditure to implement the Third Pay Commission's recommendations, the likely increase in defence expenditure to meet the added challenge from Pakistan and increased assistance to States for their Plan, the Finance Minister will find it difficult to avoid a heavy dose of taxation. With the scope for deficit financing limited

by growing inflationary pressures, the Finance Minister will have to rely more on taxation.

Diversion of surplus investible funds to new issues, lack of fresh institutional support, monetary stringency and hardening tendency in interest rates and the high level of 'badla' charges which have to be paid by bulls for carrying forward their positions at the turn of every ten-day settlement have also contributed to the easier tendency in the market. Recent corporate news has been scanty and unexciting.

Dinesh Singh's assurance that Government is not averse to large industrial houses has brought little cheer to the market as big business continues to be very critical of Government's industrial and economic policy because of its heavy political bias. There are many uncertainties — economic and political — which are weighing on the market. It will take time before bulls are able to regain their nerve. Presidents of the leading stock exchanges have again urged the Finance Minister to allow resumption of forward trading. Chavan gave them a patient hearing and that was about all.

COMPANIES

Dissatisfaction at the Higher Price

Hansavivek

JAIPUR UDYOG achieved record production and despatches in the year ended March 1970. Its output of clinker was 7.83 lakh tonnes (7.62 lakh tonnes) and of cement 8.59 lakh tonnes (8.17 lakh tonnes). Despatches aggregated 8.53 lakh tonnes (8.3 lakh tonnes). Sales were up from Rs 11.66 crores to Rs 13.32 crores and, with increased margins, gross profit rose from Rs 70 lakhs to Rs 105 lakhs. Net profit was Rs 29 lakhs (Rs 5 lakhs) but it was still over Rs 3 lakhs short of the total amount needed for distribution at the stipulated rate on preference capital and at 10 per cent on equity. Net return on total capital employed in business worked out at less than 3.5 per cent.

The directors bemoan control on prices and distribution and say that the uniform ex-works price of Rs 100 per tonne of cement allowed with effect from April 16, 1969, was inadequate — especially as it was not given with retrospective effect. There have been fur-

ther increases in costs. The Government's order fixing uniform prices has been challenged by some cement companies in the Madras High Court. The High Court held the order *ultra vires* of the Constitution. The Union Government has preferred an appeal against the judgment. The company has also filed a writ petition in the Rajasthan High Court, challenging the validity of the notification of February 2 this year, increasing the rate and royalty on limestone from 75 p to Rs 1.25 per tonne.

Following withdrawal of the exemption from licensing given to the cement industry, the company has applied for licences for setting up a new cement factory near Beawar. Meanwhile, an order has been placed for the main plant and machinery comprising two kilns each with a daily production capacity of 850 tonnes — against 600 tonnes originally envisaged — as a result of some modifications in the specifications of auxiliaries. A section of

workmen at the cement works and quarries went on 39 days' strike during 1969-70, which resulted in loss of production.

Material handling is being partially mechanised. The wagon-tippler for feeding limestone into the double rotary impact crusher was commissioned in 1969-70. Installation of electrostatic precipitator for two cement mills is to be completed shortly. This is to reduce dust losses and lengthen the life of the plant. During the current year, major repairs and replacements of some of the parts of the plant and modifications in the cooler of one of the kilns have been completed. This will result in increased efficiency.

Production at the company's jute mill at Kanpur commenced in March this year. The Allahabad High Court has confirmed the sale of the assets of the jute mill in favour of the company, but has held the same subject to charge by NIDC, against which the company has preferred an appeal. With the approval of Company Law Board, the company's farm assets were transferred at book value to Jai Agro Industries in consideration of allotment of 1,43,183 shares of Rs 10 each. Jaipur Udyog (Nigeria), incorporated in last January, has taken over managing agency of a cement company in a mid-western state of Nigeria.

S P Jain and Ramnath A Podar resigned from the Board of Directors in

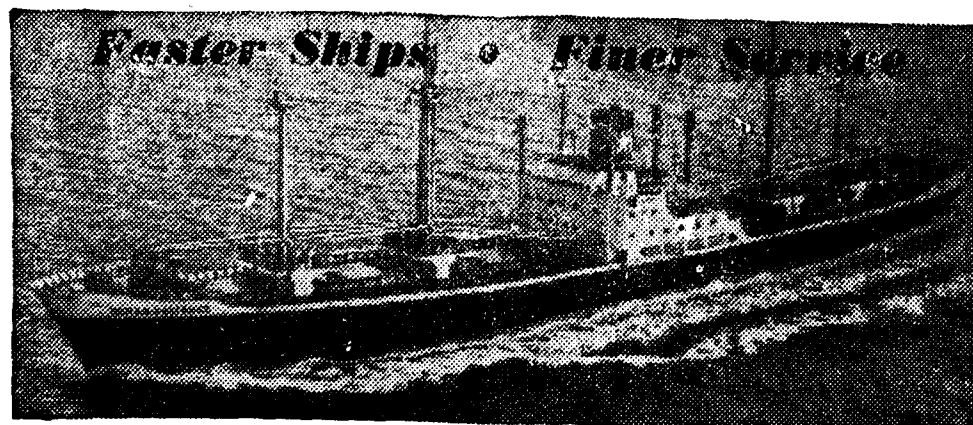
May 1970. The former had been a director and chairman, and the latter a director, since 1955. Their places have been filled in by appointing Alok P Jain and Sushila Jain. R K Poddar was appointed additional director.

SHIPPING CORPORATION OF INDIA has concluded negotiations with Lithgow's Shipyard of Port Glasgow (a member of the Scott Lithgow Group), U.K. for construction of two bulk carriers, each of 75,000 tons deadweight. This deal has been negotiated subject to the consideration and approval of the Government of India. This is the largest single deal so far for acquisition of shipping tonnage by India from the United Kingdom. The bulk carriers proposed to be acquired will have the most modern and sophisticated equipment. They are expected to be delivered in 1974-75. Their purchase will represent a significant addition to India's bulk carrier fleet for the transportation of iron ore and other bulk commodities. The Shipping Corporation hopes to cross the 2-million deadweight tonmark by 1975 when the vessels currently on order or under negotiations are completed and delivered.

JUBILEE MILLS' plants worked to full capacity during the year to June 1970, though its working was affected in the last quarter owing to riots in Bhiwandi. Processing charges increased from Rs 149 lakhs to Rs 173 lakhs and gross

profit from Rs 17 lakhs to Rs 28 lakhs. Net profit was Rs 11 lakhs (Rs 5 lakhs) to cover the 20 per cent distribution two-and-a-half times. In addition, the board has proposed issue of a gift of free shares on a one-for-one basis by capitalising Rs 20 lakhs from reserves. The proposed new shares will participate in dividend from the current year.

SCOTTISH INDIAN MACHINE TOOLS has once again turned out disappointing results. While sale of goods dropped from Rs 15 lakhs in the preceding year to less than Rs 4 lakhs, proceeds from job work and sale of scrap and spares brought in about Rs one lakh more at Rs 5 lakhs. The outcome was a trading deficit of Rs 10 lakhs (Rs 11 lakhs). After depreciation, deficit rose to Rs 15 lakhs, lifting the accumulated debit balance to Rs 54 lakhs to stand against a share capital of Rs 64 lakhs. The first instalment of Rs 3 lakhs for repayment of the medium term loan from IFCI, which fell due for payment last June, could not be arranged. The management has sought deferment of the repayment of this instalment in June 1978. The bad results are blamed on delayed receipt of imported components and shortages and high prices of indigenous raw materials, particularly steel. The possibility of further diversification of the company's operations is being explored.



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FROM OUR CORRESPONDENTS

BIHAR

Vested Interest in Weak Governments

NEARLY 2500 years ago Lord Buddha prophesied that the city of Pataliputra would suffer from constant strife. The Biharis of today are living up to this prophecy. As soon as the Daroga Rai Government had somewhat stabilised itself the manipulators got to work. A vested interest has grown around weak governments ever since the first united front ministry of Mahamaya Prasad Sinha was toppled by engineering mass defection of legislators. Until the Congress split this vested interest centred round half a dozen 'bosses'. Since the split some of the biggest of the bosses have been shoved to the sidelines of power. The ones who remain with the new Congress have the arena to themselves today.

It is as yet difficult to pinpoint the exact event which precipitated the drawing of the battle-lines. Perhaps it was the choice of new ministers in which Daroga Rai showed himself to be his own master. Or perhaps it was the raid by the CBI on Ramlakhan Singh Yadav's house. Or perhaps it was the Chief Minister's turning down of a whole list of new postings in the Public Works Department run by one of Yadav's men.

STRUGGLE FOR POWER

But these are only some outer manifestations of the vicious struggle for power in Bihar. For those who understand the mysteries of Congress politics the struggle really began with the enrolment of new Congress members. The subscription fees were not paid by the new members but came in bulging envelopes from New Delhi. Clearly, it was part of the struggle to capture the Pradesh Congress Committee — to be more precise the election committee of the Pradesh Congress which will nominate the Congress candidates for the next elections whenever they come. Ramlakhan Singh Yadav is clearly not a man to wait in the shadows. He has used power too much to be satisfied with the shadow of it.

Tragically for the new Congress, Ramlakhan Singh Yadav is tied up with a former protege of Gulzarilal Nanda, namely Lalit Narayan Mishra, who is now bent upon crashing into the inner

sanctum of Indira Gandhi's power. For this L N Mishra needs a significant support from Bihar and from members of the next Parliament. Both he and Yadav were creatures of the former State bosses in the united Congress and they find it difficult to get along with those who had in the past opposed the bosses and who now occupy leadership positions in the new Congress. The battle is thus between the remnants of the former bosses in the new Congress and the former opponents of the bosses. In the new Congress Legislature Party itself a sizeable section of members are known to be strong-arm men of the former bosses. The natural affinity among them gives L N Mishra and R L Yadav a significant leverage in the legislature party and thus in the running of the Government.

The Chief Minister's misfortune began the day he accepted the suzerainty of the Mishra-Yadav axis. Now like Sindabad's old man they refuse to get off his shoulders. All in all, his Government hangs by a thin thread. Anything may yet happen. Having first instigated the revolt in the new Congress legislature party and amongst leaders of smaller groups, L N Mishra may find it difficult to retrieve the situation. The so-called dissidents, most of whom did not vote for V V Giri in the Presidential election, have had their meetings with the Prime Minister and the Congress President and have returned as full of fire as ever.

The High Command's strategy for the present seems to be to mollify the dissidents, for the situation in Bihar has become a vital part of national politics. After the UP rebuff the new Congress is in for a difficult situation in the Hindi belt. The parting of ways with the BKD in UP has whittled the base of its support and in Bihar it faces a still more potent combination of the SSP, the Jan Sangh and the Syndicate Congress. Daroga Rai has been advised to meet the dissidents and he has already had a round of talks with them. Even earlier the Chief Minister had spent several hundred minutes with L N Mishra and R L Yadav — the accepted leader and guide of the dissidents. In spite of these meetings, however, the belligerent tone of press statements has not changed

ed and while the Chief Minister is being counselled to keep patience he may yet say that he has had enough of it. In private conversations Daroga Rai is known to have expressed his desire to place the dissidents' demands before the general body of the legislature party but that will formalise the formation of groups in the party and while Daroga Rai might win a vote of confidence the chances of the party remaining united would become very slim indeed.

Already, Ramlakhan Singh Yadav has started feeling many pulses. His arrival in Rajgir simultaneously with the Syndicate Congress President Nijalingappa and his reported meetings with K B Sahay and Satyendra Narayan Sinha, two of the former 'bosses', are seen by some as straws in the wind. Yadav's followers have made no secret of their disenchantment with the new Congress since the CBI raid.

DAROGA RAI'S FOLLY

So far Daroga Rai enjoys the firm support of the PSP and the CPI, two of the main constituents of the ruling coalition. The CPI State Secretariat has come out with a statement that if Daroga Rai is dislodged from leadership, the party would review its support to the coalition. But the smaller constituents, namely the BKD, the Shoshit Dal and the dissident PSP, have been a constant headache for the Chief Minister. These splinter parties are themselves riven with factions and newspapers present comic situations every day, reporting one faction as supporting Daroga Rai and another as challenging his authority. Indeed some of these groups are all the time riding two horses. While to the Chief Minister and his emissaries they would confirm support to the Government, they would also put in a word to newspaper correspondents contrary to their assurances to Daroga Rai.

All in all, Daroga Rai's is an unenviable position. Some of the problems are indeed of his own creation, for he has refused to manage his own party affairs, depending upon L N Mishra and R L Yadav to do the job for him. Now that they have left his side and put up a front against him, he finds himself unguarded, unaided and unsympathised with. But perhaps he must pay for his folly of not caring for the men who were with him in the fight against the 'bosses' in the united Congress.

The Fight for Spoils

ONE of the pastimes of UP politicians in British jails was to play chess; now they are employing the strategy and tactics of the same game in ministry-making. Charan Singh is evidently a clever player. His only limitation is that he cannot live without being a minister. C B Gupta on the other hand can, as he has many wealthy supporters, in addition to his Rs 65-lakh birthday fund.

The constituents of the UP SVD, Congress (O), BKD, Jan Sangh and SSP, have nothing in common except their dislike of Indira Gandhi. Some of the all-India leaders of these parties have a conviction that they cannot rule India without ruling UP. It is this belief that led them to 'elect' T N Singh as the leader of the SVD in New Delhi without consulting the members of their legislature parties. The Governor did not insist on a formal election, because of the mounting campaign against him that he was delaying the formation of the SVD ministry under the dictation of Indira Gandhi. Had he stuck to the principles he had enunciated in his statement — briefly reported in these columns (October 17, p 1731) — he could have demanded not only the formal election of the SVD leader by the legislature party, but also announcement of a common minimum programme which it wanted to implement. Instead, the Chief Minister alone was sworn in.

CHARAN SINGH'S TACTICS

An eight-point programme, including abolition of professional tax, release of student leaders, withdrawal of certain ordinances (including the one making membership of students' unions optional) and exemption of all agricultural holdings upto 6.25 acres from payment of rent was later announced. Everybody knows that Charan Singh is vehemently opposed to the withdrawal of the ordinances, the abolition of the professional tax and the exemption of agricultural holdings from payment of rent. In fact, he considers these moves a slap in his face. But Charan Singh knows how to accept the slogans of an organisation and yet not implement them. So he did not bother about the SVD's eight-point programme. His

partymen started demanding that he should be made No 2 in the new Cabinet, with the portfolios of Home and General Administration. Charan Singh issued a press statement saying that he had not consented to be Deputy Chief Minister as he was not willing to join the SVD Ministry; he added, however, that there was strong pressure on him from his partymen to accept the Deputy Chief Ministership. In the meantime the SSP leader Raj Narain announced that he would start a 24-hour fast from November 5 morning to bring moral pressure on the T N Singh Ministry to implement the time-bound minimum programme. Incidentally, this fast was intended to synchronise with the swearing in of three ministers. But only two of the three ministers, representing the Jan Sangh and the SSP, joined the Ministry, and the third man (Swatantra) refused as he had not been given a Cabinet post.

Simultaneously two things happened. Charan Singh wrote to the Chief Minister that BKD had decided to keep out of the Ministry. He, however, assured T N Singh that BKD would support the SVD Government on merits and would not lend support to its toppling. This step was taken with the twofold purpose of check-mating C B Gupta, who insisted on the swearing in of a small team of ministers, whereas Charan Singh wanted the entire team of Cabinet Ministers to be sworn-in and telling the Chief Minister that he could not rely on unconditional support from the BKD. In other words, he would not have BKD support in the withdrawal of the ordinances and the abolition of the professional tax. The second happening was the disapproval of the mode of the party bosses nominating the ministers without consulting the legislature parties. Twenty SSP MLAs (out of 28) denounced their legislature party Chief who was sworn-in without the party being taken into confidence. These MLAs have told the Chief Minister that they would not support the SVD Government because no categorical announcement about the minimum programme had been made by the Government. The latest position is that they have formed a group

and have announced their intention to sit in opposition.

The internal differences in the SVD took a sharp turn on November 4 when Charan Singh, in his second letter, informed the Chief Minister that his party would not support any move for immediate implementation of the minimum programme. This was a shrewd move to outmanoeuvre the SSP leader, Raj Narain, who had gone on fast to press the implementation of the minimum programme. Charan Singh's points have been conceded by the Chief Minister.

Thus even before the SVD Ministry has taken shape, its internal contradictions have started asserting themselves. Except the BKD all parties have student wings and some students are being arrested almost every day for opposing the ordinance making membership of student unions optional. The Congress(R) leader, Kamalapati Tripathi, has openly come out against the Government for arresting students for holding peaceful demonstrations against the ordinance.

Political changes are thus sought to be introduced in UP through palace revolutions, not mass actions. A demonstration before the Secretariat by selected activists of the Congress(R) and the CPI from the various districts of the State against the reactionary alliance called SVD, would have prevented its formation. But the State leaders of these two parties seem to have forgotten all traditions and forms of mass action. When one Left intellectual suggested it to a Communist leader the answer was: "It requires money." For such Left leaders it is money that mobilises the masses and not vice versa.

PLAGUED BY ECONOMISM

The only mass actions are of the type contemplated by the United Chini Mill Mazdoor Federation. The Federation is proposing to launch a general strike in UP sugar mills from December 13 to get the following demands conceded: (1) implementation of the Sugar Wage Board's recommendations forthwith with retrospective effect from November 1, 1969; (2) payment in a lump sum of arrears of increment since November 1, 1969; and (3) payment of 50 per cent off-season wage to sugar workers. At the same time, it is also suggested that the Central Government must force the factories to pay a minimum cane price of Rs 10 per quintal to sugar

cane growers. To make the struggle of sugar factory workers and sugar-cane growers a joint one, a regional meeting of cane-growers' representatives is to be held on November 20 along with meetings of sugar factory workers under the auspices of the UP Ganna Utpadak Sangh.

In all this, nobody thinks of sugar prices or of the political implications.

NEPAL

Impetuous Diplomacy

AT this stage, when neither party is willing to do without the customary diplomatic verbiage, it is difficult to discern what exactly happened, why things went wrong, and who was responsible for the sudden termination of the Indo-Nepal talks for renewing the trade-transit treaty. Inevitably, Kathmandu-based India-and-China-watchers have maintained that, ever since it was known that a treaty was in the offing, China had watched interestedly, and that hectic diplomatic activities had been undertaken to foil the bid to conclude the treaty arrangements. For, if the treaty was signed and the curtain of mistrust between New Delhi and Kathmandu was lifted, in the event of the likely Sino-Indian rapprochement, China could hardly use Kathmandu as a base to look through the 'bamboo curtain' into India. Nevertheless, for all the strange turn of events over the agreement, it is still not too much to expect that both Kathmandu and New Delhi will realise where their common interest lies.

Certainly, the Nepalese delegation for the trade-and-transit talks, led by Pushkarnath Pant, was initially confident of a favourable Indian response to the Nepalese proposals. Kathmandu apparently had been given to understand that India would entertain Nepal's demand for two separate treaties — one for trade and another for transit. Kathmandu, therefore, had actually got the drafts prepared by a Czechoslovak expert whose services it had hired for six months just to prepare the two separate treaties. The treaty relating to transit was to be for a longer period than that for trade. It is even authoritatively rumoured that, at least some of the articles of the proposed treaty had been virtually finalised but that the whole effort was effectively torpedoed, with Delhi suddenly taking an adamant stand against the demand for two separate treaties.

Kathmandu was surprised and deeply disappointed. On arrival at Tribhu-

van airport, Navraj Subedi, the Industry and Commerce Minister who had led the delegation, even told pressmen that no further talks were scheduled between India and Nepal. He also listed four distinct points on which India and Nepal had failed to reach agreement. These were: road transport for Nepal's goods in transit, customs preferences, introduction by India of the State Trading Corporation for the conduct of Indo-Nepalese trade, and the form of the Indo-Nepalese treaties.

Though only 12 days earlier, King Mahendra had told the political correspondent of *Times of India* that Nepal wanted political and military issues to be kept completely separate from issues concerning the economic arrangements between the two countries. Foreign Minister Gahendra Bahadur Rajbhandari was incensed enough by the breakdown of the treaty talks to say that the absence of a trade treaty between Nepal and India could generally affect Indo-Nepalese relations.

The angry mood in Kathmandu lasted for some 48 hours. Kathmandu streets flaunted Lhasan wall posters and pamphlets denouncing "Indian imperialists" and slogans such as "*Bharatiya Dutawas Khaligar, Khaligar* (Vacate the Indian Embassy)", "*Bharat Sarkar le Nepal Lai Upanivesh Banauna Chainch, Hosgar*, (Government of India wants to turn Nepal into her colony, beware)", "*Indira Gandhi Dhokhedbad, Murdabad* (Indira Gandhi is treacherous, down with her)", etc. The atmosphere on the night of November 1 and on the morning of November 2 appeared too tense, and possibly it was anxiety regarding this that made the Nepalese authorities convey in haste to India that "interim arrangements" would do till new agreements could be formally agreed to between the two countries to replace the trade and transit treaty that expired on October 31. The communication on interim arrangements did not materialise however till the evening of November 2.

The Nepalese cabinet met three times after the return of the Nepalese delegation from New Delhi, but neither the form nor the substance of the communication appeared easy to agree on.

Meanwhile, there were signs of panic along the border. Thousands of trucks were stranded at Raxaul, the gateway to Nepal, and in the Champaran district of Bihar. Birgunj, the major border town of Nepal, looked almost deserted. On the Indian side, arrivals from and entry into Nepal of goods were stopped. The Central excise and customs authorities had evidently received instructions to hold all goods traffic with Nepal till fresh arrangements were made to normalise the trade and transit between the two countries. Perishable goods like milk and vegetables were thus sold in the border township of Raxaul at half their usual price. However, there was no restriction on the movement of people across the border.

People in Kathmandu were obviously concerned. *Rising Nepal*, a Government-owned newspaper which is otherwise outspoken on Indo-Nepalese relations, commented editorially on November 3 in a more cautious tone: "There cannot be any misgiving about the gravity of the situation, particularly as progress or lack of future progress in this direction involves bread-and-butter issues affecting the lives of most of our countrymen. At this rather fluid time, it would thus be in the interest of all if the Government checked the rumour-mongering on the one hand and on the other put an immediate stern check on dealers of such essential commodities as are being imported from India."

In the meantime, on November 3, goods gradually started to move again across the Indo-Nepalese border — according to regulations that were in force under the old treaty that expired on October 31 midnight. A spokesman of the Indian Embassy in Kathmandu warned that this was only a temporary arrangement, intended to avoid dislocation of trade and difficulties to people on either side of the border. The decision was taken, he said, in the wake of diplomatic exchanges in Kathmandu and New Delhi.

But all is not surely well yet. When talks are resumed in a few days, as New Delhi maintains they will be, Radhikapur will be one of the major hurdles. India had refused to entertain any request for railway facilities for moving goods from Nepal to the Indo-Pakistan border. This, of course, meant a reversal of arrangements for transit through

Radhikapur agreed to in January 1965 between Manubhai Shah, then Indian Minister for Commerce, and his Nepalese counterpart Vedanand Jha. That was the time when India, under Shastri, was about to commit itself to providing another outlet for Nepal at the western-most point of that country to give it access to Western Pakistan. India had agreed only verbally, and nothing was committed on paper. In fact, according to the Barcelona pact on land-locked countries, India is required to provide only one outlet to Nepal. This was, therefore, a special concession made by Indian negotiators who were keen to wean Nepal away from the eager Chinese. By itself, the transit facility through Radhikapur is of little economic significance to Nepal. The only items Nepal can export to East Pakistan are boulders and timber for railway use. In view of Pak-

istan's refusal to allow transit to Indian exports to Afghanistan, India is unlikely to allow transit to Pak goods, destined for Nepal via Radhikapur. In the circumstances, one-sided trade can have little meaning for Nepal. The Indian side maintains that it was Nepal's stiff attitude on the Radhikapur issue that came as a shock to New Delhi. Nepal's insistence on the transit route through Radhikapur was, New Delhi thinks, a politically-motivated intransigence rather than an economically reasoned stand. If Nepal continues to make this issue the crux of all negotiations, it cannot but cast a shadow on both the economic as well as the political relations between the two countries. The Himalayas may not stand between India and Nepal, but after what has occurred within a couple of weeks, there appears to be a wide gulf between the two countries which will need some careful sailing.

paratist movement. The Swatantra party is now definitely committed to the separation demand, and both Ranga and the State Swatantra leader, G Latchanna, have made the party's position on the issue abundantly clear — for different reasons. While Ranga sees no objection to the existence of two separate States, Latchanna advocates separation because, in the integrated State of Andhra Pradesh, the Andhra region fails to get its due. The Congress(O) has yet to formulate a policy on Telengana. It is not clear whether Sanjeeva Reddy is prepared to countenance separation, but he will have to design his tactics to outmatch whatever strategy Indira Gandhi adopts on the issue.

As for the Prime Minister, she will have to assess the extent to which she should make up with the Chenna Reddy group without prejudice to her need to retain Brahmananda Reddi's support. While Brahmananda Reddi has denied any differences between himself and the Prime Minister on the Telengana issue or land reforms, Indira Gandhi may yet agree to make concessions to the separatist section in order to maintain her own strength in the region. She might try at the same time to arrive at a solution agreeable to Brahmananda Reddi also. She will have to consider further whether any decision she takes is likely to alienate her staunch supporters at the Centre, such as D Sanjeevaiah and M K Raghuramaiah who, in turn, are likely to be anxious to enlist Chenna Reddy's and V B Raju's political support.

Ramon and Demm

RAMON and Demm was able to sell its entire production during the sixth year ended March 1970. Sales expanded from Rs 35 lakhs to Rs 116 lakhs, which helped the company to go from last year's trading deficit of Rs 19 lakhs to a surplus of Rs 17 lakhs. After depreciation, there was a net profit of Rs 7 lakhs against a loss of Rs 24 lakhs previously. The deficit has been reduced to Rs 18 lakhs. The report says unexecuted orders on hand are larger than the company's production capacity. A small expansion programme has been planned to cope with demand of specified types of items which are easier to manufacture with the present machinery. ICICI has agreed in principle to lend \$151,300 for import of the machines required for expansion.

What introduces another consideration in party calculations is the Telengana issue. Both Congress(R) on the one hand and the Congress(O)-Swatantra-Jan Sangh alliance on the other will try to make the most of the Telengana se-

RANGOON

Unrequited Overtures to China

Harish Chandola

THE Burmese regime of Gen Ne Win is in an unenviable position at the moment. It is seeking reconciliation with China, after an estrangement of three years, and is eliminating the hurdles in the way, including its arms pact with the United States (it has indirectly announced that it is going to terminate its arms supply agreement with the US). The result of all this is that while it has not quite earned the trust of China (the Chinese are reported to be saying that if Gen Ne Win could sign a secret arms pact with the US once, he certainly could do it again), it has started creating suspicions in US and pro-US circles about its intentions.

Taking advantage of this situation, both the communist and the various minority rebellions in the country have intensified their activity. These are now busy forging alliances for no other common purpose than to oust Gen Ne Win from his position of supreme authority in the country. This task is not, however, going to be easy because the General controls the mightiest force in Burma at the moment, a well-equipped army of 99 brigades, or about 300,000 men. But the army effectively controls only the Irrawaddy basin, which is only one-third the area of the whole country (total area: 262,000 square miles). It has little control over the remaining mountainous region, where minority rebellions, which began with the Burmese independence on January 4, 1948, continue to smoulder. Some of these rebellions are for independence, while others are for autonomy. Nearly every ethnic minority, Arakanese, Chin, Kachin, Shan, Karen and Mon, has so far been leading its own separate movement, with practically no connection between any two of them.

SITUATION CHANGING

But now that situation is changing, largely because of the efforts of the former Prime Minister, U Nu, who last year took asylum in Thailand and set up the headquarters of his own rebellion against the Ne Win Government in Bangkok. He has now established some measure of co-ordination among three separate anti-Ne Win rebellions. He has formed an alliance of his own group with the Karen and Mon rebels, operating in Burmese areas bordering

Thailand. Leaders of the three groups met in Bangkok in the middle of May this year and on May 16, they decided to form a National Liberation Movement, with U Nu as its Patron, the Karen leader, Mahn Ba Zan, as its President, and the Mon leader, Nai Shwe Khin, as its Secretary-General.

In July this year the Karen and Mon rebels groups joined hands to form a National Liberation Army. A Karen leader, Saw Kya Doe, was named its Chief of Staff. The army was divided into two Divisions, the Central and the Southern Division, each having an initial strength of 3,000. The Southern Division was placed under the command of Bo Yan Naing who was given the rank of Major General. Its headquarters were located at Sangkhla Buri, a small town in south-eastern Thailand, 12 miles from the Burmese border. The headquarters of the other Division were located at Mae Sot, near the Burmese town of Kawkaik, above Moulmein. It was placed under the command of Maung Thwin who was given the rank of Brigadier. He was Trade Minister of Burma under the U Nu Government. Yet another force was raised in September this year, in Tavoy district, in the tail of Burma. This force has been eliminating people suspected of being Government spies and has killed 12 persons so far.

AMERICAN HAND

Government sources in Rangoon say that US businessmen who had trade dealings with Burma during U Nu days are now financing the Burmese rebel groups from Thailand. They name two Americans, Robert R Nathan and Louis J Walinski, both consulting engineers who had done survey work in Burma earlier, as acting as advisers to U Nu. Burmese Government sources have also said that T Clint, the former Vice Chief of Staff of the Burmese Air Force, now with the U Nu group in Bangkok, had gone to South Vietnam in September to procure arms and ammunition for the rebel army.

U Nu's group makes regular broadcasts to the Burmese. The transmitters of this group were first located at Sukhothai town in northern Thailand, but were later moved inside Burma itself. There is no doubt that U Nu has en-

tered Burma. He has gone to the Karen area and is likely to visit the Mon area also. About two months ago he had sent his sons to both Karen and Mon areas to meet units of the newly-organised rebel force. At that time demands were made that U Nu himself should visit them. It is however unlikely that U Nu will be able to visit the Irrawaddy basin, the economic heartland of Burma where 70 per cent of its population lives. The Military Government of Ne Win controls that area tightly. U Nu will however be attempting to set up underground organisations in that populous region through his contacts.

On October 26, the Ne Win Government accused SEATO of supporting the U Nu movement. It said SEATO was trying to prevent Burma from resuming friendly relations with China and its officials in Bangkok had tried to intimidate Rangoon by saying that they would "unleash" U Nu if Burma resumed friendly relations with China.

NO CONNECTION WITH CHINA

It is quite certain that U Nu's movement has no connection with China. There are, however, other groups in Burma, like the communists, the Kachin group of Ngaw Seng and some Shan rebels, which not only enjoy moral and political support from China but also receive material support from time to time. By resuming friendly relations with it, Ne Win hopes to prevent China from fanning the flames of rebellion along his 1,200-mile northern border. He feels that if these rebellions are not actively aided from across the border, he can manage to control them.

But is China really going to give up its support of communist and other allied minority movements in Burma? This appears unlikely. In its bid to befriend China, Burma in October announced that it was sending its Quarter-Master General, Col Thein Maung, as Ambassador to China. Both countries had withdrawn their ambassadors from the capitals of each other in 1967, following the anti-Chinese riots in Rangoon in June that year. The Chinese had also withdrawn all their technicians in Burma in October 1967 and work on various Chinese-aided projects had stopped. The Sino-Burmese aid agreement was also allowed to expire.

China has not yet appointed an ambassador to Burma; nor has it given any indication that it is going to do so soon. Its Embassy in Rangoon is still headed by a Charge d'Affaires ad interim. But in spite of China's attitude of reserve,

ANDHRA

The New Camaraderie

RECENT statements in Hyderabad by N Sanjeeva Reddy of Congress(O) and N G Ranga of Swatantra are evidence of these two parties' renewed efforts to wean away support from Congress(R). In an attempt at consolidation of his own and Congress(O)'s political base, Sanjeeva Reddy has moved "bag and baggage" from New Delhi to his village in Anantapur district. His Hyderabad statement coupled bitter attack against Prime Minister Indira Gandhi with an even more bitter attack on State Government ministers. The latter were accused of collecting funds for Congress(R) by putting pressure on farmers and others and, more specifically, of collecting Rs 5 to Rs 10 per bag of rice smuggled out of the State. In this way, Sanjeeva Reddy said, about Rs 35 lakhs had already been collected by Congress(R). Purchase of rice, for export to other States or to other food zones and for building up buffer stocks within the State, is the responsibility of the Food Corporation. In his new evangelical role, Sanjeeva Reddy announced his intention to stay on in Andhra Pradesh in order to expose the corrupt practices of the ministers and Congress(R).

Ranga, the Swatantra leader, joined him in the attack. Indira Gandhi's leanings towards CPI have given new ammunition to the Swatantra guns. But what was more significant in the observations made by Ranga was the clear

the Burmese Government broke its normal protocol and sent not only its Deputy Foreign Minister, Col Hla Pone, who usually goes to such functions alone, but also its Foreign Minister, Col Hla Han, a member of the 13-man ruling Revolutionary Council, and several other officials to the Chinese National Day reception in Rangoon on October 1.

China does not seem to be in a hurry to reciprocate the Ne Win Government's gestures. It is aware that the Ne Win Government, though in full control of the army, is not very popular. It also knows that though it has nationalised banks and trade, the Burmese regime does not accept Marxism and has failed to build a genuine socialist party. It also knows that the regime is authoritarian and exclusive and has little contact with the people. China is also aware of the dissatisfaction among the Irrawaddy basin people over the Government's economic policies which have

resulted in shortages and blackmarkets; and like everybody else it is watching the various small rebellions going on in the country.

China also knows that the Burmese Government by normalising relations with it is hoping to free itself of worries along its vast northern border, in order to concentrate on annihilating not only the rebellion of the minorities but also of the communists. The Chinese Government is, therefore, according to knowledgeable sources, evaluating the effect a decision to resume friendly relations with Burma will have on Burmese politics. Will the resumption of friendly relations give the Burmese Government more freedom to deal effectively with the communist movement in order to put it down, or will the increased presence of China in Burma, following resumption of normal relations, help the Burmese communists to gain ground and make progress towards organising an armed struggle on an even larger scale?

The second source of finance for the increased supply of credit to the neglected sectors could have been increased deposits. Here banks' performance since nationalisation has been unsatisfactory. Banks have apparently so forgotten the art of mobilising deposits that one of the Deputy Governors of the Reserve Bank has been reduced to issuing recently a "how to do it" circular, setting out such obvious ideas as providing incentives and ensuring staff co-operation!

With their failure to control credit to existing borrowers and their unsatisfactory performance in mobilising deposits, commercial banks have so far taken the easy course of borrowing funds from the Reserve Bank to finance their stepped-up lending to the neglected sectors. This is most evident from the fact that the differential in the credit-deposit ratio between April and October which used to be 6 per cent in the past years was only 2 per cent in 1970 (80.1 per cent in April 1970 and 78.0 per cent on October 16, 1970). The explanation in terms of the busy season now extending the year round can satisfy only Reserve Bank officials. What would be more accurate to say is that with the Reserve Bank in a lending position year-round it has now entered, through the banks, commercial lending business.

This is a situation which has its dangers for the economy; but it also presents to the central banking authority an opportunity. The danger is evident in the price movements in the economy; year-to-year the price level was 6.8 per cent higher last month — the differential rising continuously from about 3 per cent reached in June 1970. On the other hand, the opportunity is evident in the fact that for once the central banking authority can exercise direction over the course of credit supply.

In deciding the credit policy for the 1970-71 busy season, the price situation should be the most important consideration. On present indications, food-grain production is likely to be good and it is likely that the price-level may decline quite sharply. Oilseeds production also appears to be satisfactory, but going by past trends oilseeds prices could be erratic and subject to speculative pressures. Cotton production is likely to be inadequate, and its prices are already showing a runaway trend.

In the 1966-67 period, agricultural prices rose and industrial prices fell, creating pressure on industrial profits. In the 1967-69 period, agricultural prices (particularly foodgrain prices) have

fallen, and raw material and finished goods prices have shown an upward-creeping trend. Company accounts show the consequent flowering of profits. Now, however, while agricultural prices are likely to fall, with industrial production growing slowly and not much additional capacity coming into existence, there is every possibility that industrial prices will show a rapid rise. A reverse squeeze on prices, compared to the 1965-67 situation, is, therefore, in the offing.

Given this situation, how should the Reserve Bank determine the basic outline of credit policy for the 1970-71 busy season? It is here that the Reserve Bank authorities need to use some economic expertise and judgment.

CONTROL ON TOTAL INCREASE

In view of the crop situation, the marketable surplus is likely to be large — except for cotton and, perhaps, for oilseeds. Given the industrial prospects, industry will find it highly profitable to hoard not only raw materials but also finished goods. In other words, credit demand is likely to be large and credit could easily be used to feed the inflationary trends in the economy.

The first requirement, therefore, would be to maintain a tight control on total credit increase. This can be done by putting a firm ceiling on total access to Reserve Bank credit; as a first estimate, this figure should be set at Rs 350 crores.

Admittedly, it is not this overall ceiling, but its distribution over goods and over time that is most important to credit management. Nevertheless selective controls acquire some significance once an overall ceiling is laid down. The failure of selective controls in the past was related wholly to the fact that the Reserve Bank's credit tap was kept fully open. Plugging a leak here or there through selective credit control had no meaning in such a context.

The Reserve Bank, therefore, needs to establish limits for credit expansion in different sectors. The three obvious categories would be foodgrains, cotton and oilseeds, and industrial goods. A liberal limit should be set for foodgrains, and fairly stringent limits for oilseeds and industrial goods. These can be reinforced by minimum margin and interest rate requirements for different categories of goods. Since this (unlike deposit mobilisation by individual banks) is a matter of overall credit policy, the Reserve Bank needs to spell out its objectives and policies on the matter clearly to the commercial banks.

In the past, credit expansion has been erratic over the busy season; about 60 to 75 per cent of the expansion takes place in the two months December-January. Given the recent price trend, it is desirable to moderate credit expansion in the first three months. In other words, monthly limits of credit expansion need to be established and clearly indicated to commercial banks.

The reference point for such a policy has to be the price-level. Fortunately, unlike most other series, the price series are available with a moderate lag of two to three weeks. With alert commercial intelligence, this should enable the Reserve Bank to maintain a close watch on the price situation and on its own credit policy. The Reserve Bank should work out some objective of desirable or acceptable fall in the price-level during the busy season and allow credit expansion above its pre-determined level only if prices show a greater than expected fall.

The Reserve Bank also needs to have some rules and sanctions to make its policy effective. Here three sets of rules may be mentioned. First, the initial phase of credit expansion should be required to be financed primarily by selling of government securities; access to Reserve Bank credit should be allowed only after bank's holdings of securities reach a minimum acceptable limit (21-22 per cent of deposits? — though by past levels this is rather low). Secondly, the Reserve Bank should set a maximum permissible limit of, say, 80 per cent, on the credit : deposit ratio. Both these sets of rules should be used to determine the rate of interest at which access is allowed to Reserve Bank credit — the rate rising for each one per cent fall in security-holding below, and each one per cent rise in the credit-deposit ratio above, the specified levels.

Thirdly, given the permanent lending position of the Reserve Bank, it is desirable that the Reserve Bank's lending rate is related not only to liquidity and credit ratios, but also to the period of Reserve Bank lending. Had this rule been followed, the Reserve Bank would not have found itself left with Rs 300 crores of outstanding loans to commercial banks soon after the busy season was over last April. Using its October-end lending to banks as base, the Reserve Bank needs to increase its lending rate (as determined above) progressively by one per cent for every month the credit remains outstanding.

RELIANCE ON PRICE MECHANISM

The main advantage of such a procedure would be that commercial banks would begin to accept the Reserve Bank for what it is — a lender of the last resort rather than a normal source of finance to make good failure to mobilise deposits. In such a situation, the pressure of the price mechanism (in terms of higher costs of borrowing from the Reserve Bank) would operate to make greater efforts at deposit mobilisation worthwhile for banks.

The Reserve Bank, in other words, needs to withdraw from detailed controls and breezy exhortations and to turn to specific policy-mechanisms to bring about the necessary changes in commercial banking policies. Once these policy-mechanisms are made explicitly to banks, the latter can work out their implications for their own policies and decide whether to rely on mobilising deposits, whether to reduce loan to large industry, whether to resort to the Reserve Bank for additional credit — in relation to the cost of each of these alternative possibilities. Substituting in this manner the price mechanism for detailed meddling and verbal exhortations is the way the Reserve Bank needs to control the economy.

MONEY

Credit Policy for Busy Season

(From a Special Correspondent)

THE 1970-71 busy season starts with the most unusual situation in India's banking history — a substantial debit balance of Rs 168 crores of scheduled commercial banks with the Reserve Bank at mid-October. Allowing for "balances with Reserve Bank" representing banks' liquidity obligations under the law, the net credit balance of the banks with the Reserve Bank was hardly Rs 20 crores, which must certainly be the smallest ever. This is an opportunity for credit control such as the central banking authority has never had in the past.

To appreciate the significance of the situation, one has to examine the events leading to it. Since their nationalisation, banks have been under pressure to increase their lending to hitherto neglected sectors — agriculture and small industry. Bank lending to these sectors has reportedly risen to Rs 600 crores. Even allowing for considerable window-dressing (in which bank managers are past-masters), this does represent a significant increase in bank lending to these sectors.

This increase could have been financed out of only two sources. Banks could have reduced their lending to ex-

isting borrowers. However, apart from unwillingness to displease existing borrowers, banks remain as incapable as ever of assessing their clients' genuine requirements of working capital and their need for bank credit to finance these requirements. A striking example of this is the large volume of sugar stocks which sugar mills have built up and to finance which they now expect bank credit as a matter of right. What this amounts to is that the mills refuse to sell sugar even to the full extent of their periodic quotas, and banks are expected to finance the stocks thus held back, preferably at a concessional rate, so as to enable the mills to sell at a higher profit later. Credit for sugar has thus acquired a priority status, without anybody recognising the fact or applying priority criteria to such credit. It is a strange world indeed in which all unsold stocks automatically acquire a priority status. In any case, if industry feels entitled to whatever credit it feels it needs, the best course is to ask it to obtain finance from the capital market. It is no function of banks to help perpetuate existing owners' control over industry by enabling them to avoid raising their permanent capital.

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Disunited Nation

Nireekshak

WHATEVER the state of its health or wealth at any given time, the United Nations has always had a ready champion in the Indian Press. The chorus of praise, though by no means uncritical praise, with which newspapers greeted the 25th anniversary of the UN did not therefore come as a surprise. Even the special supplement that *Hitavada* and the Lions Club of Nagpur issued to mark the occasion seemed appropriate and not unusual, though this was probably the only supplement of its kind. To add to the intrinsic importance of the UN jubilee was the Prime Minister's personal visit to New York. Both events were adequately covered.

Times of India, though, appeared more exercised over Nixon's dinner which Indira Gandhi missed than the UN meeting itself; while rushing to pontificate on the "lack of civility" in Indo-American relations — which the dinner incident and Kenneth Keating's earlier absence from Palam allegedly indicated — it had not a word to say about the UN jubilee!

Tribune saw "shades of Nadir Shah" in the halls of the UN. It was commenting on a brochure which the Pakistani UN mission had brought out to introduce Yahya Khan. The Pakistani President, the brochure had said, "comes from a well-known family and descendants of King Nadir Shah who conquered the city of Delhi in 1739". Maybe so, said *Tribune*, but "Indians now are in no acute fear of Nadir Shah's breed". Two days later the paper went on to say, in another editorial, that if the UN had failed to "discharge its peace-keeping obligations fully" the responsibility was that of the Big Powers which "would not like to give it [the UN] a free hand". Yet the "very survival of the UN, in spite of so many threats to its existence, testifies that consciously or unconsciously the world is moving in the direction of sanity".

Free Press Journal and *National Herald* both suggested rethinking on the concept of national sovereignty as the only sure way of making the UN effective. The only solution to the fundamental problems," wrote *Herald* "is the abrogation of sovereignty and the creation of a super-Government. Nuclear development will ultimately com-

pel that solution. Till then the United Nations, as the organisation of national sovereignties, is an agency of the struggle towards a collective will... In spite of its failures and shortcomings, it is worth keeping the United Nations even as a spectacle, and it is also worth keeping it for what it has done and it can still do..."

An interesting sidelight of the UN meeting which the Press featured prominently was Yahya Khan's proposal, or rather his renewal of an earlier Pakistani proposal, for the withdrawal of Indian and Pakistani troops from Kashmir. This was a subject of specific Indian interest, and editorial comments amply reflected this. India will "treat the proposal with the scorn it deserves", wrote *Free Press Journal*. It was a "stale story" designed to resurrect the plebiscite issue but "this cannot now be resurrected". *Indian Express* was equally forthright in dismissing the proposal, which it said was no proposal at all. "The Kashmir dispute cannot be settled without taking into account its basic cause. The basic cause is Pakistan's aggression 23 years ago... The United Nations has failed to solve the Kashmir dispute because it has evaded the basic issue of Pakistan's aggression." According to *Statesman*, "Mrs Gandhi did well to ignore President Yahya Khan's reference to Kashmir". For the plebiscite issue was now a "closed chapter". "Before Pakistan signed the Tashkent Declaration it had been left in no doubt that Kashmir was not negotiable. The Pakistani President cannot now pretend otherwise."

One other subject of kindred interest that held the attention of the Press was India-China relations. *Hitavada* argued that before New Delhi decided to open talks with China it was necessary to ensure that "we will not be subjected to fresh humiliation". In a signed editorial, the chief editor of the paper, A D Mani, observed: "The Chinese moves for fresh talks must be viewed with extreme caution though in our own interest it would not be advisable to brush them aside as if they are of no consequence... Our country does not want to carry on prolonged hostilities and incur mountainous defence expenditure... but we must assure ourselves that our neighbour is in a civilised frame

of mind... before [resuming] talks with China." This sense of extreme caution was however what was missing in *Hindustan Times's* approach to the question. Referring to the meeting in Cairo, earlier in the month, between the ambassadors of China and India *Hindustan Times* said that though this "tete-a-tete" "may be quite trivial" the fact of the meeting itself is not. "There should be little hesitation in responding to the signal... Sino-Indian relations can be mended rationally and with honour. False notions of prestige should not be permitted to impede a development that would be of such obvious mutual benefit to both India and China."

While on the subject of India-China relations, mention may be made of the quite extraordinary interest that newspapers evinced in reviewing a recent book: "India's China War", by Neville Maxwell. Book reviews are not what Indian newspapers are famous for, yet in this particular case reviewers vied with one another to commandeer newspaper space. Girilal Jain of *Times of India* and Inder Malhotra of *Statesman* both wrote two-part reviews, each part the size of a full-length editorial page article, and they still seemed somewhat stymied in their comments! The subject of the book was no doubt of absorbing interest to India but when General Kaul wrote his "Untold Story", on the same subject, no one had rushed into print a 3,000-word review of that book. Why Maxwell's book which, as Pran Chopra says in his review of it, takes "its place on the dunghill of propaganda", should have received this super-treatment is beyond any intelligent analysis. Could it be that the secret lies merely in Maxwell's foreign nationality?

Girilal Jain found the book "full of contradictions and inaccuracies" while Inder Malhotra thought "the very title of the book" gave away the author's bias. Yet *Hindustan Times* devoted a full page of its Sunday supplement to a review of the book! The reviewer was K Subrahmanayam who found the author's "bias and distortions so blatant throughout" that he was "sorely tempted to dismiss the work as purely polemical". He successfully resisted the temptation, of course. And author and publisher have had the benefit of truly fabulous, unpaid, publicity that must be regarded as unique in the field of book-reviewing anywhere.

Not the Substance

Sudhir Chandra

Kunwar Mohammad Ashraf: An Indian Scholar and Revolutionary 1903-1962 (ed) Horst Kruger; People's Publishing House, 1969; pp xvii + 459; Rs 30.

THIS commemoration volume sets one thinking about the purpose of bringing out memorial volumes. For it concentrates neither on the man it seeks to remember and honour, nor on the subjects that had interested him as an intellectual and man of action. It leaves untouched the Indian struggle for freedom with which Ashraf was actively associated, and only a small portion of it is devoted to the social and economic history of mediaeval Hindustan on which he had been intermittently engaged during his frequently disrupted academic career. How this happened under the editorship of Horst Kruger is surprising. The Marxist East German scholar says that the two fundamental problems occupying the attention of orientologists in his country are the genesis and special features of what Marx called the 'Asiatic mode of production', and the national liberation struggles in Asia and Africa. If he could not get Indian scholars to write about these aspects, here was an opportunity for him to publish the findings of his compatriots in the field.

Barring a simple, elegant autobiographical fragment surveying the emotional and intellectual development of a rural God-fearing Rajput Muslim boy until he discovered a new and permanent prophet in Marx at the age of twenty-six, the Ashraf memorial volume tells nothing worth knowing about Ashraf, the Indian revolutionary and scholar. No attempt is made to analyse and evaluate his role as a historian and as an intellectual participating in the national movement. Instead, definite statements are trotted out in the Preface and in a number of hagiographic sketches to be quietly accepted by the reader as proof of the immensely important role Ashraf played in the national movement. Only a somewhat melodramatic reminiscence of Ashraf, the historian, by Mulk Raj Anand in the form of an undelivered letter, and a loving though restrained sketch of Ashraf, the man, by Sarup Singh provide some substance to the sentimental froth that characterises a whole section of hundred pages. It is Sarup Singh, in fact, who captures the life and work of Ashraf by describ-

ing him as 'a scholar and an idealist'.

And a hundred pities that in a work of over four hundred pages there are just thirty pages containing the 'Minor Scripta and Dicta of K M Ashraf'. With the resources at his command, the editor, by putting in a little more effort, could have acquired and published the stray writings and speeches and letters of Ashraf, especially the letters since Ashraf was a beautiful prose writer. The editor could also have published excerpts from the notes of this great scholar who belonged to that genre of intellectual workers whose perfectionism makes them just read and read and think, always postponing writing, oblivious to the ultimate logic of life.

Feudalism is the one problem that specially interested Ashraf and has been included in this volume. R S Sharma briefly discusses the development, salient features and the historical role of feudalism in India c 400-1200 AD. A more detailed study is offered by S A Q Husaini. After showing that on the eve of the Muslim conquest India was a fully developed feudal country, Husaini refers to the Middle Eastern background. The Chaznawid and Ghurid conquerors, he speculates, coming from a part of the ancient Persian empire, should have been conversant with feudal institutions. By the time of the Turko-Afghan conquest of Hindustan feudal land tenure had become so widespread that 'royalty, the nobility, the officials, scholars, and institutions were all paid in the form of fiefs'. So deep-rooted was the system that even a strong Sultan like Balban discovered that interference with the practice of granting fiefs in perpetuity would be against the economic necessity of the period and the current of historical forces.

Another problem that was uppermost in Ashraf's mind is briefly and indirectly viewed in this volume from two diametrically opposite points. That Kruger should have included the two articles side by side in spite of his particular ideological commitment speaks for his sense of intellectual freedom. Here is

much food for thought on a delicately disturbing problem of modern India. Readers may enjoy guessing the authors of the following extracts from the two articles. The first:

The genesis of Pakistan goes back to the Mediaeval period of Indian history, when Islam could not totally absorb Hinduism as it did the local religion in the other countries conquered by its followers.

And the second:

The partition of India in 1947 into two separate States, one of them — Pakistan — calling itself 'Islamic', has added point to the essentially incorrect claim that on the Indian sub-continent Hindu and Muslim have always been at loggerheads, and being unable to combine against the British, preferred to part company altogether, break up a unity that geography and history had alike appeared to ordain, and constitute separate political camps from where to sulk and fume against each other.

The two passages make familiar reading, epitomising the still unresolved controversy about the basic unity of Indian nationalism, and, independent of the authors and the particular words employed by them, constituting the recurring refrains of the two well known scholars of thought. One cannot but agree with Hiren Mukerjee that a whole book would be required to pin down the fundamental falsity of the first view; though one might add that even after the book has been written the fundamental falsity or otherwise of the diagnosis would remain a subject of controversy. Be that as it may, realising the limitation of a three-page article, Mukerjee relies on a philosophical contention to make his point. Rightly apprehensive that the actual existence of Pakistan might evoke an easy assent in many quarters to the two-nation theory, he submits that the division of the country is, "of course a fact but not... the truth of the matter".

R C Majumdar, however, thinks differently. He reels off in quick succession his reasons for subscribing to the view that the Hindus and the Muslims had never coalesced into a political and social unit. Majumdar is without doubt a great Indian historian, erudite, experienced and venerable. But soon some body has to tell him that he is constitutionally incapable of taking a dispassionate view of the Hindu-Muslim question. As an admirer of Majumdar's I am loathe to question his motives. But he betrays a very strong tendency to highlight the facts that prove his thesis about the Hindus and Muslims being separate political and cultural entities, and play

down those that are disturbing. How else could he write the following? "There was a slight degree of reciprocal influence in civil architecture. The evolution of the Urdu language and the introduction of some new musical tunes exhibit such influence at its highest. Most of these were, however, very trivial, and concerned the externals without affecting in any way the essential elements of culture." Such authoritative statements coming from recognised authorities like Majumdar exercise a sinister influence on a large scale because not many people are conversant with the intricacies of architecture, civil or military or denominational, Urdu literature and Hindustani music. I would refrain from joining issues with Majumdar regarding architecture and Urdu. But I should have no hesitation in stating most unequivocally that anybody who says about Hindustani music what Majumdar does is as well conversant with it as Ustad Vilayat Khan is with atomic physics. I hope Majumdar knows at least so much about our music and musicians as to know what I mean. That a Bengali with his innate aestheticism should make such a remark is simply astounding. For it is not "some musical tunes" that are the result of Hindu-Muslim collaboration. The very ethos of Hindustani music transcends differences between Hindus and Muslims. It is difficult to pinpoint the rages, styles, instruments that do not owe equally to the great masters from both the communities. So many facts crowd the mind, claiming priority of expression in order to controvert the absurd statement, as to emphasise the ridiculousness of taking it seriously. But I must add that having seen the working of Majumdar's mind in one respect, I cannot but be chary of taking him seriously in others, at least not without further inquiry and additional corroboration.

The motley of articles in this volume are not unexpectedly of varying standards. Gopal Halder, for example, writes on 'Recent Trends in the Study of Indian History in India' without being conversant with the practitioners in the field, and presenting the pathetic spectacle of being obliged to refer to people who have published no work while altogether ignoring well known figures. A refreshing contrast is offered by V N Datta who, in an excellent knit piece of graceful prose, presents a sympathetic, yet analytical study of Mount Stuart Elphinstone as a historian. An equally elegant piece, and informative, is Romila Thapar's reconstruction

of the network of trade in India at a time (c 100 BC — 300 AD) of political flux and cultural and linguistic variations; trade alone giving "the sub-continent a sense of continuity and unity". There is an apology for a 'Note' on 'Administrative Statistics in Ancient India' by K A Nilakanta Sastri, and a descriptive account of 'Plans for the Foundation of an East India Company in Brandenburg-Prussia in the Second Half of the Seventeenth Century' by Krüger himself. The system of caste in 18th century India is described by V P S Raghuvanshi on the basis of foreign travellers' accounts. This article now forms a part of Raghuvanshi's posthumous work on the 18th century Indian society. One of the most interesting and informative articles in the collection is by P M Kemp-Ashraf on 'India and Internationalism'. Culling his evidence from contemporary writings, he shows that internationalism and proletarian fraternisation were an essential ingredient of the British labour movement even during the first half of the last century. It would require more careful research before his assertion that

"Internationalism was latent in British labour relations" was accepted. Whatever the ideologues of the movement might have written on the plane of sentiment, when it came to selling British fabrics, to give an example at random, there was no apparent difference of opinion between the Manchester magnate and his labour regarding the necessity of forcing these in the Indian market by fair means or foul. In this connection it may be mentioned that the role of the British worker, as distinguished from that of the emerging entrepreneur, during the early years of the Industrial Revolution, in the imposition of prohibitive duties on Indian fabrics in Britain may yield interesting results, if analysed.

There are still more articles, good as well as indifferent, in the volume. A review is not meant to refer to all of them. Taken as a whole, they neither deal with a basic theme, nor advance to an appreciable degree our understanding of Indian history and culture. To say this is to add a minor complaint to the original one that the volume fails to commemorate Ashraf.

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Statistical Measurement of Modernisation

V V D and C G G

Modernisation, which comes in the wake of industrialisation and urbanisation manifests itself in various changes in the lives and activities of the people. This article aims to identify the major indicators which can be a measure of the process of modernisation and to statistically enumerate those important indicators. It also attempts to answer the question of how far the forces of modernisation have affected the major States in India.

A wide range of variables, pertaining to agricultural practices, industry, power, trade, transport, commerce, communications, education, housing, etc, were selected for studying their trends and inter-correlations, though some of the variables had to be dropped because of paucity of data.

The study demonstrates that on the basis of available State-level statistical indicators, it is possible to discover a common factor which can be defined as 'modernisation', and that States can then be ranked according to their relative degree of modernisation.

WITH the advent of the Five-Year Plans and the rapid growth of industrialisation and urbanisation, many changes are taking place in the lives and activities of people. Literacy has gradually improved and, coupled with this, communication facilities have also shown considerable development as can be seen from the large increase in newspapers in circulation, the large volume of letters and telegrams sent, and the growing number of radios and transistors in use. People migrate from State to State in search of employment and for higher studies, and one finds that the trains and buses are always crowded. Airways are becoming a popular means of quick communications. Private cars, taxis and scooters have steadily grown in number. The pattern and mode of home furnishings and fashions in dress are also undergoing rapid change. In many villages and towns, bicycles and sewing machines can be seen in many households. There is rapid growth in the number of cities from census to census, and the size of cities too has been increasing. Growth of population and rural-urban migration are taking place almost continuously. In the sphere of agriculture, use of hybrid varieties of seeds and demand for fertilisers are growing with the cultivators' desire to step up crop-output. Increased use of pumpsets for irrigation and of tractors for cultivation is displacing the traditional methods.

These changes are the combined effect of urbanisation, industrialisation, improved communications, greater volume of trade and commerce, and improved agricultural practices and programmes in the social services sector. This trend could as well be described by one term, viz, 'modernisation'. This note attempts to identify the major in-

dicators which can be a measure of the process of 'modernisation' and to enumerate the important statistical indicators. In any such study it is clear that only the relative aspect of 'modernisation' among the States can be measured.

EARLIER ATTEMPTS

It will be useful to recall some of the factor analytic studies attempted. R E Roberts and G W McBee's study* indicates that one explanation for a close relationship between urbanisation and industrialisation is that both are sub-processes of a more general phenomenon which was termed 'modernisation'. Selected indicators of urbanisation and industrialisation relating to states in Mexico were subjected to factor analysis in an attempt to isolate the modernisation factor. The UN Research Institute for Social Development has established a Data Bank, which at present contains about 100 social and economic variables for 1960, covering 115 countries with a population in 1960 of one million or more. In this study, an attempt is made to compile a General Development Index based on correlations between economic indicators and social indicators. The correspondence points method, described in the UN Research Notes, June 1968, has been employed. This experiment is being pursued further.

The present exercise is an attempt to answer the question of how far the major States in India are influenced by the forces of modernisation. To answer

* "Modernisation and Economic Development in Mexico: A Factor Analytic Approach" by R E Roberts and George W McBee; *Economic Development and Cultural Change*, Volume 16, Number 4, July 1968.

this question, the impact of modernisation is sought to be measured by a set of indicators, representing different facets of the economy for which published statistics are readily available. With this object in view, State-wise data for a common set of indicators relating to 1961 are collected and subjected to factor analysis in an attempt to isolate the 'modernisation' factor. The year 1961 has been chosen because several indicators are available only from the latest Census of Population Reports. Besides, such an analysis, though based on a rather early base year, would serve as a benchmark against which data from the succeeding Censuses could be compared and differential changes among the States could be measured. The factor analysis technique has been employed because it provides a weighting pattern for combining variables to yield a composite index of modernisation.

There is wide disparity in the levels of development among the States. Location of manufacturing industries, irrigation and power projects, and transport facilities, are unevenly spread over States. Geographical factors, diffusion of mineral resources, etc, account for large inter-State differences in levels of development. The cropping pattern among the States is not uniform either. Tractors are extensively used in Punjab and Uttar Pradesh. Use of electric pumpsets is widespread in Madras. In making inter-State comparisons, the data have to be adjusted for differences in area and in population size. The simplest way is to measure the characteristics in terms of percentages or in per capita terms or per 100 sq km of cropped area.

The omission of Jammu and Kashmir, which does not find a place in

TABLE 1: INTERCORRELATION MATRIX

Variable		1	2	3	4	5	6	7	8	9	10
Literacy rate	1	1.00	0.35	0.23	0.47	0.39	0.57	0.67	0.34	0.40	0.64
Urban population ratio	2		1.00	0.91	0.78	0.61	0.81	0.48	0.55	0.80	0.60
Per cent of population in towns over one lakh population	3			1.00	0.83	0.68	0.79	0.33	0.36	0.89	0.49
Per capita consumption of electricity	4				1.00	0.64	0.70	0.51	0.37	0.87	0.58
Motor vehicles per one lakh of population	5					1.00	0.69	0.14	0.09	0.77	0.37
Proportion of workers in trade, commerce, transport and communications to total population	6						1.00	0.55	0.43	0.78	0.77
Length of surfaced roads per 100 sq km of area	7							1.00	0.62	0.23	0.70
Number of pumps per million hectares of cropped area	8								1.00	0.16	0.28
Per capita deposits in scheduled banks	9									1.00	0.60
Matriculates and above per lakh of State population	10										1.00

TABLE 2: FACTOR LOADINGS

Variable	F ₁	F ₂	Community
1	0.62	-0.48	0.62
2	0.90	0.12	0.83
3	0.87	0.36	0.89
4	0.89	0.14	0.81
5	0.72	0.45	0.72
6	0.92	0.00	0.85
7	0.63	-0.71	0.90
8	0.50	-0.51	0.51
9	0.87	0.42	0.94
10	0.77	-0.31	0.69
Per cent of variance explained	61.2	16.3	

special position in tourist traffic which brings in proportionately higher levels of trading, transport and service sector activities.

KEY INDICATORS

It is desirable to enumerate a wide range of variables to ensure adequate coverage of the different sectors of the economy such as agriculture, industry, power, trade, transport and commerce, communications, education, housing, etc. Paucity of published data, or non-availability of State-wise break-up, compels one to exclude the following series: railway route-length, number of telephones and broadcasting licences, circulation of newspapers, etc. Another set of omitted variables relates to characteristics which do not show discriminatory power, such as per capita consumption of cereals, sugar, milk or cloth. In view of the above limitations, 15 indicators were selected and their inter-correlations were worked out. However, the following five indicators had to be given up, after a preliminary examination of the inter-correlation matrix.

- (1) Per cent of women workers to total workers.
- (2) Proportion of workers employed in manufacturing industries, to total workers.
- (3) Proportion of households with two or more rooms in their dwellings.

(4) Value added by manufacture per worker.

(5) Number of tractors per million hectares of cropped area.

Preliminary examination of the inter-correlation matrix revealed that the above indicators had low or negative correlations with the majority of the indicators. It is interesting that indicators relating to industrial development do not fit into the correlated set of indicators selected for measuring 'modernisation', whereas an indicator used for trade and commerce does.

RESULTS

Table 1, which presents inter-correlation matrix, shows a strong relationship of literacy with density of road length (indicators 1 and 7); urbanisation with (i) electricity consumption, (ii) trade, commerce, etc, (iii) motor vehicles, and (iv) banking deposits (indicators 2 and 3 with 4, 5, 6 and 9); trade with banking deposits and higher education (indicator 6 with 9 and 10) and banking deposits with electricity consumption (indicators 9 and 4). Interestingly enough, there is also some reasonable correlation between density of road length and number of pumpsets per unit of cropped area (indicators 7 and 8). Similarly, bank deposits are also related to higher education (indicators 9 and 10).

Results of factor analysis are shown in Table 2. Two factors have been ex-

this study, also needs explanation. This State was at first included, but was dropped when it was found to occupy an unduly high rank among the States compared with its ranking on the basis of per capita State income which is low in spite of the low density of population of the State. This may be because Jammu and Kashmir gets undue weightage due to its topography and the consequent concentration of population in large towns, as also due to its

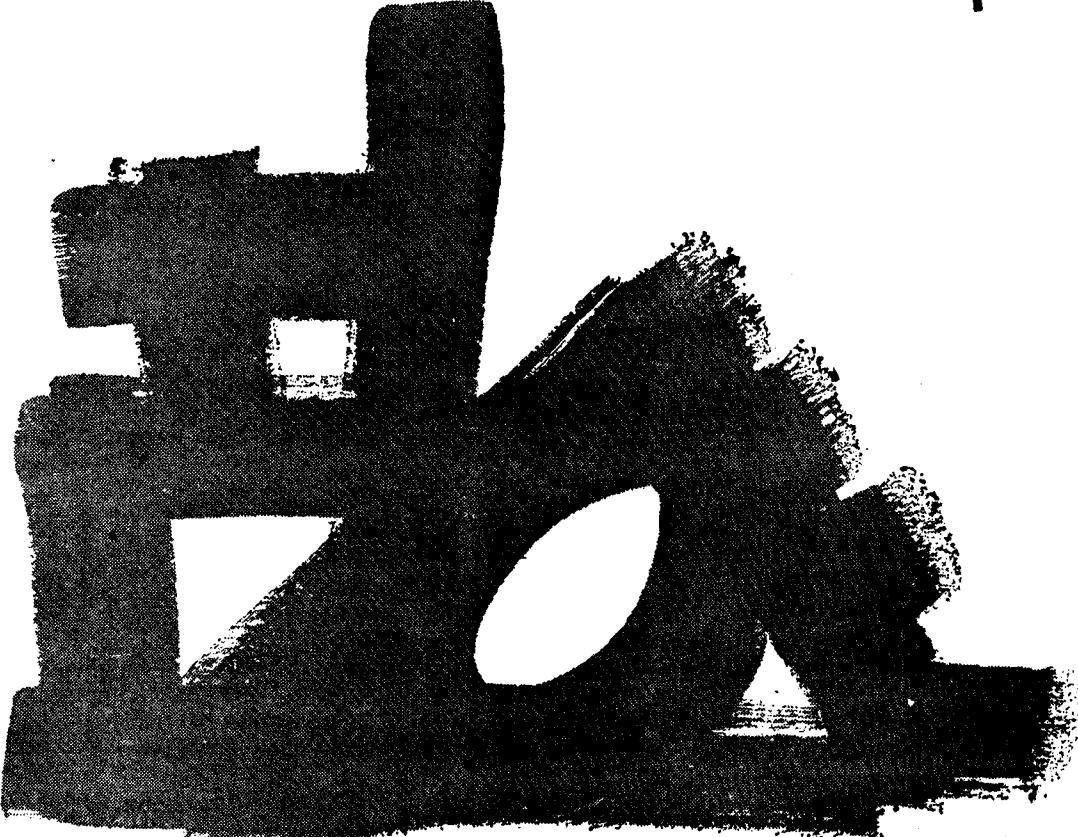


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TABLE 3 : RANKING OF MAJOR STATES

State	First Factor Score	State	Per Capita State Income 1960-61 (Rs)
(1) Maharashtra	74.99	(1) Maharashtra	421
(2) West Bengal	68.54	(2) West Bengal	388
(3) Gujarat	58.25	(3) Gujarat	382
(4) Madras	50.51	(4) Punjab	376
(5) Mysore	50.18	(5) Assam	351
(6) Punjab	50.05	(6) Madras	346
(7) Rajasthan	48.45	(7) Andhra Pradesh	316
(8) Madhya Pradesh	45.48	(8) Mysore	294
(9) Andhra Pradesh	45.05	(9) Madhya Pradesh	283
(10) Uttar Pradesh	44.73	(10) Kerala	280
(11) Assam	44.61	(11) Rajasthan	273
(12) Bihar	41.06	(12) Uttar Pradesh	246
(13) Kerala	40.74	(13) Orissa	227
(14) Orissa	38.25	(14) Bihar	217

tracted, the first of which has positive signs throughout.

It will be observed that the first two factors explain 77.5 per cent of variance. Factor 1 has loadings above 0.5 and, since all have positive signs, it has been interpreted as a modernisation factor. Factor scores for different States have been derived, employing the factor loading as weights in an attempt to rank them. It would be interesting to compare the ranking of States according to the modernisation score with their rankings on the basis of per capita State income in 1960-61 (Table 3). The co-efficient of rank correlation works out to 0.80 and the product-moment correlation to 0.82. The first three States according to both the rankings are Maharashtra, West Bengal, and Gujarat — in that order. The rankings of other States are somewhat shuffled. The largest rank-difference is observed in the case of Assam.

CONCLUSION

The second factor is independent of the first. Positive co-efficients are observed for population in big cities, motor vehicles, and bank deposits; and negative co-efficients are observed for surfaced roads, pumpsets, literacy and higher education. The most plausible explanation, therefore, of Factor 2 seems to be the urban-rural differential. The results of this investigation have

shown that it may be possible to measure relative degree of 'modernisation' of regions by a set of suitably selected economic indicators with the application of the factor analysis technique to inter-State data. No doubt, by changing the indicator-mix, different solutions could be obtained. But if one had a wider choice of indicators, from various fields of activity which may be appro-

priate to identifying the 'modernisation' factor, it may be possible to discover an appropriate comprehensive set of indicators for the purpose in view. The non-availability of more sensitive statistical indicators is at present the chief inhibiting factor. It would be especially useful if State-wise statistical series for radio licences, telephones, newspaper circulation, etc., are maintained.

The present analysis seems to confirm the intuitive impression that, the urban population ratio, literacy rate, electricity consumption, surfaced roads, motor vehicles and banking habits, etc., may be regarded as major determinants of the factor defined as 'modernisation'. Industrial development, as spread out upto 1961, does not seem to be related to this process in a direct way. But insofar as trade, commerce, communications, and finance, support industrial development, industrialisation itself brings about changes in these indicators — and it can be said to assist the process of modernisation.

The study has demonstrated that, on the basis of available State-level statistical indicators, it is possible to discover a common factor which has been defined here as 'modernisation'. Urbanisation and infrastructure developments are the key indicators which go to combine themselves according to the weights determined by their respective factor loadings and to yield an index in terms of factor scores, so that States can be ranked according to their relative degree of 'modernisation'.

Pilani Investment

PILANI Investment, a Birla group company, had given an unsecured loan of Rs 5 lakhs to the UP Congress Committee during the year ended March 1969. The company's 1969-70 report says that the principal with interest thereon remains outstanding, although the company has repeatedly written to the Committee for repayment of the loan. Efforts are being made to realise the loan failing which 'such action, as the company may be advised, would be taken'. The company has been instrumental in developing the fertiliser project proposed to be set up at Goa by Zuari Agro Chemicals in collaboration with US Steel. The company has subscribed Rs 20 lakhs to this new company's equity shares. In addition, it has agreed to advance a loan of over Rs 22 lakhs. The company has also

subscribed 1,386 equity shares of 1,000 Baht, equivalent to Rs 5 lakhs in Indo-Thai Synthetics of Bangkok, Thailand, which is setting up a synthetic fibre yarn spinning unit in that country. With increased contribution from almost all sources, Pilani's total income rose from Rs 94 lakhs to Rs 110 lakhs during 1969-70. Gross profit was up from Rs 88 lakhs to Rs 99 lakhs. Net profit was Rs 78 lakhs (Rs 66 lakhs) to cover the unchanged dividend of 7.5 per cent nearly threefold. Net return on total funds employed came to 10.7 per cent. The company's application to government for permission to issue bonus shares on a one-for-two basis is pending. The company has contributed Rs 4 lakhs to Birla Institute of Technology and Science and Rs 1.5 lakhs to the medical research centre of Bombay Hospital Trust.

Profits and Investment in Coal Industry—II

Trends During First Three Plans

A B Ghosh

This study of profits and investment in the coal industry during the first three plans concludes that:

(1) *In spite of lower profitability ratios relative to industries in general, dividends as percentage of profits were higher in the coal industry.*

(2) *Following from this, the industry did not make any serious effort to mobilise internal sources of finance.*

(3) *The involvement of banks and the financial institutions in the coal industry grew appreciably during the three Plans.*

(4) *As compared to all industries, growth of equity investment relative to that of debt has been higher in coal.*

(5) *During the three Plans, Government adopted specific fiscal measures to aid the coal industry in the form of higher development rebate and tax credit certificates and also raised prices on 28 occasions — on 24 occasions for adjustment to higher wages and on 4 for non-wage adjustments.*

(6) *This continuous wage-price spiral under Government auspices enabled the coal industry to bypass the problem of improvement of productivity.*

[In the first part of this article, which appeared last week, trends in profits and investment in the coal industry in the First and Second Plans were studied. Trends in the Third Plan are examined below.]

IV

DURING the Third Plan, the coal industry recorded the following characteristics:

- a better response of output to price change, than in the Second Plan;
- the greatest fall in the number of mines (partly through amalgamation, indicating therefore a rise in the average size of mines and partly through abandonment of old mines) and joint stock companies and the highest rise in the paid-up capital of companies in the private sector, during the three Plans;³² and
- lower rates of growth of output in the private and public sectors than in the Second Plan (22.2 per cent and 82 per cent, respectively).

Trends indicated are noted below:

(i) Distributed profits (Column 7) declined throughout the period; only in the first year was it slightly above the last year of the Second Plan. In industries in general, the growth was continuous, except in 1962-63; and even then it was above that in the last year of the Second Plan (See Table I). Coal share prices manifested trends similar to those of distributed profits. The group index, manifesting exactly the same trend, indicated little correlation between share prices and index of distributed profits.

(ii) All profit indices (1) to (6) in coal during the first three years were higher than in the last year of the Second Plan.³³ During the last two

years, they went down very considerably. Deviations from this tendency in column 5 are due to differences in the rates of growth of depreciation provision and gross profits.³⁴ Judged by profit indices, the industry was healthy during the first three years, very sick in the fourth year, and convalescent in the last year of the Plan.

(iii) Compared to industries in general, coal was worse off in respect of all the profit indices in four years of the Plan and better off in one year only, viz, 1962-63. Deviation from the former tendency in 1963-64 is only apparent and is explained by the variations in the growth rates of relevant indices.³⁵ The above trends may be tested by the indices of prices, production, wages, wagon loading and pit-head stocks in Table K.

Price-wage relatives derived from the horizontal columns (2) and (3) in Table K are:

	Coal	Manufactures
1960-61	100	100
1961-62	100.8	95.0
1962-63	103.9	93.8
1963-64	102.6	95.5
1964-65	106.5	97.3
1965-66	94.7	92.5

Coal relatives bear our profit trend (ii) above, excepting in 1964-65, when the highest price-wage relative co-existed with the lowest level of profits instead of the highest. The explanation of the exception lies in fall in output [Table K, column (1)] owing to decline in demand caused by a number of factors such as "(i) achievement of capacity production in some major coal-

consuming industries, (ii) a switch-over from the use of coal to furnace oil by certain industries in response to Government policy of encouraging the use of oil mainly to reduce the pressure on transport arising from the movement of coal, (iii) more efficient utilisation of coal by the steel industry, (iv) progressive dieselisation of the railways, and (v) reduced offtake of coal by thermal power houses".³⁶ Measures were adopted to improve the demand for coal, and coal prices were revised upward three times during 1964-65 to compensate for wage awards.³⁶ It may be noted that, during the Third Plan, coal prices were revised upward 12 times, eight times each for royalty and production incentives.³⁷

Price-wage relatives do not bear out trend (iii) in profits. This is not a mystery. For, the relative profit position of two sets of industries will not be reflected in the respective price-wage relatives, unless wages constitute a more or less similar fraction of total costs. It is well known that, in coal mining all over the world, labour costs account for more than 50 per cent of total costs. "Even in the US, where conditions are favourable and more mechanisation is possible, the percentage is the same."³⁸ The cost structure in India, worked out for 45 selected companies from balance sheet data collected by the Reserve Bank, gives a similar picture (see Table L).³⁹ Taking all industries together, wages, salaries, benefits, employer contributions, etc., constituted about 18 per cent of total input in 1965.⁴⁰ In some indivi-

TABLE H: INDEX OF PROFITS OF COAL MINING, 1961-62 TO 1965-66

Year	Profits before Tax	Profits after Tax	Ratio of Gross Profits to Total Capital Employed	Ratio of Profits after Tax to Net Worth	Gross Profits including Depreciation	Gross Profits excluding Depreciation	Distributed Profits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1961-62	100.9	82.2	95.4	76.9	102.0	101.3	102.5
	(105.1)	(97.7)	(97.1)	(90.9)	(106.8)	(107.8)	(103.7)
1962-63	125.9	117.1	107.1	105.1	121.2	124.7	90.6
	(115.3)	(91.9)	(97.9)	(79.0)	(117.5)	(118.7)	(101.2)
1963-64	121.5	139.0	93.7	119.2	128.4	127.0	89.7
	(129.0)	(105.9)	(101.7)	(86.3)	(133.4)	(135.4)	(108.7)
1964-65	73.5	73.9	63.1	61.5	108.2	96.9	82.0
	(133.8)	(110.4)	(99.2)	(84.5)	(144.8)	(144.0)	(113.7)
1965-66	81.1	80.4	66.3	66.6	121.2	102.3	76.9
	(134.0)	(108.9)	(95.4)	(79.0)	(151.1)	(150)	(116.2)

Note: Period is July-June for each year. Coal mining includes 42 public limited companies, with 63 per cent of the aggregate paid-up capital of the industry. Brackets indicate all industries and include 1,333 public limited companies with 69 per cent of the paid-up capital of industries. Columns (1) (3) and (5) have been taken from *R B Bulletin*, February 1968 (pp 166-7). The rest of the Table has been computed from the data given in *R B Bulletin*, December 1967, which also form the basis for columns (1), (3) and (5). For definition of indices see the first paragraph of Section I above.

TABLE I: INDICES OF VARIABLE DIVIDEND SECURITY PRICES

Group Index	Coal	Jute Textiles	Cotton Textiles	Iron and Steel	Sugar	Paper	Cement
(Base: 1952-53=100)							
1960-61	171.7	120	90	151	160	224	144
1961-62	183.7	123	91	180	164	211	149
1962-63	179.5	120	101	180	151	216	155
1963-64	167.1	107	97	167	153	197	144
1964-65	163.9	94	84	159	163	191	140
(Base: 1961-62=100)							
1964-65	86.1	80.2	90.5	81.8	99.4	87.5	92.6
1965-66	76.7	71.4	70.6	69.8	95.9	74.8	85.6

Source: Report on Currency and Finance.

TABLE J

		1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
(1) Percentage of tax provision to profits before tax	C	46.7	56.6	50.4	39.0	46.3	46.9
	A	38.6	43.7	52.3	51.0	50.5	51.0
(2) Percentage of profits retained to profits before tax	C	16.4	5.9	23.0	33.9	12.6	18.1
	A	24.5	20.5	16.1	19.0	19.0	17.6
(3) Percentage of profits retained to profits after tax	C	30.7	13.6	46.3	55.6	23.6	34.0
	A	39.9	36.4	33.8	38.7	38.5	35.9
(4) Percentage rise in net worth per annum	C	—	6.2	4.3	5.3	2.0	1.7
	A	—	8.1	6.7	7.0	6.2	5.7
(5) Percentage rise in net assets per annum	C	—	6.1	9.0	17.3	7.2	6.2
	A	—	9.5	9.0	8.8	8.4	9.0
(6) Percentage rise in ordinary paid-up capital per annum	C	—	6.9	1.2	1.8	1.3	0.5
	A	—	6.9	5.9	4.5	2.5	3.4

Note: C=coal; A=All industries; for (1) to (3) see *R B Bulletin*, December 1967, pp 1536-38; for (4) A and (5) A see *ibid* p 1531; (4) C, (5) C and (6) have been estimated from data in *ibid*, p 1559, and p 1588.

dual manufacturing industries, viz, in cotton textiles, cement, sugar, jute and paper and paper board, the percentage has been below 25 over a number of years.⁴¹

Coal indices of wagon loading, pit-head stocks, and production, bear out profit trend (ii) and the production index also bears out trend (iii). In the first year of the Plan, considerable resort to road transport is indicated by an almost equal rate of rise in production and wagon loading, accompanied by much greater rate of fall in pit-head stocks. Lower rate of growth compared to the last year of the Second Plan, was caused by shortage of power and explosives and problems of moving coal to industrial consumers.⁴² Higher rate of growth of output in the second year was the result of the working of mines every day of the week since the declaration of emergency⁴³ which also necessitated a change of emphasis on individual industries with higher priority to defence-oriented lines of production leading to expansion of output at a faster rate in jute and woollen textiles, finished steel, aluminium, coal, paints, varnishes and lacquers.⁴⁴ Continuation of these forces in the third year of the Plan contributed to an increase in coal output, which was mostly confined to inferior grades so that they constituted by far the largest portion of the increase of pit-head stocks — an accretion which was also due to the availability of alternative sources of fuel and power. Overall easing of the supply position, accompanied by shortages of superior quality coal, led to enhancement of coal prices on three occasions following wage awards. Towards the end of February 1964, all controls on the consumption of coal were removed.⁴⁵ For industries as a whole, during the year, "rail transport was no longer a bottle-neck; railway transport capacity was reported running ahead of consumer demand in principal sectors like coal, steel and raw materials. This together with increased availability of power and basic materials like coal, steel, cement, etc, (which rendered possible a more effective utilisation of existing capacity), measures to step up output in defence-oriented industries as well as substantial addition to capacity in a number of industries, were important factors facilitating a more rapid growth of output... Fiscal incentives and price increases for the priority industries, the liberalisation of credit policy, and the measures taken to improve industrial efficiency also contributed to the higher rate of output."⁴⁶ In the fourth year of the Plan, the coal situa-

tion continued to be the same as in the preceding year, i.e, transport was no longer a bottle-neck and pit-head stocks consisted mostly of inferior grades. That year, the economy had to face a very difficult situation caused by virtual stagnation in agricultural output for three consecutive years up to 1963-64, continued pressure on the external payments position owing to stagnation in exports, increasing external debt charges and larger Government imports of foodgrains, fertilisers and capital equipment. For manufacturing industries as a whole, the higher level of output was accompanied by the same level of wagon loading compared to the previous year and the highest level of price-wage relatives of the Third Plan period. The relatively better profit position for industries as a whole, was the result of mobilising savings through the strengthening of the institutional framework for the provision of long-term finance by the creation of the Unit Trust of India and the Industrial Development Bank, through moderate relief in corporate taxation, and through simplification of tax schedules.⁴⁷

In the final year of the Plan, coal improved over the previous year as indicated by the rise in output and wagon loading and reduction in pit-head stocks. Larger output came in response to higher demand from the principal coal consuming industries like cement and iron and steel. The high price index was the result of upward revision of coal prices four times during the year, three wage adjustments, and one increase in the rate of royalty payable by pre-1949 lessees.⁴⁸ Increase in output of industries as a whole, was the result of the expansion of industrial capacity in some cases (e.g, steel and aluminium), increased production in those not dependent on imported raw materials (e.g, cement and machinery) and in those in which special arrangement could be made for import of components and raw materials (e.g, power transformers). This is reflected in the highest index of the dividend distributed and lower percentage of profits retained to profits before tax (17.6). For coal, the former index was the lowest during the Third Plan; the higher percentage of the latter compared to that in the previous year exhibits the eagerness of the industry to improve itself by its own resources,⁴⁹ a point elaborated later in this essay.

Table M, prepared from Reserve Bank studies⁵⁰ of coal companies, shows that the absolute magnitudes of profits (of different categories) and the

TABLE K: SOME CRUCIAL INDICES IN INDUSTRIES AND COAL MINING, 1960-1961 TO 1965

Index of	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
(1) Industrial production (1960=100)						
(a) Manufacturing		109.1	119.5	129.1	141.3	150.6
(b) Coal		106.6	117.0	127.2	121.6	132.0
(2) Wholesale price (1952-53=100)						
(a) Manufacture	128.8	126.3	129.5	133.0	141.2	157.3
(b) Coal	141	142	151	162	169	174.3
(3) Industrial wage (1951=100)						
(a) Factories	134.4	138.6	144.0	145.2	151.4	177.4
(b) Coal	214.9	214.7	221.2	240.2	241.7	280.5
(4) Wagon loading						
(a) Total	100	101.8	111.1	118.2	118.5	127.6
(b) Coal	100	107.1	121.5	131.4	127.3	146.4
(5) Pit-head stocks of Coal at the year end as percentage of output (1951=100)		74	71	87	97	82

Note: The basis of computation and the sources are as follows:

Index (1) (a) is the revised series of index numbers of industrial production.

Index (1) (b) has been derived from data in the *R B Bulletin*.

Index (2) (a) and (2) (b) as in Table C.

Index (3) (a) and (3) (b) as in Table C.

Index (4) (a) and (4) (b) as in Table C.

Index (5) as in Table C.

Items (1), (3) and (5) refer to calendar years beginning 1960 and ending 1965.

TABLE L: COST STRUCTURE

(In percentages)

Year	Wages and Salaries	Raw Materials	Excise Duty and Cess	Other Expenses	Depreciation	Gross Profits
1960-61	52.1	21.9	0.5	12.5	3.8	9.2
1961-62	52.0	21.8	0.5	13.4	3.8	8.5
1962-63	51.1	21.8	0.5	14.1	3.5	9.5
1963-64	53.4	21.3	0.4	12.4	3.8	8.7
1964-65	54.8	21.8	0.3	12.6	3.8	6.3
1965-66	n a	n a	n a	n a	n a	n a

TABLE M

Annual Average (Rs lakhs)	I Plan	II Plan	III Plan
1 Gross profits excluding depreciation	255	308	420
2 Gross profits including depreciation	376	431	625
3 Profits before tax	190	246	319
4 Profits after tax	113	117	166
5 Dividends	73	95	103
6 Retained profits	40	22	63
7 Income	2998	3644	5568
8 Paid-up capital (plan average)	1069	1094	1316

TABLE N

	March 1956	April 1961	March 1966
Total industry	37.1	50.8	62.7
Cotton textiles	8.1	11.1	12.1
Jute textiles	3.0	2.5	2.7
Other textiles	2.4	1.5	2.5
Sugar	6.3	7.7	5.2
Vegetable oils and yanaspati	1.8	2.1	1.7
Iron and steel	1.0	2.6	3.2
Engineering	4.3	9.4	16.0
Chemicals, etc	1.3	2.5	3.5
Mining and quarrying	0.9	1.0	1.6

TABLE O

	Debt-Equity Ratio	Ratio of Current Assets to Current Liabilities	Current Assets as Percentage of Net Total Assets
1955	1:7.3 (1:4.21)	1.39 (1.48)	46.7 (59.7)
1960-61	1:7.9 (1:3.38)	1.16 (1.27)	46.6 (53.1)
1965-66	1:4.3 (1:3.1)	.96 (1.19)	44.5 (54.2)

equity investor's response to them were better than in any of the previous Plans.

Quinquennial averages of profits,⁵¹ however, do not give an equally clear-cut result. Of the five ratios of the Table in which the equity investor is primarily interested, viz, (c) (d), (e), (h) and (j), three, viz, (d), (h) and (j), picture the industry as being least attractive in the Third Plan⁵² and most attractive in the Second; one, viz, (c), gives the most attractive character to the industry in the Third Plan and the other viz, (e), depicts it as being more attractive than in the First Plan and less so than in the Second. Of the five ratios in which the creditor-investor is interested, (a) and (b) depict the Third Plan as the least attractive, (k) depicts it as the most attractive, (i) depicts it as more attractive than the Second but less attractive than the First, and (g) depicts it as less attractive than the First but more attractive than the Second. In contrast, all capital formation ratios make the Third Plan most attractive; in the Second plan, the industry was embarrassed by an abnormally high inventory accumulation.

The least attractive character of the industry given by five profit ratios — (a), (b), (d), (h) and (j) — also stands in sharp contrast to that presented by the sources and uses of funds.⁵³ Growing interest of the outsider in the coal industry is indicated by the rise of the external sources of funds from 27.5 per cent in the First Plan to 46.1 per cent in the Second Plan, and to 56.0 per cent in the Third Plan. Bank Loans increased from 3.9 per cent in the First Plan to 17.9 per cent in the Third. The increase in the external source is, however, not a sign of unmitigated strength; for, the growing percentage of Trade Dues and other Liabilities, from 14.3 per cent in the First Plan to 28.3 per cent in the Third Plan, is an indication of the industry's inability to arrange for repayment of its liabilities (caused, no doubt, by the growing gap between the need for and the supply of finance).

Analysis of relative profits and investment situation in coal during the

Third Plan may be preceded by a brief statement on the general economic conditions. This period came under the influence of several abnormal factors, viz, (i) adverse weather conditions in three out of five years, (ii) war in two out of the five years, and (iii) delays in securing external credit. There was encouraging progress in the industrial sector in the early years of the Plan. The pace could not, however, be maintained because of the scarcity of key materials owing to short-

tage of foreign exchange.⁵⁴ The 1st year of the Third Plan was the "most difficult for the Indian economy since the beginning of the planning era because of sharp decline in agricultural output, unused industrial capacity, stagnation in exports, attack by Pakistan, and a heavy strain on foreign exchange reserves leading to an upward pressure on prices.... The paucity of rupee finance arising from inadequate savings and their partial diversion to other forms of investment was reflected in reduced activity in the capital and stock markets. The new issues market continued to depend heavily on underwriting by institutions and equity prices in stock markets declined further."⁵⁵

Capital raised by industrial companies in the private sector against consents given by the Controller of Capital Issues, indicate broadly the attitude of the private sector to investment. The following Table⁵⁶ gives the state of

STATISTICAL APPENDIX TABLE I: INVESTMENT AND PROFITS OF JOINT STOCK COAL COMPANIES, 1951-1965

Year	Number at Work on 31st March	Paid-up Capital (Rs Lakhs)	Average Value Per Tonne of Coal Raised (Rs)	Number of Coals Mines	Output of Coal (lakh tonnes)
1	2	3	4	5	6
1950	428	1839 (63)	14.23	891	328
1951	442	1820 (63)	14.46	884	350
1952	448	2109 (63)	14.52	860	369
1953	458	2167 (63)	14.46	858	366
1954	475	2242 (63)	14.39	853	375
1955	495	2272 (63)	14.46	853	388
1956	498	2284 (63)	16.30	843	399
1957	499	2466 (1289)	17.98	822	440
1958	484	3322 (1842)	18.62	837	460
1959	473	4594 (2240)	19.21	854	477
1960	468	6187 (4534)	20.76	848	521
1961	436	9347 (7666)	20.47	848	557
1962	433	13328 (10907)	20.53	851	614
1963	426	14279 (12093)	21.96	879	668
1964	448	15297 (12998)	23.26	860	640
1965	395	16335 (13881)	24.00	841	695

Note: Appendix Tables I-VI were published with the first part of the article last week. They are repeated here for convenience of reference. Brackets under column 3 indicate paid-up capital of companies in the public sector.

Sources: Indian Coal Statistics (Annual).
Report of the Chief Inspector of Mines (Annual).

STATISTICAL APPENDIX TABLE II: GROWTH OF COAL MINING IN PLAN PERIOD (Percentage)

	1950-1955	1956-1960	1960-61 to 1965-66
Paid-up capital plus free reserves (net worth)	12.5 (26.8)	17.6 (41.5)	18.1 (38.4)
Gross fixed assets	28.5 (48.7)	26.4 (73.1)	42.2 (59.1)
Net fixed assets	15.4 (47.0)	26.6 (78.3)	50.0 (43.8)
Inventories	-2.3 (22.1)	82.1 (62.6)	37.1 (59.4)
Total assets (net)	23.1 (34.4)	35.4 (58.4)	54.6 (55.1)
Total income	8.3 (36.9)	53.0 (57.1)	56.0 (72.0)
Sales	17.3 (37.7)	48.4 (56.8)	57.2 (71.9)
Profits before tax	27.7 (51.6)	63.1 (57.9)	-18.8 (36.2)
Profits after tax	40.0 (53.8)	54.5 (70.6)	-17.7 (8.9)
Dividends	9.1 (33.3)	37.5 (82.2)	-25.0 (16.2)
Retained profits	111.0 (80.0)	100.0 (51.7)	-11.6 (-1.9)

Note: Brackets indicate corresponding figures for all industries. 1950-55 relate to 750 public limited companies of which 38 are coal companies. 1956-60 relate to 1001 public limited companies of which 44 are coal companies. 1960-61 to 1965-66 relate to 1,333 public limited companies of which 42 are coal companies.

Source: The Table has been computed from data published in Reserve Bank Bulletin of September 1957 (pp 839 and 882), June 1962 (pp 847, 864 and 865), July 1962 (pp 1144 and 1162) and December 1967 (pp 1533, 1559-60, 1565 and 1588).

stagnation in the capital market during the Third Plan.

	Capital Raised (Rs crores)	Consent Granted
1961	101.4	220.6
1962	108.3	346.3
1963	94.5	463.5
1964	95.2	335.8
1965	102.6	232.7

Sluggishness in the capital market led to resort to alternative sources of industrial finance, e.g. the practice of accepting deposits from the public and the bank loans especially taken by the small and medium sized industries whose term-credit requirements could be met by banks with refinancing facilities. Expansion of facilities to special financial institutions, to enable them to meet larger demand for funds, setting up of the Unit Trust of India, relaxation of licensing requirements for specified industries, provision of tax credit certificates to specified industries and liberalisation of development rebates, were some of the measures adopted by the Government to activate the capital market.⁵⁷ Continuation of effort in these directions was evident from the tax proposals of 1966-67 which removed the tax on bonus shares, restricted the levy of dividend tax to amounts in excess of 10 per cent on paid-up capital, and gave some relief in surtax. Indices of growth reassert the rela-

tively unfavourable position in coal mining in the Third Plan as in the preceding Plans⁵⁸ — with, however, a tendency to narrowing the gap in relative growth rates. The same tendency is emphasised in Table III, Statistical Appendix, giving the crucial ratios. Profit allocation ratios show the continuation of the Second Plan attempt by the industry to depend increasingly on internal resources [(g), (i) and (k) ratios]. The industry continued its traditional practice of maintaining a relatively higher rate of dividends. In net asset formation, coal scores over the aggregate rate.

Lower relative attractiveness of the coal industry to the equity investor can also be tested with reference to the sources of finance (Statistical Appendix Table IV). During the Third Plan, external sources constituted 56 per cent of finance for coal against 43.3 per cent for the industrial sector; corresponding figures for the First and the Second Plans, respectively, were 27.5 and 46.1 for coal and 31.9 and 44.4 for the industrial sector. Increasing use of external sources of finance in coal mining through the Plan period does not indicate unmixed strength (as already pointed out above) — for, nearly one-half of this consisted of Trade Dues and Other Liabilities com-

pared to much lower percentage for the aggregate industrial sector. To the extent that, in the Third Plan, the percentage of borrowings became almost equal to that of the industrial sector, financial institutions were being attracted more and more to coal mining. As for 'internal sources', reduction in its percentage to the aggregate source does not necessarily imply weakness, for, it may mean higher rate of replacement of old equipment through greater use of depreciation reserve compared to the industrial sector as a whole. It must be admitted, however, that reduction in the percentage of reserves and surplus and also of paid-up capital, indicates relative weakness of coal. Special measures, adopted for coal during the Third Plan, may be noted. In 1963-64, development rebate for the coal industry was raised from 20 per cent to 35 per cent for new mining machinery installed between 1963-64 and 1965-66; the import duty on certain items of equipment and machinery was reduced; and a three-year agreement with Burma for coal exports was made on April 28, 1964.⁵⁹ In 1965-66, coal was included in the Tax Credit Certificate Scheme for export.⁶⁰ As regards uses of trends (Statistical Appendix Table IV), improvement in the coal industry during the Third Plan, absolutely over the Second as well as relatively to the industrial sector, is indicated by reduction in percentage of inventories and increase in that percentage of gross assets. This latter is an indication of higher mechanisation — also borne out by Table V of the Statistical Appendix. Impact of this on OMS, however, has been insignificant; and a comparison with the corresponding data of the developed countries (Statistical Appendix Table VI) exhibits that the gap in the 15 years of planning had become wider.

V

In conclusion, the following statements may be reiterated in respect of the coal industry during the period of planned development:

(1) The coal industry has followed the traditional dividend distribution policy. In spite of its lower profitability ratios, relative to industries in general, dividends as percentage of profits have been higher (Table III Statistical Appendix). Special characteristics of the industry [as noted in (iii) at the end of Section III] justify higher dividends relatively to manufactures. The strength of the justification is, however, relative to the duration of the owner-

ship of a mine and the extent to which relatively larger dividends have compensated for the original purchase price. Every mine is a case *sui generis* and needs individual examination.

(2) High percentage of wage costs to total costs justifies the change of controlled price in step with higher wage awards, a policy followed by Government ever since Independence. The lack of correlation between price-wage relatives and profits, in absolute and relative terms, in all three Plans reduces the strength of the continuous clamour of the industry for higher prices.

(3) Barring taxation provision (Table IV Statistical Appendix) and paid-up capital, the industry has not made an earnest effort to depend on internal sources of finance. Steady decline, over the three Plans, of the percentage of reserves and surplus as an internal source is merely the other side of the medal represented by tendency (1) above. In respect of two other internal sources of finance, viz, taxation provision and paid-up capital, the industry has made an earnest effort to improve its own resources. The percentage of the former, which was one-half of that of industries in general during the First Plan, became several times higher in the two successive Plans. The relative rate of growth of the percentage of the latter has been higher over the Plans. It is difficult to prove or disprove the viewpoint of the industry that, but for the restrictive conditions imposed on the private sector of the coal industry by the Industrial Policy Resolution, the response of the equity investor would have been more favourable.

(4) Over the period of three Plans, the interest of the banks and statutory financial institutions in the coal industry has grown appreciably. The percentage of finance from these two sources during the Third Plan was almost equal to that of the aggregate of industries (Statistical Appendix Table IV). Table N gives the percentages of aggregate commercial bank credit during the Plan period for a few selected industries.³¹

The growth of bank finance to mining and quarrying has been comparable with that to older industries, but very low compared to new industries, e.g. iron and steel, engineering, and chemicals, etc.

(5) The degree of response of investment to profits can also be judged (data for which have been given in brackets).

As regards debt-equity, both have a better ratio than the norm of 2:1 laid down by the Controller of Capital Issues. Over the Plans, the ratio improved more for coal than for the industrial sector as a whole, indicating that, the rate of growth in equities has been greater compared to that in debt in the case of coal.

There has been a reduction in liquidity in coal as well as in other industries judged by the last two columns of Table O. This is an indication of the tight financial position which is a normal phenomenon in a period of rapid growth with inflationary rise of prices.

(8) During the three Plans, Government adopted specific fiscal measures to aid the coal industry by way of higher development rebates and tax credit certificates, besides raising prices on 28 occasions — of which 24 were for adjustment to higher wage awards and 4 were for non-wage adjustment.

(7) Continuous wage-price spiralling in the coal industry under Government auspices during the three Plans by passed the crucial problem of improvement of productivity. The insignificant rise of OMS shows this in a glaring manner. Concatenation of events brought about a situation in the industry in which no party was prepared to face boldly the problem of productivity. Government wage awards were not linked to productivity; indus-

STATISTICAL APPENDIX TABLE III : SOME CRUCIAL RATIOS OF COAL MINING AND ALL INDUSTRIES (QUINQUENNIAL AVERAGE)

	1951-55	1956-60	1960-61 to 1965-66
Profitability Ratios			
(a) Gross profits as percentage of sales	9.0 (9.2)	8.9 (9.4)	8.1 (9.4)
(b) Gross profits as percentage of total capital employed	8.3 (9.2)	8.1 (9.0)	7.7 (10.2)
(c) Profits after tax as percentage of net worth	6.5 (7.9)	6.0 (8.8)	6.7 (9.2)
(d) Dividends as percentage of net worth	4.3 (4.8)	5.0 (5.7)	4.1 (5.8)
(e) Ordinary dividends as percentage of ordinary paid-up capital	7.1 (8.2)	9.0 (9.7)	8.1 (11.3)
(f) Total dividends as percentage of total paid capital	—	(Average for 1956 to 1959)	(10.6)
Profit Allocation Ratios			
(g) Tax provision as percentage of profits before tax	42.7 (40.7)	54 (43)	47.8 (49.7)
(h) Dividends as percentage of profits before tax	38.5 (36.3)	40.4 (38)	33.2 (31.8)
(i) Profits retained as percentage of profits before tax	19.4 (22.9)	5.4 (19.7)	18.7 (18.4)
(j) Dividends as percentage of profits after tax	66.3 (61.3)	90.7 (66.1)	65.4 (63.3)
(k) Profits retained as percentage of profits after tax	33.4 (38.7)	9.3 (33.9)	34.4 (36.7)
Capital Formation Rates (per cent)			
(l) Gross fixed assets formation	6.0 (9.7)	9.3 (11.6)	7.5 (9.7)
(m) Net fixed assets formation	4.0 (9.4)	5.3 (12.4)	8.9 (7.7)
(n) Inventory accumulation	-0.6 (4.4)	12.5 (10.5)	7.4 (9.4)
(o) Gross capital formation	5.6 (7.6)	6.1 (11.2)	7.3 (9.7)
(p) Net capital formation	4.2 (6.9)	6.9 (11.5)	8.4 (8.6)

Source : Computed from data published in *Reserve Bank Bulletin*, September 1961, June 1962 and December 1967. Brackets indicate all industries.

STATISTICAL APPENDIX TABLE IV : SOURCES AND USES OF FUNDS IN COAL MINING AND ALL INDUSTRIES DURING THE PLAN PERIODS

		(percentages to total)		
		1951-55	1956-57 to 1960-61	1961-62 to 1965-66
Sources				
A	Paid-up capital	3 (7.2)	1.4 (12.8)	1.2 (9.6)
B	Reserves and surplus	17.1 (23.6)	12.3 (15.6)	10.9 (15.2)
	Capital reserves	9.1 (6.3)	-2.6 (1.6)	0.3 (1.0)
	Development rebate reserve	4.4 (6.8)	14.9 (14.0)	12.2 (6.9)
	Other reserves and surplus	3.6 (10.5)	-1.6 (8.2)	
C	Depreciation provision	51.3 (29.6)	31.7 (24.5)	26.1 (30.5)
D	Taxation provision	3.8 (7.9)	8.5 (2.7)	4.3 (1.2)
E	Other provisions			1.5 (0.2)
F	Borrowings	12.8 (17.1)	19.0 (28.9)	27.6 (28.4)
	From banks	3.9 (6.1)	13.7 (16.4)	17.9 (18.8)
	From other debentures	3.5 (1.5)	1.1 (0.5)	3.6 (1.6)
	From other mortgages	4.6 (5.5)	-0.3 (8.6)	1.8 (2.7)
	From others	.8 (4.0)	4.3 (2.6)	3.5 (4.3)
	From statutory financial corporations	—	0.2 (0.8)	0.8 (1.0)
G	Trade dues and other liabilities	14.3 (14.8)	26.4 (15.1)	28.3 (14.9)
H	Miscellaneous non-current liabilities	0.4 (-0.2)	0.7 (0.4)	0.1
Uses		100	100	100
I	Gross fixed assets [of which plant and machinery]	71.7 (45.1) (62.5) [(43.0)]	59.4 (62.8)	65.7 (56.3)
J	Inventories	-1.2 (14.3)	18.5 (24.1)	8.6 (24.2)
K	Receivables	16.6 (11.6)	15.5 (10.6)	21.1 (17.8)
L	Investments	3.6 (5.2)	0.3 (1.6)	0.7 (1.5)
M	Cash and bank balances	3.4 (4.1)	6.0 (0.7)	2.4 (—)
N	Miscellaneous assets	5.9 (2.3)	0.4 (0.2)	1.5 (0.2)
		100 (100)	100 (100)	100 (100)

Note : Brackets relate to all industries as in Table II above. Figures for coal mining in this Table have been computed from the data published in *Reserve Bank Bulletin*, September 1957 (p 882), June 1962, July 1962 (p 1162), December 1967 (p 1588). Figures for all industries have also been taken from the *Bulletin*.

trialists' successful demand for higher prices to meet higher wages and other costs weakened their sense of urgency for adopting steps to reduce costs through thorough-going organisational and equipmental improvement; and the tradition of labour organisations in underdeveloped countries of being more awake to their rights than to obligations resulted also in lack of the labourers' realisation of their role in the improvement of productivity. If we keep in view India's experience of public sector undertakings, the solution seems to lie not in nationalisation but in compulsory amalgamation of collieries, a measure recommended by the Committee for Amalgamation of Small Collieries 12 years ago.

(8) Additionally, removal of the uncertainty in the Industrial Policy Resolution as applied to the coal industry, reduction of the cumbersome procedure for grant of mining leases, greater recognition by financial institutions of the special characteristics of the coal industry, and streamlined measures to meet the chronic transport problem have been emphasised in the course of this article.

Notes

1 In August 1958, a Special Committee was set up to promote voluntary amalgamation of small and irregularly shaped collieries.

The cumulative number of amalgamated mines is given below:

1958-1960	16	1963	32
1961	20	1964	35
1962	25	1965	39

The amalgamation movement had slowed down during the Third Plan. (Annual Reports of the Committee of the Indian Mining Federation).

32 See Section I, last Table.

33 Deviations from this trend are explained by variations in the relevant factors given in Table J, which may be read with Table H. For example, coal index of column (2), 1961-62 of Table H is explained by the higher percentage of tax provision to profits before tax compared to 1960-61 [horizontal column (1) c]; also coal index of column (4), 1961-62 of Table H is explained by the fact that whereas profits after tax [column (2)] were lower than in 1960-61, there was rise in net worth by 6.2 per cent. Other deviations may be explained in the same manner.

34 *R B Bulletin*, December 1967, p 1585.

35 Relatively higher index of coal in columns (2) and (4) of Table H is

explained by the difference in the percentage of tax provision to profits before tax between coal (39) and other industries (51) and in the percentage rise of net worth for coal (5.3) and other industries (7.0).

- 36 Report on Currency and Finance, 1964-65, p 42.
- 37 Tariff Commission Report on Prices of Coal, 1967, *op cit*, Appendix IV.
- 38 Report of the Central Wage Board for the Coal Mining Industry, *op cit*, Volume II, p 113.
- 39 Tariff Commission Report on Prices of Coal, *op cit*, para 5.5.
- 40 Annual Survey of Industries, 1965, Volume I.
- 41 Sinha and Sawney, "Wages and Productivity in Selected Indian Industries".
- 42 Report on Currency and Finance, 1961-62, p 36.
- 43 Report on Currency and Finance, 1962-63, p 18.
- 44 Report on Currency and Finance, 1962-63, p 16.
- 45 Report on Currency and Finance, 1963-64 pp 36-37.
- 46 Report on Currency and Finance, 1963-64, pp 5-6.
- 47 Report on Currency and Finance, 1964-65, p 1.
- 48 Report on Currency and Finance, 1965-66, p 47.
- 49 Report on Currency and Finance, 1965-66, p 5.
- 50 Reserve Bank Bulletin, September 1957, June 1962, July 1962 and December 1967.
- 51 Statistical Appendix, Table III.
- 52 This is also the picture given by ratios (a) and (b) in which the creditor investor is primarily interested.
- 53 Statistical Appendix IV.
- 54 Fourth Five-Year Plan, A Draft Outline, pp 5-6.
- 55 Report on Currency and Finance, 1965-66, pp 1-2.
- 56 Economic Survey, 1967-68, pp A 40.
- 57 Economic Survey, 1965-66, pp 30-31.
- 58 Statistical Appendix, Table II.
- 59 Report on Currency and Finance, 1963-64, pp 36-37.
- 60 Report on Currency and Finance, 1965-66, p 47.
- 61 R B Bulletin, December 1968, p 1503.
- 62 R B Bulletin, September 1957, June and July 1962, December 1967.

STATISTICAL APPENDIX TABLE V: MECHANISATION OF COAL MINING IN INDIA

Year	Per Cent of Mines Using Electric Power*	Output of Mines in (2) as Per Cent of Total Output	Per Cent of Mines Using Coal Cutting Machines*	Output of Mines in (4) as Per Cent of Total Output	OMS	Coal Output Per Man-year Tonnes (all employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1940	24.6	—	11.1	11		127
1945	16.5	64	11.2	9.1		90
1950	27.3	72	13.4	18.8		94
1951	30.0	77	14.4	18.9	0.34	100
1952	30.0	81	17.2	19.2	0.35	106
1953	34.0	81	17.5	22.2	0.35	107
1954	40.0	85	17.4	22.7	0.37	110
1955	42.6	90	17.7	23.2	0.37	112
1956	46.7	95	19.9	23.9	0.39	113
1957	50.9	96	21.0	22.8	0.41	119
1958	53.0	92	17.8	23.2	0.41	120
1959	60.5	93	23.3	25.1	0.43	124
1960	64.2	88	23.4	27.0	0.44	131
1961	72.7	94.0	23.5	26.7	0.46	135
1962	77.3	96.0	25.0	27.9	0.48	142
1963	78.4	92.0	26.2	28.1	0.50	148
1964	78.5	98.0	28.1	29.3	0.50	149
1965	78.7	98.5	29.2	31.7	0.55	164
1966		98			0.56	165
1967					0.59	173
1968					0.65	191

Sources: *Journal of Mines, Metals and Fuels*, Mechanisation of Mines—Special Issue 1962, pp xlviii to liii.

Monthly Coal Bulletin and Annual Reports of Chief Inspector of Mines (now Director General, Mines Safety).

Indian Coal Statistics.

* Computed by the writer from published data.

STATISTICAL APPENDIX TABLE VI: OMS IN SOME DEVELOPED COUNTRIES

	UK	Belgium	Netherlands	France	W Germany	USA
(tonnes)						
1950	1.21	0.69	1.11	0.77	1.06	
1951	1.23	0.74	1.09	0.84	1.10	
1952	1.21	—	1.02	0.89	1.11	
1953	1.24	0.77	0.99	0.93	1.10	
1954	1.25	0.78	0.97	0.99	1.13	
1955	1.24	0.83	0.95	1.04	1.16	
1956	1.23	0.84	0.83	0.98	0.95	8.84
1957	1.23	0.81	0.82	1.02	0.97	9.15
1958	1.25	0.83	0.83	1.03	0.99	9.73
1959	1.32	0.88	0.87	1.05	0.96	10.61
1960	1.38	1.02	0.97	1.11	1.23	11.21
1961	1.43	1.09	1.10	1.15	1.33	11.96
1962	1.54	1.17	1.08	1.18	1.42	12.83
1963	1.62	1.13	1.08	1.19	1.52	13.72
1964	1.69	1.13	1.11	1.26	1.56	14.54
1965	1.76	1.21	1.13	1.26	1.55	15.39

Source: *Indian Coal Statistics*.

'Green Revolution' and Agricultural Labourers

A Correction

Pranab Bardhan

IN Section V of my paper "Green Revolution' and Agricultural Labourers" (Special Number, July 1970), I estimated the percentage of rural people below a minimum level of living (defined as Rs 15 per month per capita at 1960-61 prices). The estimates of this percentage for rural India as well as for the different States in 1960-61, 1964-65 and 1967-68 were presented in Table 11 of that paper (p 1244).

Unfortunately, there was a serious mis-specification in the description of the data for 1967-68 which were available to me and which were used in Table 11. I was completely unaware of this and it is due to T N Srinivasan and A Vaidyanathan that I have now been able to decipher the nature of this mis-specification. This means that column (4) of that Table 11 is now totally altered. A revised version of Table 11 is given here.

SERIOUSLY EXAGGERATED

It now seems, on the basis of this Table that while the major conclusion of Section V of my earlier paper that between 1960-61 and 1967-68 there has been a significant rise in the percentage of rural people below the minimum level of living remains intact, my earlier Table seriously exaggerated the extent of this rise.

The revised Table tells us that according to NSS data the percentage of people below the minimum level in rural India went up by about 40 per cent between 1960-61 and 1967-68. This percentage nearly trebled, in West Bengal and more than doubled in Punjab and Haryana. It also went up by more than 40 per cent in Assam, Bihar, Gujarat, Mysore and UP (and, most probably, in Madhya Pradesh as well). There are only 3 States (Andhra Pradesh, Jammu and Kashmir and Kerala) where this percentage has not changed significantly. In no State has there been a significant decline in this percentage.

We should point out, however, that this Table, based as it is on NSS data, shares all the possible limitations of that source of data. In particular, some people have noted that while the

average per capita consumption expenditure at constant prices has shown, according to NSS data, a small decline over the 1960s, according to official estimates this has gone up. A more careful examination of this discrepancy between NSS and official consumption expenditure is called for. In addition, our 1967-68 estimates are on the basis of unscrutinised NSS special tabulation data and hence may be subject to special limitation.

REVISED TABLE: PERCENTAGE OF PEOPLE BELOW MINIMUM LEVEL OF LIVING OF Rs 15 PER MONTH AT 1960-61 PRICES

States	1960-61	1964-65	1967-68
Andhra Pradesh	47.41	34.47	38.19-51.19
Assam	13.78	9.77	21.32-31.93
Bihar	37.64	42.80	61.29
Gujarat	25.01	27.66	34.70-48.06
Haryana	—	10.24	28.62
Jammu and Kashmir	20.57	14.63	20.90
Kerala	56.72	50.44	57.31
Madhya Pradesh	47.16	46.32	60.59-68.73
Maharashtra	40.14	47.02	44.51-56.71
Mysore	34.20	48.99	47.62-57.02
Orissa	68.88	62.04	63.84-72.04
Punjab	13.56	15.95	32.92
Rajasthan	33.50	24.73	37.07-48.96
Tamil Nadu	46.45	n a	51.98
UP	39.47	41.61	60.84
West Bengal	22.14	50.19	61.24
All-India	38.03	44.57	53.02

Note: For 8 States in 1967-68 we have given a range, rather than a number, since the data come in discrete groups and the estimated percentage of people below Rs 15 at 1960-61 prices falls somewhere in that range. In Andhra Pradesh Rs 15 at 1960-61 prices implied Rs 23.5 at current prices in 1967-68; 38.19 pc of people were below Rs 22.78 and 51.19 pc below Rs 25.97 in 1967-68. In Assam Rs 15 at 1960-61 prices implied Rs 31.8 at 1967-68 prices; 21.32 pc of people were below Rs 29.49 and 31.93 pc below Rs 33.37 in 1967-68. In Gujarat Rs 15 at 1960-61 prices implied Rs 24.1 at 1967-68 prices; 34.70 pc of people were below Rs 22.79 and 48.06 pc below Rs 25.98 in 1967-68. In Madhya Pradesh Rs 15 at 1960-61 prices implied Rs 31.8 at 1967-68 prices; 60.59 pc of people were below Rs 29.42 and 68.73 pc below Rs 33.41 in 1967-68. In Maharashtra Rs 15 at 1960-61 prices implied Rs 27. in 1967-68; 46.62 pc of people were below Rs 25.97 and 57.02 pc below Rs 29.46 in 1967-68. In Orissa Rs 15 at 1960-61 prices implied Rs 31.4 in 1967-68; 63.84 pc of people were below Rs 29.49 and 72.6 pc below Rs 33.38 in 1967-68. In Rajasthan Rs 15 at 1960-61 prices implied Rs 26.6 in 1967-68; 37.07 pc of people were below Rs 25.5 and 46.96 pc below Rs 29.51.

Bharat Heavy Electricals Limited

Speech of the Chairman, Shri O S Murthy

THE following is the Speech of the Chairman, Shri O S Murthy, at the Sixth Annual General Meeting of Bharat Heavy Electricals Limited held at New Delhi on October 30, 1970:

LADIES AND GENTLEMEN

On behalf of the Board of Directors, I have pleasure in welcoming you to the Sixth Annual General meeting of your Company. The Audited Accounts for the financial year ended March 31, 1970, and the balance sheet as on that date, together with some statements containing statistical information on the activity of the Company, are already with you and I will take them as read.

PRODUCTION

I am happy to report that during the year, the value of production of your Company increased from Rs 35.26 crores during 1968-69 to Rs 44.61 crores — an increase of nearly 26 per cent. The Tiruchirapalli Unit, with an output of Rs 21.11 crores, made the most significant contribution. The production of boiler components and auxiliaries, during the year, at the Unit reached a new high of 18,800 tonnes. In the year under report, the Hyderabad Unit completed two 60 MW sets and one 110 MW set, the work on which was commenced earlier, and the work on two other 60 MW sets and one 110 MW set made significant progress. At Hardwar Unit, the output of electric machines increased from 178 numbers during 1968-69 to 225 Nos in 1969-70. The Unit supplied the first 100 MW set to Obra Thermal Power Station in UP and also successfully tested the first 100 MW Steam Turbine. This is the first time when such a large capacity Turbine was tested in the manufacturers' works in the country.

The notable achievement of the year was the successful completion of erection and commissioning at Ennore Thermal Power Station in Tamil Nadu of the first 60 MW Turbo-set supplied by Hyderabad Unit and its matching boiler manufactured by the Tiruchirapalli Unit.

The Company continued to face difficulties in the procurement of im-

portant forgings and castings, particularly those requiring alloying material vanadium. The rejection of castings and forgings received from domestic suppliers was also quite high and considerable time was lost in arranging the replacement or rectifying the defects at the Plants. The delay in receipt of certain components and raw materials including press tools and the difficulties experienced in the indigenous procurement of some categories of steel, adversely affected the production programme of your Company.

FINANCIAL AND OPERATING RESULTS

During the year, your Company earned Rs 12.35 crores, as against Rs 7.66 crores during 1968-69, before providing for depreciation, interest and provisions for contingencies. After providing for these, the Company incurred a loss of Rs 1.49 crores during 1969-70, as against a loss of Rs 3.37 crores during 1968-69 and Rs 6.57 crores during 1967-68. The year's loss is after providing Rs 3.80 crores on account of depreciation; Rs 7.57 crores on account of interest; Rs 2.48 crores for contingencies and Rs 1.29 crores being the uncovered amount between the expenditure on maintenance of township and other social overheads and corresponding receipts by way of rent, electricity charges, etc. Thus, there has been a steady reduction in the yearly losses in the operation of the Company, which is engaged in the manufacture of highly sophisticated equipment requiring a reasonable period for absorption of the necessary skills and technology.

The manufacturing profit of the Company, during the year, amounted to Rs 10.38 crores as against last year's manufacturing profit of Rs 6.54 crores.

CAPITAL RELATED CHARGES

The incidence of capital related charges continued to be high. While at near rated capacity, this is estimated to be of the order of only 8.5 per cent of the value of production, the depreciation and interest on Government loans amounted to as much as 25 per cent of the value of produc-

tion in 1969-70. Insofar as depreciation is concerned, this is an inevitable phenomenon for heavy electrical equipment industry during the gestation period, as while the impact of depreciation is experienced simultaneously with the commissioning of the new machines, the resultant benefits of the utilisation of these machines reflected in the increased value of production, start appearing only after a time lag necessarily to be spent for mastering the sophisticated skills and absorption of know-how. The burden of interest is, however, heavy because the Company is required to pay interest charges not only on loan capital but also on deferred revenue expenditure not written off and on the losses incurred during the gestation period. This burden is further aggravated by the continuously increasing share of Government debt in the funds invested in the Company. As the authorised equity capital of the Company had already been subscribed fully, the funds received from Government during the year were all in the form of 'loans', raising the debt equity ratio to 1.4 as on March 31, 1970 against 1.3 on March 31, 1969. Unless, therefore, your Company is allowed to increase the authorised capital so that half of the capital expenditure could be met from the equity capital, as is contemplated in the Bureau of Public Enterprises guidelines for financing the Public Sector Projects, the incidence of interest on Government loans will continue to inflate the production cost at the present stage of development. Your Company is, therefore, pursuing with the Government the immediate need for reviewing the existing capital structure.

Your Company continued to face difficulties in obtaining progress payments from the customers, viz, State Electricity Boards. A sum of Rs 12.75 crores was outstanding from them as on March 31, 1970. Out of this, Rs 9.03 crores was outstanding for more than six months. As the Company has to pay a high rate of interest, viz, 8 per cent on the borrowings from the commercial banks to meet the requirement of the working capital, any delay in receiving payments from

the State Electricity Boards unnecessarily impinges on the working results of the Company. One of the reasons generally given by the State Electricity Boards for delay in making progress payments, is the inadequacy of funds with them. As the availability of funds with them very largely depends on the Central assistance, I feel that some means of ensuring that the dues from the State Electricity Boards are promptly paid to us, should be found.

ORDER POSITION

The orders received by your Company during the year amounted to Rs 70.16 crores. This included orders for one 110 MW Turbo-set and one Boiler for Guru Nanak Thermal Power Station, Bhatinda, three Turbo-sets of 10.5 MW each and three Boilers for Haldia Refineries, two 120 MW Boilers for Ukai Power Station in Gujarat, two Industrial Boilers for Gujarat Aromatics, one Turbo-set each for Ballarpur Paper Mills and the Fertilizer Plant at Sindri, one 235 MW Turbo-generator for Madras Atomic Power Project, 14 Hydro-sets totalling 673 MW for Maneribhali, Yamuna Stage IV, Loktak, Baira Sieul and Salal Hydro-electric Schemes, over 100 Nos Motors for different industrial establishments, 670 Nos of Minimum Oil and 70 Nos of Air Blast Circuit Breakers of different ratings and Valves valued at Rs 60 lakhs. Further, as a result of vigorous canvassing with the State Electricity Boards, it has also been possible to secure orders for three 200 MW and five 110 MW sets. The resultant manufacturing programme will still leave some thermal capacity at Hyderabad and Hardwar Plants unutilised. The Hyderabad Unit can manufacture 5 more 110 MW sets and the Hardwar Unit 2 more 200 MW sets, provided orders for the critical long delivery raw material like castings and forgings are placed forthwith. Here, I would like to digress a little and deal with the urgent need for advance planning for the development of power in the country.

NEED FOR FORWARD PLANNING FOR POWER

As is known, power is an important prerequisite for rapid economic growth. Although in the two decades since Independence, the country has made remarkable progress in the field of power development by raising

the total installed generating capacity of 1 million KW in 1947 to 13 million KW in 1968-69 and the per capita consumption from a meagre 12 KW/hr in 1947 to 79 KW/hr in 1968-69, this rate of growth is insignificant in the context of requirement of a continental country like ours. Compare this with per capita consumption of 2,000 KW/hr of the USSR or of 6,400 KW/hr of the USA.

The installed generating capacity in our country is expected to reach a modest 23 million KW at the end of the current Five-Year Plan. Based on the present rate of growth, which is more or less in keeping with the universally observed trend of the doubling of energy consumption in every five years, the generating capacity would have to rise to 40 million KW by 1978. This will require addition of about 25 million KW by 1978 to our existing installed capacity of about 15 million KW. This is a formidable task and a challenge both to the engineers and engineering industry of the country and calls for bold planning.

In determining the strategy of planning for putting through this large programme, there are a few important factors which need consideration. It is clear that a common feature of all types of generation schemes is the fairly long period required for projecting, investigating of hydrological and site conditions etc, manufacture of equipment, erection and commissioning. Our experience has shown that from the time of initial conception, hydro schemes require 8 to 10 years before they go into commercial operation, except in the case of 'run of river' schemes where a minimum period of 5 to 6 years is necessary. The corresponding period for thermal schemes is about 5 years and nuclear schemes about 7 years. It is, therefore, obvious that programming for power cannot be confined to the limited period of 5 years, but to be meaningful, has to be extended to a minimum of 10 years and preferably more.

From the manufacturer's point of view also, it is vital that sufficiently advance and long-term planning of power schemes is undertaken. The heavy electrical industry in the country is still in its formative stage. The production cycle, particularly for hydro-electrical equipment is long. Considerable time is required for design and development of the best suited equipment after making, if

necessary, laboratory model tests. Unlike many other heavy industries, the output is not repetitive. The metallurgical base, especially for creep resisting alloys for steam turbines, is still being developed. Considerable time is required for planning, organising and co-ordinating production activities mainly because at the moment the industry depends largely upon the imports of raw material, like heavy castings and forgings, alloy steels and other critical items not available in the country.

There also seems to be some confusion in the public mind about the effective capacity of the Plant during its developmental stage. In this context it is important to note that the physical installation of all the machinery and equipment alone is not adequate. The effective capacity for manufacture also depends on the rate of acquisition of technology by men and build up of the labour force. This latter, in turn, depends to a large extent, on the continuity of orders with the manufacturers and any discontinuity or interruption in the production programme due to lack of orders will result in a setback in the development of skills and induction of men. Thus, adequate orders with the manufacturers to maintain an even flow of manufacture of equipment for the next 6 to 7 years is not only essential, but also crucial for the industry. Even in the highly industrialised countries, like the USA, order books are filled well in advance. The recent Report of the Edison Institute indicates that at the end of 1969, the power generating corporations in the USA had already placed orders for equipment well in advance, so that the orders on hand with the manufacturers were 6 to 7 times the annual production. In our country, the need to have the order books filled is all the greater. For ensuring this, the plan for power development has to be on a basis longer than at present. Initiative in this direction has to be taken by the Central and the State Governments and the State Electricity Boards.

COMPLIANCE WITH ORDERS

There has been a general criticism of Public Sector Undertakings manufacturing heavy electrical equipment blaming them for delays in supply, resulting in shortfall in power generations. This is too generalised a criticism, and as far as your Company is concerned, we have kept up by and

large our delivery schedules of supply of turbines and boilers notwithstanding the handicaps which an infant industry has to face. We also expect to keep up the delivery schedules for the equipment for which orders have been placed with us for delivery during the remaining period of the Fourth Plan. Of the 9.4 million KW of additional generating capacity envisaged for the Fourth Plan, 4.4 million KW will be by sets imported directly by the Electricity Boards, for the delays on which we are not responsible. Out of the remaining, our Company is to supply equipment for 2.3 million KW. Orders for 0.63 million KW were placed with us as late as the end of 1969. We have already supplied equipment for generating capacity totalling 0.4 million KW and the balance of the equipment will be supplied as per agreed schedules during the Plan. It is to be noted that mere placing of an order in the case of power equipment does not enable the workshop to proceed with the manufacture. There is a good deal of data to be collected and projecting work to be carried out before commencing the manufacture and this is dependent on the state of preparedness of the customer to supply the relevant data. It will be unfair to place all blame for delay reckoning merely from the

date of the placing of the order, solely on the manufacturer. It is, therefore, imperative that steps are taken to plan well in advance and place orders for the equipment, so that the manufacturing Units are given reasonable time to organise the long cycle of production and to avoid strains on the power front.

EXPORTS

Before concluding, I would like to draw your attention to the achievement of the Company in the field of exports. During the year, the Tiruchirapalli Unit not only successfully completed the export order of Valves to West Germany and Poland, but also secured order for two Nos. 5,50,000 lbs/hr i.e. 60 MW each Boilers and ancillary plant for installation at Tuanku Ja'afar Power Station of National Electricity Board of States of Malaya at Port Dickson. The order is for complete supply, erection and commissioning of these Boilers, the first of which is to be commissioned by November 1971 and the entire work to be completed within 26 months. The value of the Contract exceeds Rs 2.25 crores. The order was received on the basis of a global tender in competition with leading boiler manufacturers from the United Kingdom, West Germany, the USA,

Austria and Japan, who have all been in this line for a very much longer period.

ACKNOWLEDGEMENT

On my behalf, and on behalf of your Board of Directors, I thank the large circle of customers in the Public and Private Sectors who extended their patronage. Thanks are also due to Collaborators of our various Units, the Comptroller and Auditor General of India, the various Ministries of Central and State Governments, Planning Commission, Central Water and Power Commission, M/s S R Batliboi, M/s Ray and Ray and M/s S Viswanathan, the auditors of the Company for their valuable co-operation and assistance. Your Directors also wish to place on record their sincere appreciation of the services of workmen and staff of the Company. Finally, I would like to take this opportunity of thanking my colleagues on the Board of Directors for the consideration they have shown and for their unfailing help in the discharge of my functions as Chairman of this major Public Sector Undertaking.

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

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor : Sachin Chaudhuri

Vol V No 47 November 21, 1970

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Criminal Negligence

THE terrible cyclone which struck the coastal areas of East Pakistan in the early hours of the 13th of this month was the ninth major such disaster to devastate these areas in the last ten years. According to official records, in the previous eight cyclones in the sixties 55,143 people had lost their lives. In 1965 alone, three cyclones caused more than 20,000 deaths. Only last month about 80 people died in a relatively minor cyclonic storm. In addition, river floods have also taken their toll, though less horrifying in the number of deaths caused. In India, which has been less unfortunate, the losses caused by floods every year are huge. According to a recent estimate of the Union Minister for Irrigation and Power, the cumulative losses during the last decade were 9,500 human lives, over five lakh heads of cattle and crops worth Rs 872 crores.

Yet, both in India and in Pakistan, the popular attitude towards natural calamities is supine and apathetic, while the official effort or, more accurately, the lack of serious effort, to prevent loss of human life amounts to criminal negligence. The callous indifference of the authorities in East Pakistan is amazing in the context of the latest disaster. The usual squalid excuses for the death of anything between 1,00,000 and 5,00,000 people have been trotted out. It was an act of God, they seem to feel; a natural disaster of such magnitude that little could have been done to avert the loss of life; or, even more unconscionably, they ask: what can man do when nature decides to be cruel?

The answer is that during the last ten years very specific measures could have been taken which would have saved most of the hundreds of thousands of lives lost between midnight and 5 a.m. on November 13. It is patently false to say that there are few indications of a developing cyclone. A cyclone, called a typhoon in the Pacific or a hurricane in the Atlantic, is a gigantic whirlwind fuelled by hot air and moisture rising from warm seas and surging in a tightening spiral of air often hundreds of miles in diameter. The winds created by the rising hot air can reach speeds of 200 mph and destroy most structures in their path, sweeping away persons or things not protected by secure shelters. Most deaths, however, are caused by drowning, as these storms usually whip up a 20 or 30 foot tidal wave as they approach the shallow waters off-shore. It is to this type of gigantic wave that most of those killed in the recent cyclone fell victims. While the whirlwinds created within the perimeter of the cyclone reach high speeds, the storm itself moves with the prevailing wind at low speeds of 20 or 30 mph. So once the storm is spotted, there is almost always enough time to take shelter, provided warnings are clearly conveyed.

Round-the-clock surveillance by sophisticated Automatic Picture Transmission weather satellites provides prompt photographic evidence of cloud formations and other developing weather situations. These can be interpreted fairly easily by experienced meteorologists. Pictures of the cyclonic storm brewing in the Bay of Bengal are reported to have been available at least two or three days before the storm hit the East Pakistan coast. Radio warnings were broadcast but these warnings in themselves were plainly inadequate. Some of the survivors are reported to have said that they knew of the impending cyclone but did not expect the tidal wave accompanying it which swept so many to their death. Even if the probability of a tidal wave had been broadcast, as it should have been, considering that the Bengal coast has a long history of cyclones concomitant with tidal waves, where would the inhabitants of the low-lying islands and coastal areas have taken shelter, as the topography of the area is completely flat with no high ground?

Knowing this, the Pakistan Government, instead of talking of grandiose schemes to build hundreds of miles of embankments and breakwaters requiring an investment of \$ 800 million to be financed by the World Bank, could have taken the simple and relatively inexpensive measure of building concrete shelters with leak-proof steel doors in every coastal village and hamlet. This would have saved many of the lives lost, as the mud and wattle huts in which people took shelter were swept away along with their inhabitants. The World Bank team which was touring the area to assess long-term cyclone protection plans was safe and sound in a concrete building of the Water and Power Development Authority, while hapless villagers were washed away. Additionally, in spite of the eight previous cyclones in ten years, there were no thorough contingency plans to evacuate at least those areas which are particularly vulnerable, such as the off-shore islands, although there was enough time to do this if the means of transport and the evacuation plans had existed. Even

after the disaster, the East Pakistan Relief Commissioner's resources and organisation for undertaking a comprehensive rescue operation have proved woefully inadequate.

The consequences of such stupendous negligence are not tragedies but offences against humanity. Their recurrence speaks for a whole system of government whose ethos attaches very low priority to human life, especially that of the lowly villager in far-flung regions. There is, however, no room for any feeling of virtuousness on this side of the border since in similar situations our own system has scarcely acquitted itself better.

Behind the New Styles

WITH the winter session of Parliament on, some interesting changes of political style are in evidence in New Delhi. An early election to the Lok Sabha next year and alliances among different political parties are the main themes of the new styles.

The first development to catch the eye was the opposition parties' decision to withdraw the no-confidence motions against the Government which had been tabled. The move has been interpreted to reflect these parties' anxiety not to give the Prime Minister any excuse for ordering an early poll. Then there was the change of heart on the part of Congress(O) on the question of arming the Government with preventive detention powers for West Bengal. As a result, this is perhaps the first measure since the Congress split which the Prime Minister will be carrying through with the support of the Rightist parties and in the face of opposition from the Leftists, though it must be said that the opposition of the CPI at any rate

was largely for form's sake.

This has been accompanied by the first open statement from Congress(O) ranks supporting a reunion of the two Congress parties. This move followed soon after yet another infructuous effort by the advocates in the party of an alliance with the Jan Sangh and the Swatantra to get their line accepted by the party. Significantly, the statement by the Congress(O) ML's evoked a ready response from the Congress(R). So now one thing which had been known for long has come into the open: both parties have their unionists and their aligners — those who want polarisation and those who want a recreation of a broad-based party of the centre which was what the pre-split Congress was. Those who have spoken out are relative back-benchers, but it is evident that in both parties there are more powerful figures behind them.

Attitudes to an early Lok Sabha election seem to be influenced by positions on the alignment vs union issue. Thus unionists in both parties are against an early poll. The aligners in Congress(R) are clearly for an election next year, as is the groom-in-waiting, the CPI, which has been elaborating on the advantages of a 1971 election for the Prime Minister's benefit. On the other side, both the Jan Sangh and the Swatantra, who are trying so hard to rope Congress(O) into a 'front of democratic parties', have been harping on the 1971 election theme, though the way they put it is that the Prime Minister has made up her mind about an early election and that, therefore, the opposition parties should not be caught napping. The calculation of the aligners on both sides is the same — that confronted with an election the desired alliances can be forced on both Congress(R) and Congress(O).

SACHIN PRIZE

The last date for submission of papers for the Sachin Prize has been extended to Saturday, December 26, 1970. Papers must be sent with two extra copies. For details of the Prize, see Special Number, July 1970, p 1112.

Editor

Pressures on the Prime Minister for an early election may be expected to mount from a section within her party as well as from 'friends' outside if the results of forthcoming organisational elections in the party go in favour of the aligners. This takes one to the point that the different positions taken on the alignment vs union and the early election vs election as usual issues are a reflection as much of the power struggles going on within Congress(R) and Congress(O) as of differences on what constitutes the right political strategy for either party.

Show of Force Fails

A Correspondent writes:

THERE is no doubt that the Maharashtra Government has been taken aback by the success of the strike by its employees. After the first few days, the Government seems to have abandoned its efforts to make it appear that the strike was failing by putting out the usual reports of "improved attendance" in Government offices. The promulgation of the Essential Services Maintenance Ordinance, the discharge orders served on temporary employees, the threat of compulsory retirement of those over the age of 55 and even the notices of eviction from government houses served on striking employees have apparently failed to damage the employees' morale.

All political parties, except the Congress(R) and the Shiv Sena, and their affiliated trade unions have lent support to the strike. Yet the claim of the Confederation of Maharashtra Government Employees that the strike has been kept above party politics is convincing. That the INTUC would take the stand that it has was to be expected. But the strike has seriously embarrassed the Shiv Sena. Consistent with its claim to be a mass party of Maharashtrians, the Sena could not stay out of the strike altogether; at the same time, in keeping with its policy of currying favour with the present State Government, it could not wholeheartedly support the strike either. Hence its frantic efforts to play the mediator's role. But once these efforts failed, its opposition to the Bombay Bandh called in support of the strike left no doubt as to where its sympathies lay.

Though the State Government employees have a number of grievances over which they had been trying to negotiate with the Government, what precipitated the strike was the Central Government's decision to sanction inter-

rim relief to its employees pending the award of the Third Pay Commission. The Maharashtra Government had brought its rates of dearness allowance for Class III and IV staff on par with those of the Central Government only in April this year. This parity was, however, disturbed soon after by the interim relief announced by the Central Government. The State Government employees had some desultory negotiations with the Chief Minister for the restoration of the parity and over other outstanding issues in October. The infructuousness of these negotiations and the Government's failure to respond to the employees' requests for renewal of the negotiations led to the announcement on November 7 of the strike to begin on the 11th. The Government seemed to believe that if it put up an initial show of force, the strike, called at such a short notice and with not much preparation apparently, would flop. It is this miscalculation which is responsible for the situation into which the Government has landed itself. In his recent statements justifying his refusal to give any assurances, even about eventual resumption of negotiations, to the striking employees, Chief Minister V P Naik has frankly conceded that it had now become a question of loss of face for the Government.

The strike has raised some general issues. First, the historical differences in salary scales between employees of the Central Government and those of the State Governments is becoming increasingly difficult to sustain. In Maharashtra, as noted above, the principle of parity was conceded earlier this year. It is only a matter of time before employees of other State governments raise the same demand and organise themselves well enough to enforce the demand. To that extent, the Central Government will in future have to move cautiously in raising the emoluments of its staff. This consideration would apply when it announces its decision on the Third Pay Commission's award. Secondly, the existing machinery for settlement of disputes between the Government and its employees leaves much to be desired. Various suggestions have been made from time to time in this regard, including the constitution of the equivalents of the Whitley Councils in UK, but the Central and State Governments have shown no sense of urgency in considering these proposals. Finally, the concept of labour relations in Government remains as primitive as ever. Government's faith in paternalistic intervention at the highest

level on every occasion leaves few options and little room for manoeuvre on either side. As a result, all too often governments get themselves into positions, such as the one in which the Maharashtra Government now finds itself, when they come to view all trade union activity by their employees as nothing less than a threat to their very claim to rule.

The Trade Untouchables

THE recent visit of Oliver Long, Director-General of GATT, provided an opportunity for the Government of India to make a review of its foreign trade policy. The trade of most developing countries is oriented towards the ex-colonial powers. This arrangement — under which the developing countries send their raw materials to the ex-colonial countries and buy manufactured goods from them — has suited the advanced countries, but has been hardly conducive to the economic growth of the developing countries.

India, for instance, has 80 per cent of its trade with advanced countries and only 20 per cent with the less developed countries. What is more, our trade policies have on the whole served to strengthen our trade links with the developed countries. Thus, on the import side, when import restrictions have been imposed, these have often led to cuts in imports from poor countries which used to export, say, dry fruits. Similarly, we have not hesitated to insist on bilateral payment arrangements even with countries like Jordan and Morocco for, what is for us, an essential import item like rock phosphate. Import restrictions have not affected our trade with the advanced countries who have managed to shift the composition of their exports from consumer goods to intermediate goods and capital goods. They have been able to maintain their exports also by offering credits.

As regards exports, rather than seek to sell finished goods to developing countries, we have relied heavily on bartering away valuable raw materials to advanced countries. Thus we have preferred to sell iron ore to Japan rather than try to develop sales of iron and steel to south-east Asia and Africa. Even organisations like HMT and STC have concentrated their attention and efforts on Europe and the US.

In the level and technology of development, India holds an intermediate position between the advanced coun-

tries and the less developed countries such as those of Africa. This should enable us to achieve a more even balance in our trade with these two groups of countries. At one point, there was an attempt to bring about closer economic ties with the UAR and Yugoslavia. The motive force behind the attempt was, however, political. The economic logic of picking on these two countries specially for developing close economic relations was never particularly clear.

In recent times UNCTAD has played some role in bringing about closer ties among developing countries. Where the issue is such as calls for a general line-up against the advanced countries, such as trade preferences, the UNCTAD has had something to show. But on other issues such as protective measures against imports from other developing countries, more nationalistic sentiments have generally prevailed. India has been no exception to this rule even when its policies have been detrimental to other less developed countries.

Self-interest is gradually bringing home to our policy-makers the importance of developing closer ties with the developing countries. Our export effort is faltering, mainly because it has been based on short-term measures and has lacked an overall sense of direction. The Government must further recognise that the objective is to seek a better foreign trade balance not at the lowest volume of trade that our minimum import requirements impose on us but at the highest volume of trade possible. Our trade approach has, therefore, to be both outward-looking and more oriented towards the developing countries.

The Government has now announced its willingness to open a chink in the door for imports from the developing countries provided these countries allow similar facilities to us. However, this is not enough. What is necessary is that the direction of the trade effort is shifted. This requires a major change in the orientation of those in the Government concerned with foreign trade planning — as well as of export managers in the private sector.

Keeping the Tribals Backward

A LARGE number of MPs from Lok Sabha are reported to have submitted a memorandum to the Prime Minister demanding that members of Scheduled Tribes who embrace Christianity or

Companies (Acquisition and Transfer of Undertakings) Act of 1970 had provided for representation of certain specified interests on the boards of the nationalised banks. Not surprisingly, therefore, under the scheme now proposed, the boards will be rather unwieldy bodies with upto 15 members. This, together with the diversity of interests which will be represented, should be expected to largely reduce the boards to talking-shops. This is inevitable, though in an attempt to vest them with some semblance of relevance, if not authority, the scheme requires a minimum of six meetings of the boards every year.

Formally, of course, the boards of directors will have full responsibility for the functioning of the banks, but in practice their size, composition and the relative infrequency of their meetings will require them to delegate all decision-making to the managing committees and the managing directors (as the present custodians are to be known). What powers are delegated will be technically for each board to decide, but one may be sure that the Government will enforce some uniform pattern. All this may detract somewhat from the satisfaction derived by the representatives of various interests as they occupy their hard-won seats on the bank boards, but any other arrangement could only have been at the cost of efficiency of the banks' operation.

The functions of the board will be exercised in effect by the managing committee which will have a maximum of eight members. Though all the members would be drawn from the board, the committee will not be elected or chosen by the board. Apart from the chairman of the board, the managing director and the directors representing the Government and the Reserve Bank, the committee will consist of a maximum of four non-official members who will be nominated by the Government. Though the non-official members could conceivably be in a majority on the managing committees, by a deft stroke their term on the committees has been limited to just one year (though their terms on the boards will be three years). Compared to these birds of passage, the Government and Reserve Bank directors, who will hold office during the pleasure of the respective appointing authorities, will carry far greater punch with the bank managements. The two official directors along with the managing director and the other full-time director, for whom the scheme provides, will thus be at the centre of the narrowing circles of

power.

Though it is not mandatory under the scheme, it might be a good idea to give all banks a second full-time director. Soon after nationalisation, Reserve Bank had appointed its officers to occupy the number two position in some half a dozen of the nationalised banks. In seeking out the second full-time director for the rest of the banks, the authorities would do well to begin by looking within the banks themselves. Of course, in some benighted banks they are bound to draw a blank. Even in these cases, before they fall back on their own officers, they might think in terms of attracting professional bankers from the relatively better endowed banks. The weakest spots in almost all the banks are organisation and systems, manpower planning and management development. It will be a good idea, therefore, to put the second full-time director specifically in charge of these areas.

An innovation in the scheme is the proposal to constitute regional consultative committees, five in all. These will consist of representatives of the States or Union Territories comprising each region and of the major banks functioning in the region. On paper the committees are to advise the Government and the Reserve Bank on banking developments in the concerned regions. Another purpose, one suspects, may be to shield individual banks from direct pressures from State authorities. Unfortunately, the disease is perhaps too advanced already to be exorcised by such a simple remedy.

It only remains to add that no amount of ingenuity in the constitution of the bank boards will make up for the Finance Ministry's and the Reserve Bank's failure to do their own homework. Unless some sort of a national credit budget is prepared and priorities and credit allocations by sectors and industries are indicated, the style of credit allocation at the micro level by the banks cannot be expected to undergo any startling change.

A Pioneering Agreement

THE machine-tools industry achieved rapid growth in the last decade with output jumping from Rs 6 crores in 1960 to about Rs 28 crores last year. And yet the industry today operates only at around 50 per cent of installed capacity. At the same time, despite an enlarged and diversified base, substantial imports of machine-tools continue. Imports were of the order of Rs 20

crores in 1969. Exports during the last year were only Rs 3 crores.

Part of the problem of the industry (which despite a large capacity build-up still depends on imports to a large extent) stems from the delay in the commissioning of the machine-tools division of HEC, Ranchi. The census of machine-tools has brought out the interesting fact that almost 64 per cent of the machine-tools in use in the country were installed less than ten years ago so that requirements of replacement are minimum. With the revival in industrial activity — particularly in the metal working industries — and the decision to have a small car after all and the proposed expansion schemes in scooters and tractors, machine-tool demand should increase considerably.

In the short run, the industry is faced with the problem of putting its capacity to better use and for this it will have to depend largely on exports. The US AID initiated an export study two years ago with a view to outlining a long-term marketing strategy for machine-tool exports. More recently it brought a delegation from abroad on a fact-finding mission so that potential buyers of machine-tools abroad would be able to shop better and more confidently for machine-tools in India.

The US AID study recommended removal of all restrictions on exports in existing collaboration arrangements, sought participation by Indian manufacturers in leading machine-tools exhibitions, suggested a scheme of priority markets, solicited foreign support to keep abreast of technology and also suggested modifications in designs of some of the machine-tools. The study predicted that with a vigorous thrust exports of machine-tools could increase fourfold to \$20 million in the next five years.

It is in this context that HMT's five-year licensing arrangement for export of machine-tools worth Rs 5 crores a year to American Tool, USA, has to be viewed. Full details of the deal are not available, but it is evident that this would boost HMT's capacity utilisation and also make available to it technology from American Tool. As a forerunner to tie-up arrangements by developed countries for procuring labour-intensive products from India, HMT's deal with American Tool is interesting. The possibilities of similar agreements with Japanese companies for certain engineering components, forgings, castings and automobile accessories should be worth exploring.

Nepal Congress Splits, Too

IN his report "Nepal Congress Splits, Too" (August 22, p 1413), your Nepal correspondent writes that "a board of eminent Nepalese doctors headed by no less a person than the personal physician of the King, General Haldar, had suggested that Koirala badly needed immediate specialised attention in the United Kingdom". Later on, he writes, "besides addressing young European socialists at a meeting organised by the Socialist International in London, B P Koirala is expected to explore possibilities of collecting funds and other help for launching a struggle in his country". From the above quotation, one can draw the conclusion that the objective of Koirala's trip to Europe is not treatment of his illness but collection of money and material to start a revolution in Nepal. If this is the case, it is clear that Koirala's intentions are anti-national. The Singh Durbar was therefore right in deciding not to issue him a passport for his foreign tour. Not only Nepal, but no nation in the world will issue a passport to a person who proposes to undertake a trip abroad to launch a conspiracy against his country.

I quote another sentence from your correspondent's report: "While addressing a Gandhi Centenary meeting at Rajghat, Varanasi, he [Koirala] openly advocated armed struggle as the only way to overthrow the 'autocratic' rule of King Mahendra". This challenge of Koirala's is against the whole Nepalese people, for the Panchayat System is not only King Mahendra's; it is a system of the whole Nepalese people. Your correspondent's report proves that Koirala is an anti-national person who challenges his nation from foreign lands. So the Singh Durbar did well in not issuing him a passport and in doing so it honoured the feelings of the Nepalese people.

The fact is that King Mahendra had not dissolved Koirala's elected government with the backing of military power but because the Nepalese people wanted him to do so. He stepped forward as willed by the Nepalese people. This is the fundamental fact against which subsequent political developments in the country have to be assessed.

I would like to quote again from your correspondent's report: "Nepali police were keeping meanwhile a 24-hour vigil at the Indo-Nepal border

with a warrant should Koirala enter the kingdom". This is ridiculous and baseless. It is not necessary to give unnecessary importance to B P Koirala; not a single Nepali need fear a person like Koirala who himself is afraid to mix with his own nationals and leads the life of an exile and threatens his own nationals from foreign lands.

Under the Panchayat System the people's representatives are elected on the basis of adult franchise. These representatives sit in the supreme legislative body, the National Panchayat. The National Panchayat sees the budget of the country. Fundamental rights are guaranteed in the Constitution and are enforced by the Supreme Court. These are the requisites of democracy in any democratic system in the world. We have the Crown as the popular national leader. The basis of our progress is the mutual co-operation of the King and the people. Contrary to history elsewhere in the world, the King himself led the popular revolution in Nepal. These are the basic facts of our political system.

RAM BAHADUR SHRESTHA

Kathmandu
October 24

Mixed-up Priorities

YOU have done well, in your editorial in the issue of October 10, to underline the urgent need to increase investment to give the economy a push. The recent meeting of the Planning Commission confirmed that the level of investment in the economy has been falling and that this trend is likely to continue unless immediate steps are taken to halt it. But apart from passing resolutions and mouthing stale slogans, there is little hope that anything concrete will be done by the pseudo-socialists whose antics and pranks at political manoeuvring are becoming almost disgusting. The recent resolution passed by the Congress(R)'s Working Committee that by the end of 1971 every family must have an income of Rs 100 proves amply that our politicians are living in a fancy world, divorced from economic reality and the woes of the people. Those who passed this resolution so enthusiastically failed to mention how they intended going about fulfilling this pledge, nor did they give any indication of the resour-

LETTERS TO EDITOR

ces for meeting this promise! And those who think that an entire family can live on Rs 100 a month are proving their own ignorance, if not their showmanship!

Busy in cynical manipulation and power-politics, the rulers have devoted little time to the solution of economic problems and to planning a viable strategy to increase the growth rate. Another instance of the lack of any foresight on the part of Government is the extra burden on the national exchequer as a result of the recommendations of the Pay Commission. The Railway Minister has announced a deficit of Rs 70 crores and the increase in wages to government employees of Rs 400 crores will have serious repercussions on the economy. Since most of the wage raises have been given to the labour class, there is virtually no hope of any increase in savings or investments in the economy as a result. The net result will be to encourage inflationary trends in the country.

The inordinate haste in implementing the small car project is another instance of miscalculated zeal. Anyone who can spend Rs 15,000 on a small car can surely spend Rs 20,000 on a bigger car. The need of the country is for more trains, more buses, more trams and more of other means of public transport, so that travelling does not remain the nightmare it is today, rather than for small (toy!) cars.

You have done well to underline the urgent need for reforming the educational system of the country in your editorial. The 63,000 unemployed engineers in the country are evidence of the poor manpower planning of Government. On the other hand, while there is a tremendous demand for trained professional managers, there are very few institutions to train them. The millions of unemployed graduates in the country are frustrated as they are not receiving any employment after spending thousands of rupees on their school and college education. Despair leads to desperation and the frequent outbursts of violence and vandalism are the direct result of the authorities' failure to do anything concrete and constructive to solve the problem of unemployment. The Government is content with passing resolutions promising employment, and assuring students that "they have a great role to play in this country". They also never miss an opportunity to stress the need for academic reform. Little is done in practice

in these directions.

The recommendations of the Education Commission are nothing new; they had been made by the Radhakrishnan report and various other educational commissions. One of the ways to solve a problem is to appoint a Committee, and this tactic Government always employs to evade a problem meriting urgent attention.

And in the meantime the stalemate continues. There is talk, plenty of it... about reform, change, modernising of the educational structure and so on. But that is all. The universities, as usual, continue dishing out obsolete ideas and outdated facts to our students, fancy-dressed as "education"!

RAJENDRA K ANEJA

Bombay
October 13

Indian Educational System

IT is no wonder that the young are beginning to lose faith in the word "reform". Our universities, which should have provided the intellectual lead to reform of our socio-economic and political problems, have failed even to improve educational standards. The student, who lives with the educational system for only about four years, cannot be blamed. If he is not apathetic, he is confused. And after all, he is the product of the social system as much as of the educational system. His education does not train him to question or to make an attempt to solve problems, least of all national problems. And, as far as occupation with "peripheral issues" is concerned, he is not the only one so occupied. Our political leaders are even more occupied with obtaining fringe benefits for themselves and with legislating on anything but the most important issues. Our university administrators and policy-makers cannot be accused of much worse.

A mistake which many persons who start out with the good intention of reforming the educational disorder make is that they see it in a vacuum. Perhaps this can be partly attributed to the fact that politics is looked upon as a dirty word (to the creation of which attitude the political parties have made ample contribution, through their varied performances). Mass media may also have something to do with this outlook. The result is that many, even intelligent students see politics as harmful and prefer not to take an interest in it. This only makes many potential leaders politically stupid. It is high time that we realised that we cannot

offer solutions for education outside the context of the socio-economic framework in which it works.

Take, for instance, the calibre of teachers in our universities. It is generally poor. But can we talk realistically of an improvement in the standard without considering higher salaries? The gap between the teacher's salary and the business executive's income is so vast (ranging approximately from Rs 300-800 to more than Rs 1200-5000), that it is absurd to talk of the love of teaching as the sole attraction for intelligent students to go into the teaching line. It is most often non-teachers who argue at length that the teachers salary is sufficient. If "the teacher has a great job to do: to mould the minds of tomorrow's citizens and scientists and economists" as some people are wont to point out, it must be worth it to pay the teacher much more.

Another instance is college facilities. A great deal more by way of educational inputs like books and libraries, hostels, scholarships and freeships for poor students, a more favourable tutor-taught ratio, has to go into our education to make it more meaningful. But where do we get the money from?

Fees cannot be raised, at least not by an amount that can make any difference. For, let alone the poor, even the average parents finds the education of his children a great burden. The required funds can come from the state, but state funds are as urgently required for agricultural and industrial development, welfare services and defence.

More funds can only be obtained from the rich. Our rich, however, ask why they should pay so much in taxes.

Yes, poor fellows. They have their imperative needs — dozens of sets of clothes per person, tailored to the latest fashions in the West, umpteen pairs of shoes, purses, ornaments, domestic appliances, more luxurious cars, more club, hotel and discotheque expenses... (it is a long list). Yes, how can they afford to give their 80 per cent or 60 or 50 or even 20 per cent to the state for the welfare of the poor or for education? They have "earned" it, all those thousands, lakhs and millions. Therefore taxes may be evaded.

The economic structure has become so distorted by disparities, uneconomic use of resources, corruption and by politicians who have become opportunists, instruments of industry and agents of caste politics, that the educational order is clearly not working in a salubrious atmosphere. I hope more students, teachers and socially conscious persons take notice of the disorder in the educational system, the lack of purpose, the inefficiency, indifference and corruption in our temples of learning. But appropriate syllabi, teaching methods and methods of assessment are not all. We must also face the question whether a producer of perfumed after-shave lotions and lipsticks or an executive in a foreign company selling essential drugs at exorbitant prices or in any of those indigenous businesses with their large No 2 accounts or the breed of people associated with the corrupt, vulgar and commercialised Hindi film industry is more valuable to our nation, our culture and our economy than the intellectual.

KIRON KASBEKAR

Bombay 14
October 15

SUBSCRIPTION RATES

	Inland	Foreign (Surface Mail)			
Six months	Rs 32				
One year	Rs 60	Rs 75,	\$ 10.00,	£ 4.25	
Two years	Rs 110	Rs 140,	\$ 18.75,	£ 7.75	
Three years	Rs 160	Rs 205,	\$ 27.50,	£ 11.50	

Foreign Air Mail Rates on Inquiry

Concessional Rates for Students, Teachers and Researchers

Six months	Rs 13	One year	Rs 25
Two years	Rs 45	Three years	Rs 65

Concessional Rates Are Not Applicable to Institutions

CAPITAL VIEW

Living with a Situation

Romesh Thapar

AT one stage, Parliament appeared as if it was about to give Indira Gandhi the grilling of her life. Then, all of a sudden, the mood dissolved. Gone was the reported glint in Morarji Desai's eyes, the twist of Kamaraj's lips and the impatience in Ram Subhag Singh's every move. A tame show was on in Parliament and everyone wondered why. The truth began to trickle through. Our MPs, now the most privileged in the country, don't want to upset the apple-cart. No provocations for Indira Gandhi, or she might dissolve Parliament...

NO TRUST IN POLITICAL ASSURANCES

Not a soul trusts Indira Gandhi's political assurances. There are too many qualifying elements in these assurances. And, moreover, there is no such thing as an assurance in the business of politics — that is, in the Indian politics of 1970. The opposition parties know that they have been out-maneuvred by a combination of events. The initiative is squarely with the ruling party at the Centre, and it could easily push for a snap election to test popular loyalties.

Uttar Pradesh was supposed to call a

halt to these plans. The SVD coalition in this State represented a grave setback to the new Congress Party. But, already, the aged T N Singh is in a political whirlpool. The coalition has no cement, not even a unifying hatred for Indira Gandhi. Bazar gossip in Lucknow claims that the UP Chief Minister finds it difficult to recognise his expanding team of ministers! There are over 50 now, but representing only 23 districts of Uttar Pradesh's 53. A further expansion is inevitable. And why not? After all, in sacred Westminister, Harold Wilson had a ministerial team of about 101...

STABILITY AND CONTINUITY

The betting is that the SVD coalition will probably pass out with the New Year, that the new Congress Party need not fear a hostile government at the heart of the wretched heartland should the battle for votes be joined. You can well imagine what is going on behind the scenes to ensure that T N Singh has only one assignment in 1971 — the probe (sic!) into the death of Lal Bahadur Shastri! Several key figures in the hierarchy of the old Congress Party are playing for stability and for

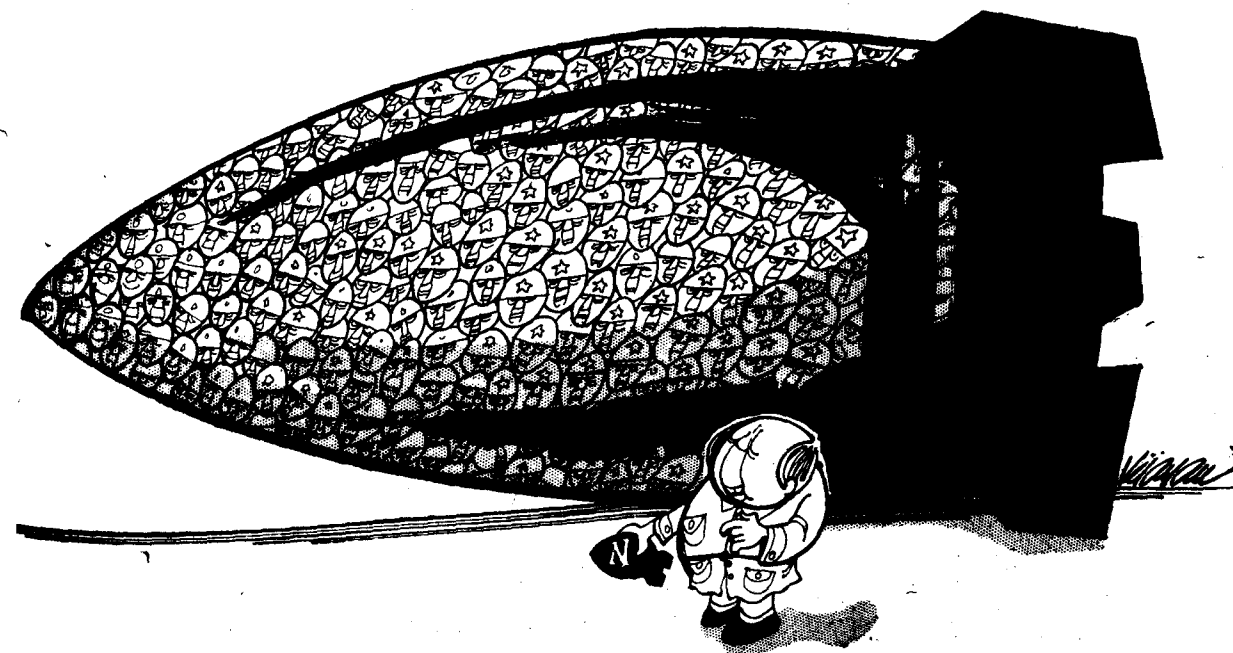
continuity. Indira Gandhi is seen as the leader who alone can maintain national coherence.

MOTLEY COALITIONS, NO ANSWER

And, yet, it also becoming patently clear — even to Indira Gandhi — that she cannot lead unless she has popular sanctions. Coalitions with motley groups of rightists and leftists are no answer to the challenges facing the country. Nor will adjustments with corrupt, opportunist regional parties like the DMK and the Akalis yield any kind of lasting dividends. If the country wants progress within a stable structure of political functioning, it will have to place its faith in a party of the centre and trust that it will be accepted as the leader (with or without coalitions) — or so at least Indira Gandhi and her colleagues hope. In the process, the party must evolve a motivating, revolutionary doctrine of growth and development.

A difficult situation, fraught with many dangerous possibilities. We will have to get used to the idea of living with this kind of situation. It's going to be with us for a long time. We know that this so, but we just do not want to admit it to ourselves. We are a double-think people. How else can one explain the dreary note of surprise which daily characterises the coverage of political events in the newspapers.

November 16



"Simple enough: let's get rid of our nuclear bomb."

Prophets of Doom Ignored

Nishtar

STOCK markets have rolled further down and come quite close to the base of the mid-July offensive. Scared by their own shadow, bulls have been on the run hotly chased by bears. Bulls have still to find a haven where they could rest their weary limbs and nurse their wounds. Bears have not missed their chance and have fully exploited the opportunity provided by the ten-day settlement to speculate without having to pay any margins. The market has retraced a little more than one-third of the distance between the year's low in January and the subsequent high recorded in the first week of October. But it has still to regain its nerve.

Several factors have contributed to the further deterioration in trading sentiment. They are not really new; only they received greater attention during the week. Increasing Naxalite terror and the worsening of the law and order situation in West Bengal and the indefinite strike by the Maharashtra State Government employees have cast gloom over the peace-loving stock market. Reports that Government was preparing comprehensive guidelines for the conversion into equity of loans and debentures by the public financial institutions also made for caution. Another unsettling influence was the reported move for further tightening of some of the provisions of the Monopolies Act. The Reserve Bank's directive on voting rights of shares pledged with commercial banks seems to have started affecting the availability of credit against the security of shares. Market men also fear a possible credit squeeze for the non-priority sector and increase in interest rates with the advance of the busy season.

Big business continues to accuse New Delhi of clinging to its ideological obsessions even to the point of ignoring what is immediately practical and desirable. How else, it is asked, can Government insist on implementing restrictive laws like the Monopolies Act when the pace of industrial growth has slackened due to lags in investment? But does it not seem somewhat ironical that industrialists who have piled up big fortunes — their contribution to the country's industrial growth is not denied — in the course of New Delhi's march towards democratic socialism,

should be its strongest critics? At times one wonders whether strong criticism by big business of Government's industrial and economic policy is intended mainly to scare away the not-so-resourceful entrepreneurs whom Government is trying to encourage. Oddly enough, applications by large industrial houses for industrial licences pending with Government are stated to involve an outlay of the order of Rs 1,000 crores.

The stock exchanges have submitted a detailed memorandum to Finance Minister Chavan urging him to reconsider Government's decision on the conversion into equity of loans and debentures by public financial institutions on the plea that this will scare away genuine investors from the capital market and prevent them from investing their savings in industrial securities and that enterprising entrepreneurs would be deterred from setting up new industrial units. Completely unmindful of what big business and the stock exchange authorities have to say about Government's economic and industrial policy, investors continue to extend generous support to all new issues. Investors seem convinced that India's huge protected market offers ample scope to every enterprising entrepreneur, especially when financial institutions are willing to underwrite the financial requirements of every viable project. Need one bother at all about the outcome of the never-ending fight between bulls and bears when public issues continue to be heavily oversubscribed? New Delhi has not so far paid any serious attention to repeated representations for removing the ban on forward trading in shares. Not that it really matters, but if Government can tolerate illicit forward trading in shares under the ten-day settlement, there is no reason why it should not lift the official ban as that would at least enable the market authorities to enforce a measure of discipline on speculative activity.

Self-Discipline, or Else...

COTTON prices continue to skyrocket. Over the past week alone, prices have moved up by Rs 150 to Rs 250 a candy. The rise since the beginning of the new season (on 1st September)

has indeed been phenomenal — about Rs 350 to Rs 600 a candy. Never before have cotton prices been known to have registered such a steep rise in two-and-a-half months — not even near the fag-end of a season. The fantastic rise in prices and the scramble among mills for available supplies give one the impression as if the 1970-71 crop has failed. The crop, however, is a normal one, around six million bales which is some 200,000 bales larger than the annual average for the preceding five years or so. Arrivals too have been quite normal. Imports, however, have been on a restricted scale — arrivals up to October 26 total only 35,797 bales against 176,876 bales in the same period last season. Government was reasonably prompt in releasing import quotas for global cotton but the import programme got seriously upset by the unfortunate controversy about the service charges payable to the trade. It is to be regretted that the Cotton Corporation failed to capitalise on the 55-day strike by the import trade by demonstrating its ability to handle import business on its own. The Corporation could argue that it is still in its infancy, but then where was the big hurry in disturbing the existing arrangements?

The delay in imports cannot adequately explain the recent excitement in the market. If available supplies of indigenous and foreign cotton have failed to appease the industry's appetite, it is partly because of the increase in active spindleage. The main reason is, of course, the boom in the piecegoods market. Raw material prices do not matter much so long as the industry can market its products at asked-for prices. Fortunately for mills, trading conditions have continued to be extremely favourable so far. Since competitive efficiencies and product patterns vary widely among mills, many units find themselves in an uncomfortable position because of high cotton prices.

Perturbed over soaring cotton prices, the Indian Cotton Mills' Federation, which only recently had pleaded for relaxation of credit curbs and stock restriction, has convened on November 26 a meeting of some 20 mill groups consuming substantial quantities of indigenous cotton in order to evolve some measures to contain prices within reasonable limits. Suggestions under consideration of the millowners include block closure of mills for a month, curtailment of shift working or a directive to mills to reduce their consumption of

cotton by 10 to 15 per cent through various measures. Some sort of self-discipline is essential if the industry is to avoid Government intervention. If supply cannot be augmented through import of cotton and/or staple fibre, some effective restraints will have to be placed on demand in order to achieve a better balance between demand and supply. It is good to hear that Government has issued quota letters for 62,500 bales of US cotton and that the balance quotas for global cotton are being released shortly. Efforts are also being made to secure the release of the balance quantity of US cotton under PL 480. Now that all outstanding issues have been settled, it is to be hoped that the trade will extend its fullest co-operation in expediting the import of cotton in order to ease the pressure on indigenous cotton.

Freight Uncertainties Hit Exports

MAHARASHTRA'S Minister for Food and Civil Supplies, H G Vartak, is reported to have told representatives of the oilseeds trade and industry that the State Government had no plan for either creating a buffer stock or for fixing the prices of groundnut and groundnut oil. He is also reported to have stated that even the Central Government had no such plans on hand. The market has not taken any notice of Vartak's observations; many market men have been heard saying that Vartak is not perhaps properly informed about what is going on in New Delhi. It is pointed out that since the Political Affairs Committee's reported proposals regarding buffer stock and fixing of groundnut and groundnut oil prices have virtually set the oilseeds market aflame, the Centre would have contradicted the news agency report if it was not correct.

Whatever be the Government's policy, speculators have tightened their hold over the market. Prices have registered further impressive gains all round. Linseed and castor futures have been pushed well above the first line of margin and cottonseed futures have been bid up to an all-time high. Since the beginning of this month, linseed, castor and cottonseed have moved up by about Rs 15 a quintal, the highest levels reached on November 18 being: linseed Rs 160.25, castor Rs 135.50 and cottonseed Rs 87. The spot quotation for groundnut oil has been marked up by Rs 450 a tonne within about a week or so; December position is commanding

a premium of about Rs 100 a tonne. The contra-seasonal spurt in prices in face of a very good groundnut crop should set New Delhi at thinking about the possible measures which should be taken if prices are not to be allowed to move beyond the reach of the common man. Unfortunately, oil prices abroad also have recorded impressive gains over the past few weeks. On the basis of latest prices abroad, the landed cost of soyabean oil itself works out to around Rs 3,000 a tonne. To this have to be added import duty, STC's handling charges and other costs.

Meanwhile exporters of groundnut

extractions are having a tough time. Freight rate has been raised from \$ 21 to \$ 26 a tonne with effect from November 1. And now the Karmahom UK Conference has announced a further surcharge of 25 per cent on all cargoes for London port. A further big freight hike is expected shortly. Apart from the very heavy incidence of freight, shippers are also experiencing serious difficulties in securing adequate shipping space for fulfilling their outstanding contracts. Fresh business with the UK and Japan has come to a virtual standstill. It is a pity that exports should suffer due to freight uncertainties.

COMPANIES

For the Greater Weal?

Hansavivek

MODIPON's latest annual report, for the year ended February 1970, carries a smiling picture of the company's chairman and Indira Gandhi. Below the picture, written in the Prime Minister's hand, and dated December 23, 1969 (just before the Congress session in Bombay), is the statement: "The rapid growth of this institution symbolises the progress of our country". The company's accounts reveal that it paid ("prior to 1-4-1969") a donation of Rs 25,000 to the All-India Congress Committee and that it had paid a like amount in the previous year. Further, a resolution proposed for the annual meeting sought authority of the shareholders to "contribute to charitable and other funds, not directly relating to the business of the company or welfare of its employees, any amounts the aggregate of which will in any financial year exceed Rs 25,000 or 5 per cent of its average net profit... whichever is greater, subject to the condition that the total amount to be so contributed to the charitable and other such funds shall not in any financial year exceed Rs 10 lakhs". The directors explain that these contributions "become necessary and inevitable in the longer interests of the company, which cannot be appropriated to existing heads of accounts in the balance sheets of the company". "In the large majority of cases", they add, "such contributions contribute to the well-being of the company itself materially".

During 1969-70, the fifth year of its existence, Modipon's sales expanded

from Rs 7.61 crores to Rs 17.06 crores and gross profit advanced from Rs. 2.05 crores to Rs 4.80 crores. Net profit was Rs 3.39 crores (Rs 1.17 crores) which covered the equity distribution, raised from 8 per cent to 27.5 per cent, 6.2 times and gave a return of nearly 21 per cent on total funds employed in business.

Although the directors were entitled to a remuneration of one per cent of net profit, they "decided not to charge" the same this time. It is not stated why, though the company's operations were so profitable, the directors have forgone their remuneration this year, when last year they did not hesitate to appropriate even the paltry sum of Rs 2,335 available on this account. Commission on sales, however, syphoned off Rs 53 lakhs — while total remuneration of employees including salaries and wages, bonus, contribution to provident fund and ESIC and labour welfare aggregated Rs 50 lakhs. Of this amount, as much as Rs 21 lakhs went to the sole selling agent, Synfibre Sales Corporation. The chairman and some of his relatives, who also happen to be relatives of the other three Indian directors of Modipon (K N Modi, M L Modi and K K Modi) are partners in Synfibre which gets 2 per cent commission on the net sale price of Modipon's products, except in respect of sales made directly to the Union and State governments. The commission is payable on all sales — whether they be directly to customers or through the agency of Synfibre or through other

distributors or dealers or agents appointed by the company. Eulogising Synfibre's services, Modipon's directors tell shareholders that the sole selling agents "continue to serve your company satisfactorily and have established cordial relations with the consumers".

NATIONAL INSULATED CABLE COMPANY OF INDIA fared better during the year to March 1970 with its gross profit increasing from Rs 13 lakhs to Rs 47 lakhs, although sales looked up from Rs 382 lakhs to Rs 399 lakhs while fabrication jobs brought in only Rs 19 lakhs (Rs 53 lakhs). Net profit was Rs 41 lakhs, against Rs 7 lakhs; and the dividend doubled to 10 per cent was covered twofold. Net return on total funds employed in business came to 11.1 per cent. NICCO expects availability of larger fabrication jobs this year.

NATIONAL RADIO AND ELECTRONICS has diversified into the manufacture of electronic equipment, such as voltage stabilisers, single phasing preventers, stereo amplifiers, transistorised relays, emergency lights with fluorescent tubes, and digital clocks. It has also commenced manufacture of essential components for radios like P C board, moulded and can type capacitor, trimmer, slide switch and loudspeaker, which are expected to result in a substantial saving in the material cost of production. During 1969, the company sold 86,000 radio sets out of a total production of 95,500, against 59,000 and 61,500 sets, respectively, in the previous year. Total income, however, slipped from Rs 323 lakhs to Rs 313 lakhs, due to fall in selling prices on account of stiff competition. The outcome was a lower trading deficit of Rs 30 lakhs against Rs 38 lakhs in the previous year. After providing for depreciation and making some other adjustments, net deficit stood at Rs 31 lakhs (Rs 36 lakhs) which lifted the accumulated deficit to Rs 81 lakhs. This was reduced to Rs 62 lakhs by adjusting the entire amount lying in general reserve. Voltas is proposed to be appointed as sole distributor of the various items of electronic equipment manufactured by the company.

TESTEELS expanded its turnover by 23 per cent to Rs 102 lakhs in the year ended March last and achieved a trading profit of Rs one lakh against a deficit of Rs 7 lakhs in the previous year — although it had to contend with shortage of raw materials, a

month-long strike, and stoppage of work for a couple of weeks due to communal riots in Ahmedabad. The profit reduced the accumulated deficit to Rs 39 lakhs. No provision has been made for depreciation: arrears on this account exceed Rs 15 lakhs. The reconstituted board, which took over the company's management last year, comments that the 13-year old company requires 'substantial modernisation of its facilities if it has to keep abreast of the latest technical developments taking place both in the country and abroad'. It also finds it necessary to set up a second unit in the chemical plant sector 'to overcome the various limitations faced in the present unit'. Land has been taken on lease in Vatva industrial estate from the Gujarat Industrial Development Corporation which will also construct factory buildings to the company's design and specifications. The Corporation will also provide financial assistance to the company to the extent of Rs 20 lakhs including Rs 5 lakhs by way of subscription to the preference share issue. The Vatva unit is expected to start functioning early next year. Meanwhile, in common with other units in the industry, the company is experiencing acute shortage of steel, particularly flat rolled products and quality steels. Further increase in steel prices allowed by government last December is also causing much concern to the management.

BOMBAY BURMAH TRADING is seeking foreign collaboration for a new electronics division to diversify its activities. The management had originally intended to float one or two new ventures abroad with the foreign exchange realised from the sale of some shares in North Borneo Timbers Berhad, but Government did not permit it. An agreement was reached to sell the entire shareholding in Thai Tapioca and some shares in N V Indo Java Rubber Planting and Trading. Surplus land in Kerala was sold at a "satisfactory" price, and a decision was reached to close the Bangalore branch, whose losses in packaging have been a drain on the company in the last few years. The Sabah government has indicated that it will not renew in 1984-85 the forest leases presently held by the company's subsidiaries. A number of possibilities have been investigated to ensure continuity of operations; a start will be made this year in the timber industry in New Zealand. During its 107th year ended May 1970, Bombay

Burmah had not only record production of tea (47,75,369 kgs against 42,84,789 kgs) but also its unit cost fell by 10 p per kg and its average gross return increased by 11 p per kg. But the coffee crop fell from 796 tonnes to 580 tonnes and the cardamom crop from 10,114 kg to 9,707 kg. Total turnover edged up from Rs 5.96 crores to Rs 6.06 crores, and gross profit rose from Rs 107 lakhs to Rs 128 lakhs. Net profit was Rs 63 lakhs (Rs 49 lakhs) to cover the 15 per cent equity distribution on capital enlarged by a bonus issue 1.1 times and to give a return of 9.7 per cent on the total capital employed in business. Pratapsinh M Vissanji, chairman, expects the current year's results to be on par with those for 1969-70. The associated company, Formica India, declared a 15 per cent maiden dividend for 1969.

T MANEKLAL MANUFACTURING has shown much improved results for the year ended May 1970 when its turnover was up from Rs 190 lakhs to Rs 273 lakhs and gross profit from Rs 16 lakhs to Rs 42 lakhs. Net profit was Rs 18 lakhs (Rs 4 lakhs) to cover dividend uplifted from 6 per cent to 18 per cent (part of which is exempt from tax) 1.8 times, and to provide a net return of 10.8 per cent on total capital employed. The company has entered the market on a wider scale in H P cheese and beam dyeing machines, continuous open and rope bleach plants, and padroll bleach plants. It has also entered the export market and has on hand orders worth Rs 50 lakhs. TMM will shortly undertake manufacture of a specially designed stentering machine with short-time heat-setting devices to realise the new process of short-time heat-setting of fibres and fixation of dyes. It will also take up production of compressed shrinking range machines (sanforiser) for the textile industry; specialised rubber belts for these machines have already been developed. The tin printing blankets manufactured by the company have been well received in the market. Having executed an educational order for "a very important metal bonded component for the requirement of the Ministry of Defence", the company has received a bulk order. It has already entered into the manufacture of expansion joints of various diameters from 1" to 96" used for atomic and thermal power plants, chemical plants, and electricity boards, and has now undertaken development of expansion joints for water pipe lines to withstand high pressure.

TAMIL NADU

Another Trial of Strength

THE stage is set for one more trial of strength between the Congress (O) and the DMK. Ten municipalities in the State will go to the polls on December 28. In the Panchayat elections held earlier this year, the DMK's performance had been far from convincing. Since then the tide has, if anything, turned against the party. Internecine quarrels and the recent removal of three cabinet ministers from the government have held up to the public gaze the party's errors of omission and commission and brought to light numerous instances of misuse of power. At the same time, Kamaraj has been touring the State extensively, highlighting the failures of the DMK. For these two parties, which are the real contenders for power in Tamil Nadu, the municipal elections will, therefore, have more than the usual significance since they will be testing their relative strength before the final showdown in the general elections, whenever they are held.

In eight out of the ten municipalities the present presidents are Congress (O) nominees. In the other two, the Forward Bloc and the Muslim League are in a majority. Shorn of power at the State level the Congress (O) will find it difficult to retain its hold over the eight municipalities that it now controls. And the party's task has been made more formidable by the formation of an alliance of seven "democratic and progressive parties" to fight it. The idea of such an alliance came from the State CPI leader, Kalyanasundaram, and was supported by the Congress (R) leader, C Subramaniam. Invitations to attend a meeting were extended to nine parties in the State, the significant omissions being Congress (O), Swatantra and Jan Sangh. Of those invited, the SSP and the CP (M) did not favour the proposal. The DMK, too, had reservations in the beginning, but later decided to send 'observers' to the meeting. Finally, it sent a cabinet minister to participate in the discussions. The meeting of seven parties—CPI, Congress (R), Tamil Arasu Kazhagam, DMK, Forward Bloc, PSP and Muslim League—held on November 11 agreed upon a 7-point programme and declared that its foremost aim was to "rout the Syndicate-led reactionary joint front". The alliance has kept its doors open to the CP (M) and the SSP, but the latter at least seems to be in no mood to oblige; in fact, follow-

ing the UP pattern, it might well throw in its lot with Congress (O). The CP (M) stands isolated. Not long ago, it received a drubbing from the DMK when the strike of city transport workers led by it ended in a fiasco, with DMK-led workers coming for work in large numbers.

A significant aspect of the new political alignments is that the DMK's one-time critics, the CPI and the Congress (R), have come close to it. On the other side, the one-time sworn enemies, the Swatantra and the Congress (O), have also almost come together—judging by the decision of the Swatantra party's State Parliamentary Board to support Congress (O) candidates opposing DMK in case the latter entered into any electoral understanding with the Congress (R). The pattern that has now emerged conforms to the polarisation of political parties at the national level. It may be remembered that in Tamil Nadu this pattern was slow in evolving because the DMK had wanted to maintain equal distance between the two Congress parties and the Swatantra was hopeful of eventually weaning the DMK away to its grand alliance, hopes of doing which have now been razed to the ground.

Who will gain most from this confi-

SOUTH

Separatism over Telengana

Mohit Sen

IN different days when the CPI-led Andhra Mahasabha was conducting a people's armed struggle in the Telengana region a journalist had written graphically about a storm over Telengana. The tremendous victory of the Telengana Praja Samiti candidate in the Siddipet by-election leads one to the conclusion that today it is separatism over Telengana.

What is impressive about the victory of the separatist candidate is not only the margin by which he won — over 12,000 votes more than the combined vote of the Congress and CPI candidates. What is even more spectacular is the manner in which the victory was won. Conditions appeared to be even less propitious for the Samiti than at

the time of the Khairatabad by-election some months ago. The separatist leaders had indulged in more wrangling, so much so that one of them (Konda Lakshman Bapuji) had openly called for the defeat of the Praja Samiti candidate. In the panchayat samiti elections dissensions among the separatists had led to the victory of the Congress candidate for chairmanship. Chenna Reddy's sudden confabulations with the Prime Minister and the Chief Minister upset very many of his followers who expected that some betrayal was in the offing. It was well known that V B Raju was happy neither with Chenna Reddy's general hectoring ways nor with the choice of the candidate for the seat which he had vacated on

The fight, therefore, promises to be a tough one and the number of splinter parties supporting the DMK is not likely to make any sizeable inroads into the support for the Congress (O) and its allies. A gainer in the hotch-potch alliance will be the Congress (R) which has been reduced to a microscopic minority in the State and would have been pulverised had it fought the elections alone. The experience of the panchayat elections in Tamil Nadu and the recent mid-term poll in Kerala have prompted C Subramaniam to go all out to forge an alliance against Kamaraj. It is likely that this strategy will pay some dividend to the party.

being elected to the Rajya Sabha. Yet another disadvantage was the largely rural character of the electorate in Siddipet, unlike in Khairatabad.

Yet with all the political cards seemingly stacked against it and with a poor organisational set-up in the constituency itself, the Praja Samiti won hands down. What are the factors responsible for this significant event?

One has to start with an obvious statement if only for the reason that it represents the major factor. And that is that the idea of a separate State has gripped the masses of the region. It is an unfortunate fact. The formation of a separate State will not solve any of the problems that have led to the movement for separation. These problems may well get accentuated. The disruption of the Andhra State will hamper the growth of the Telugu-speaking nationality — and it is on the basis of the development of nationalities that Indian unity will itself strike roots and grow. It will represent a setback for the Left and democratic forces in the State and throughout the country. Be that as it may there can now be little doubt that separation has become the dominant sentiment.

Following from this, an important factor has been the role of the youth, especially the students. The campaign of the Praja Samiti was conducted mainly by the students, backed by the teachers and the white-collar employees of the locality. It came forward as a middle-class young men's party. So much so that one of the main themes of the electoral campaign of Chenna Reddy was that the younger generation should, if necessary, go on a hunger-strike in their homes till all their family members agreed to vote for the Praja Samiti. The students, especially the high school students, formed a most effective link between the middle and rich peasantry in the villages and the town middle class. It looks as if this would increasingly be their role. The student community is thus able to influence a much wider section of society than in the days prior to the proliferation of schools and colleges. And for these issues of a nation or nationality character they are the pioneers and the most effective crusaders.

Another factor — and this is of much wider import — is that in India the party or organisation which is best able to combine extra-parliamentary mass actions with parliamentary work will pull off success after success. The masses in India are attracted to both forms of action and seem to have developed a subtlety and sophistication

which all political parties need to take into account. Without the mass struggle for a separate Telengana in 1969, of course, there would have been no question of any victory in Siddipet or anywhere else. Equally, without a switch in time to battle on the electoral front and a virtual stop to mass action, the victory would also have been much more difficult to come by.

The general unpopularity of Brahmananda Reddi in Telengana apart, V B Raju was able to most effectively trump the best card that the Congress campaigners possessed — the popularity of the radicalised Prime Minister. He was able to convince a very large number of people that Indira Gandhi was quite as anxious as any Telenganaite to cut the Chief Minister down to size. He was able to go further and state that the closest supporters of the Prime Minister in Andhra Pradesh, Sanjivayya and Raghuramaiah, were not only bitterly against the Chief Minister but were not averse to some settlement of the Telengana problem, provided it could be shown that the separatist demand had mass support and that separatism was not a Syndicate-sponsored show to disrupt the mass following of the Prime Minister herself.

It is a significant fact that V B Raju had begun by being a somewhat lukewarm campaigner, addressing meetings only when called upon to do so

and telling many friends that his interest was now more in national-level politics. But in the last two weeks he campaigned very hard indeed and insistently put across the line that the defeat of Brahmananda Reddi's candidate would help and please the Prime Minister. There are rumours that he was able to do this on the basis of inside knowledge, perhaps directly gained. Certainly, Brahmananda Reddi's attitude on land ceilings and his intemperate attacks on the Food Corporation of India for the benefit of the rice stockists could certainly not have brought him closer to the Prime Minister. This opportunity to separate the Congress candidate from the Prime Minister and her policies was, to quite an extent, responsible for the huge margin by which the Praja Samiti won.

One final comment. Caste-based analysts of Indian political developments would find it quite an impossible task to reconcile the result in Siddipet with their pre-suppositions. Caste played only a marginal role. It always is relegated to the periphery when really significant issues have to be decided.

After Siddipet, the ball is in the Prime Minister's court. She will now have to call a round-table conference and work out a solution. And as of now the likely solution appears to be separation.

Santa Claus for Cities

(From a Special Correspondent)

THE World Bank's Annual Report for 1969-70 had a whole section devoted to urbanisation. The Bank's President, Robert McNamara, followed this up at the annual meeting of the Bank at Copenhagen by referring to the problem in detail in his statement.

Cities, like pollution, have become inevitable consequences of industrialisation. Since the World Bank seeks to promote industrialisation, it considers it logical to deal simultaneously with its consequences in the form of urbanisation. Unlike in the West, where the industrialisation and the urbanisation processes developed over a long period, urbanisation, like industrialisation, is likely to be a hot-house growth in developing countries. Today, about half the cities in the world with 500,000 or more people are in developing countries. There are some aspects of urbanisation which are to some extent peculiar to the developing countries and deserve notice.

Most developing countries have witnessed a process of "excessive" urbanisation or concentration of people in particular urban areas. This is because when an urban centre develops to a certain mass, its magnetic force attracts population from the rest of the country. A large population mass creates its own employment opportunities, including those for casual labour. One thus sees people coming in, hoping to get work as construction workers, daily labourers or domestic servants. As economic opportunities in the hinterland fail to keep pace with the increasing population, the city, with its anonymity, its glamour and its promise of work (of however tenuous a nature) becomes the natural target of a migrant population.

Secondly, in developing countries the city has not been a focus of broadening development; rather, it has tended to create a kind of self-centred growth. Many African countries have only one

urban centre, generally their capital cities. Gauhati is the only urban centre in Assam, and it still gives the impression of an over-grown village. Despite B C Roy's attempts to develop alternative urban centres like Durgapur, Asansol and Burdwan, Calcutta remains the natural destination for the Bengali migrant. In Maharashtra, Bombay has continued to grow, but without any impact, till recently, on development processes in the hinterland.

Thirdly, the urban centres soon reach a point where they cease to be self-sustaining. In terms of social amenities, each migrant into the city makes far greater demands on the system than what he contributes to it. Moreover, the whole economic system — rent control, frozen suburban rail fares, and so on — creates a subsidised community with its own vested interest and prevents the freeplay of economic compulsions to bring about the necessary correctives to the system. In the process, the diseconomies grow (e.g. through slowdown of traffic, long queues at bus stops, overcrowding in suburban trains), but they are so broadly distributed that they are not felt with full force at any one point: a new industrial unit helps to further slowdown all traffic, but does not find itself without transport facilities and does not have to pay for creating the additional transport facilities needed to meet the demand for transport created by it.

Gradually, very often with some prodding from Western observers, there is growing concern in the developing countries about the social consequences of excessive urbanisation. In Calcutta, Ford Foundation came in to help the setting up of the Calcutta Metropolitan Planning Organisation. While the CMPO did develop some good urban renewal projects, its dissociation from the municipal authorities created an organisational impediment to the implementation of these projects. It is only now, with the formation of the Calcutta Metropolitan Development Authority, that a co-ordinating authority has been set up to implement the urban renewal programme.

The Maharashtra Government has always taken a relatively enlightened attitude to urbanisation. At an early stage it followed a policy of discouraging new industrial units in Bombay, thus softly pushing industry out to Khopoli and Poona, making the whole Bombay-Poona area an industrial belt. It then set up the State Industrial and Investment Corporation of Maharashtra to encourage industry outside the Bombay-Poona belt. SICOM has created various incentives to counter the natu-

ral pull of the Bombay-Poona area for industry and it is a measure of the effectiveness of these incentives that Maharashtra can now claim Nasik, Nagpur, Aurangabad and other towns as industrial centres.

A major step in the same direction is the decision to build a new city on the mainland across the Bombay harbour. Two major impulses seem to be guiding the planning of this city which has just begun. First, the new city should seek to minimise the social and economic consequences of compulsory acquisition of land in the area. In addition to payment of compensation, steps are being taken to protect the incomes and livelihoods of those whose land is acquired. Vocational training programmes have been set up for the local population. Secondly, the new city is sought to be built as a focus for more generalised development of the

hinterland so that more even industrial development is fostered.

The recent initiatives of the World Bank in the field of urbanisation should help developing countries in smoothening the process of urbanisation. Following upon his annual statement, McNamara announced to the UN Social and Economic Council that a World Bank mission would visit various countries to study problems of urbanisation. Such a mission, led by Benjamin King, is now in this country, looking at the problems of Bombay. A new division is being set up in the World Bank to consider urban development projects. This division is expected to look at the total problem of urbanisation, urban renewal and development of new urban centres, rather than tinker piecemeal with individual projects (water supply, roads) as the Bank has been doing so far.

NEPAL

No Treaty, No Film Festival

THE repercussions of the failure of yet another round of talks between Nepal and India on the renewal of the trade and transit treaty between the two countries have been quick and sharp here. To what extent the popular expression of anger against India has been encouraged by the Government or instigated by political circles which stand for closer ties between Nepal and China, it is difficult to say. Pamphlets accusing the Government of India of casting a colonial eye on the Nepalese market have been freely distributed in Kathmandu. There have also been demands that the 'imperialist' Indian Government should 'vacate' the Indian Embassy.

However, the most spectacular act of protest was the cancellation of the Indian Film Festival which was to have started in Kathmandu on the 6th and for which all arrangements had been made. Hundreds of film-fans from different parts of Nepal had started to arrive in the capital. But in pouring unseasonal rain there was a militant student procession demanding, among other things, the cancellation of the Festival. The processionists belonged to the Akhil Rashtriya Swatantra Vidyarthi Union. They were stopped nearly a mile away from the Indian Embassy gates by a contingent of policemen. At one stage on their way to the Embassy the students were lathi-charged as they mingled with the large evening crowds near Bhotahitti, the commercial centre of Kathmandu. A

deputation of the students later met Indian Embassy officials who explained the Indian stand on the trade and transit treaty.

But after the students had dispersed, the Embassy was informed that the Film Festival committee was going to meet the same evening. At the meeting, held late at night, the committee decided to call off the Festival as the Nepal Government had expressed its inability to guarantee the security and safety of the Indian film-stars who were to have come to Kathmandu for the Festival.

The students were not, however, satisfied with the cancellation of the Film Festival. They were on the streets again, though this time the procession was taken out to celebrate the Chinia Kazi day. The demonstrators shouted anti-Indian slogans. They also tried to set fire to the Nepal-Bharat Sanskritik Kendra run by India but were foiled by steel-helmeted police who made a lathi-charge and also arrested a few of the demonstrators. Similar incidents were reported from Patan and Bhaktapur, suburban towns near Kathmandu where students organised meetings and appealed to all nationalist elements in the kingdom to unite in the fight against India's "politics of pressure".

Anti-Indian demonstrations were not confined to the Kathmandu valley. Youngmen and students at Dharan and Biratnagar, in eastern Nepal, were equally agitated over the issue. The

demonstrators in these places demanded transit facilities for Pakistan-bound Nepalese goods through Radhikapur, which they held was Nepal's natural right, and scientific demarcation of Nepal's southern boundary with "Imperialist India". Road traffic and markets in Nepali territories from Dharan to Jogbani remained closed in the afternoon of November 7. At Biratnagar a "Ramailo Mela" or fun fare was closed three days ahead of schedule on a call given by the Rashtravadi Vidyarthi Mandal.

Commenting on the decision to cancel the Indian Film Festival, *Motherland*, once the only non-official English daily commanding any influence in Kathmandu, wrote editorially on November 6 that "the government may be incurring a financial loss and many needy organisations may have been deprived of some financial assistance [the proceeds of the Film Festival were to go to local charities], but to encourage a festival from a country which has just recently turned down some of Nepal's legitimate requests on various grounds is to accept the premise that entertainment is more important than economic development".

Government-owned *Rising Nepal* was more outspoken. In an editorial it said that the decision to call off the Festival was "one more in the series of disappointments, disillusionments and disenchantments, resulting from the failure of the trade and transit talks at various occasions between Nepal and India". But, according to the paper, the Festival Committee had no choice, faced as it was with a situation which had arisen out of the natural feelings of the people of Kathmandu. *Rising Nepal* felt that the cancellation of the Festival demonstrated "how bad it is for Nepal and India, so inextricably bound together by so many affinities, to leave vital questions of national aspiration and development unresolved". The paper felt that what was important above all was for India to appreciate the compelling needs of its less developed neighbour. Though Kathmandu had lost an opportunity to play host to a galaxy of film-stars from India, the decision to call off the Festival reflected "the nation's mood".

In a way it was interesting that the major form which Nepal's protest against the infructuous trade and transit treaty talks took was the cancellation of the Indian Film Festival. For, Indian films are almost the only ones shown in Nepal. And the more affluent among those who forced the cancellation of the Festival will soon be making trips across the border to see the very films which they spurned in their

nationalistic fervour. This is yet another indication of how closely Nepal, for all its protestations of independence, is intertwined with Indian life and culture. This is no doubt what makes the Nepalese so sensitive to slights, real and supposed, by India. From that point of view, if through a

PHNOM PENH

Urban-Rural Stalemate

Harish Chandola

ON the ninth of last month Cambodia, which had retained the status of a monarchy, was declared a republic by the Lon Nol regime, which controls only about a third of the country's area and perhaps half its population. A new flag was raised on that day and painters are still busy painting the new flag in place of the old one and tailors are stitching it in thousands to meet the demands of government offices which are in a hurry to proclaim their changed loyalties. Thousands of small flags are also being made, probably for a mass rally to welcome home the new President, Cheng Heng, when he returns from the United States. He had flown to the United States immediately after inaugurating the new Republic to seek badly-needed economic help.

The rains lasted long this year and the paddy fields are still flooded. In a few days, though, the dry season will begin, bringing renewed fighting in its wake. At present the water inundating the countryside hampers movement; the Lon Nol forces are inside the towns and Sihanouk's forces and their allies are just outside the city walls, as it were. The two sides exchange fire occasionally but the Lon Nol troops are unable to chase the pro-Sihanouk forces away from the city walls because of the water and Sihanouk's men appear unwilling to occupy the towns for more than a few hours. Such an exercise, they know, would be pointless because any towns occupied by them would be bombed and destroyed and would not remain in their control for long.

There is no exaggeration in Sihanouk's claim that his forces hold two-thirds of the country. Four northern provinces — Mondulkiri, Ratanakiri, Stung Treng and Kratie — are entirely under their control, as are major portions of the five other northern provinces of Preah Vihear, Kampong Thom, Kampong Cham, Seam Reap and Oddar Mean Chey. The guerillas also hold large pockets in the western provinces of Battambang, Pursat and Koh Kong. The Phnom Penh regime is therefore, in fact, left with only seven provinces:

series of experiences, such as the recent negotiations over the trade and transit treaty, Nepal comes to place its relations with India on a more practical and less emotional basis, the outcome would be beneficial to both countries.

November 9

Kampong Chhnang, Kampong Speu, Kampot, Takeo, Kendal, Prey Veng and Svay Rieng. But even in these there are areas of resistance where fighting is going on at the moment. It is these seven populous provinces that will bear the brunt of a showdown in the dry season.

It is unlikely that the dry season's increased fighting will begin immediately after the waters recede in the next few days. The peasants have still to gather their harvest, and whosoever obstructs them by launching large-scale fighting first will not be kindly thought of. The Sihanouk forces and their allies, the Viet Cong and the North Vietnamese, are now totally dependent on the Cambodian peasants for their food stocks, as their previous supply point, the port of Kampong Som (Sihanoukville), is now denied to them because the Cambodian coast is intensively patrolled by South Vietnamese and American naval vessels. So they are unlikely to create a situation in which the peasants, and they in turn, might lose much of their food supply. One cannot be sure that Lon Nol's troops will have the same consideration for the peasants.

The Lon Nol army has increased its strength more than four times in eight months. At the time of the *coup*, in March this year, the Cambodian army numbered only 33,000 men. Lon Nol now has 140,000 men under arms and is training another 70,000, to bring his army strength to 210,000. In spite of the massive US arms support, the Cambodian army still remains ill-equipped. It was raised in a hurry and lacks trained and experienced officers to lead it. Its older units are still using Russian and Chinese equipment while its new units have been provided with US weapons. It is constantly in need of ammunition not only for the US arms but also for the Chinese and Russian weapons. The Americans give it whatever they capture from the Viet Cong in South Vietnam, but that is not a steady source of supply and an army cannot fight a war on that basis. What-

ECONOMIC AND POLITICAL WEEKLY

ever new US equipment comes in, is given to the forces that are still being raised.

The Phnom Penh regime is therefore likely, at first, to utilise its newly-trained and equipped forces to clear all major highways of its opponents and then to secure all the major towns by pushing Sihanouk's men as far away from them as possible. At the moment nearly all the major highways in Cambodia are obstructed by Sihanouk's forces. Highway Two to the major city in the south, Takeo, is closed to traffic and so is Highway Three, which goes further south from the capital. Highway Four from the capital to the only port, Kampong Som, gets closed daily, after the Lon Nol troops restore traffic on it for a few hours. Yet another major highway, to Battambang in the west, and to the Thailand border, also remains closed. The only road communication open to Phnom Penh is Highway One, linking it with the South Vietnamese capital, Saigon. Both Highway One and the river route along the Mekong is kept open by South Vietnamese troops and gunboats.

So the first task of the Lon Nol forces, when the dry season begins, will be to open these much needed highways. Without this neither troop movements nor attempts to enlarge the area under the Phnom Penh regime will be possible. But even with all the troops Phnom Penh has raised so far, it will be extremely difficult to keep the highways open, assuming that they do manage to open them at all, as there is practically no hope of Lon Nol's army being capable of taking over rural areas by driving away Sihanouk's men.

It might sound strange to describe areas as being held by the Sihanouk forces, when most of the world press has been describing them as areas held by the Viet Cong. But those who have contacts with the other side in Cambodia say that the Viet Cong is scrupulously trying to avoid giving the impression that it is administering Cambodian territory. In the areas that the Viet Cong liberates, it promptly sets up a civilian administration, composed entirely of Cambodians. Therefore, whoever might liberate areas in Cambodia, they are administered by committees of Cambodians, which almost invariably means supporters of Sihanouk.

The economy of the country is in a bad way. Its rubber plantations in the eastern provinces were destroyed in the May offensive by US and South Vietnamese forces and the country has now

no rubber to export. The war dislocated Cambodia's rice exports and its maize exports are now nil because most of the maize-producing areas are held by Sihanouk's forces. The Lon Nol regime is therefore seeking immediate economic assistance of \$200 million from the United States. To seek the aid, it has not only sent its President there, but also Trinh Hoanh, a leading member of parliament, who is said to be very close to US ruling circles.

The US has made no announcement on large-scale economic aid yet. The new US Ambassador, Emory C Swank, came to Cambodia only in September and he, it seems, has not yet submitted his report on Cambodian requirements to his government. Only when his report reaches Washington, will the quantum of aid be announced. There are however definite indications that this will be done soon. These indications include the arrival of US businessmen

WASHINGTON

Not by Rhetoric Alone

ONE wonders whether any significance can be attached to the results of the countrywide elections that took place on November 3 for 35 seats in the Senate, 35 governorships and the entire House of Representatives. The Democrats lost a couple of seats to the Republicans in the Senate elections but continue to hold on to their majority. In the House elections the Republicans lost about ten seats leaving the Democrats stronger than ever before. For the Republicans who spent an estimated \$15 million on the elections this was poor showing though they take comfort in the thought that they could have done worse. The average loss for the party in power in mid-term elections is about 40 House seats. If that be the criterion, the Republicans have done well in limiting their losses to one-fourth of that number. No doubt this was what both Nixon and Agnew had in mind when they referred to their having won a "philosophic" victory in the elections.

What were the issues that separated the Republicans from the Democrats? These are not easy to isolate. The Vietnam War was not an issue. Nixon had seen to that. By announcing that he was going to slowly withdraw US soldiers from active combat duties — and by sticking to his promise for all the world to see — he had defused

in Cambodia to set up import-export firms. They would not have come if US aid was not expected as without the aid the Cambodians would have no means to import anything.

General Lon Nol and Prince Siral Matak, in spite of these difficulties, are now firmly in control in Phnom Penh. They have finally ousted all rivals with in their group who were contending for power after the *coup*. Most of them like the powerful member of parliament, Sim Var, have been sent abroad on assignments. The Lon Nol regime controls the capital and is likely to continue to do so for quite some time. One cannot foresee any immediate threat to the regime from its own backers or from Sihanouk's forces, which have still to consolidate their position in areas held by them. Sihanouk and his allies look forward to extending their control over more rural areas but not to capturing Phnom Penh.

the war issue. Even the Democrats agreed on that and while differences existed as to the manner in which the war should be wound up, there was no questioning of Nixon's *bona fides*.

But the war has been an important cause of inflation and this was a real issue in that prices have been increasing and the rising cost of living has affected every wage-earner. Worse still, the remedies applied to tackle inflation have been backfiring with unemployment registering a steep rise to 5.5 per cent. It was this issue that the Democrats gleefully harped on in their campaign in order to discredit the Nixon Administration. And they did well by it.

In the event the Republicans had to fall back on peripheral issues like crime and lawlessness, student unrest, drug addiction and the like, which are not national issues at all and certainly cannot be attributed to Democratic chicanery. The public, it must be noted, quickly saw through Republican propaganda. Some of the most significant Democratic gains were in the traditional Republican areas in the west, a point that one can be sure has not been entirely lost on an astute politician like Nixon.

The President and his chief aides had banked heavily on the hope that

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law and order could be made a prime issue, but the voters simply brushed it aside. There is nothing in the election results to show that there is a swing to conservatism in the country. In California, for instance, the extremely conservative Republican, Ronald Reagan, won a second term as Governor. But a fellow conservative Republican, George Murphy, lost to the liberal Democrat, John Tunney. In fact, Tunney won election to the Senate by a bigger margin than Reagan won his Governor's seat. It is even more significant that the Democrats took control of both houses of the California legislature.

PURGE THAT FAILED

Nixon had marked down many Democrats for a "purge"; but most of them like Burdick of North Dakota, McGee of Wyoming, Montoya of New Mexico, Hart of Michigan, Humphrey of Minnesota, Proxmire of Wisconsin and Moss of Utah won; some like Humphrey, doing better than ever before. Humphrey, in fact, won a higher percentage of votes in his native Minnesota than when he ran for the Presidency in 1968.

The Democrats also plucked some important seats from the Republicans, as in Illinois, where Democrat Adlai Stevenson III won handsomely over his Republican opponent despite forceful presidential intervention in the days preceding the election. While the Republicans did unseat a few Democrats, it is doubtful whether this ought to be chalked out as much of a Republican success. Dodd in Connecticut was a stricken man to begin with and few voters would have wanted a physically ill man represent them. It is, however, said that the man who won, Republican Weicker, may yet prove more progressive than Dodd himself. In New York, Republican Senator Goodell lost to Buckley, the candidate of the minuscule Conservative party, in a three-cornered race. The Democrat Ottinger lost by an eye-lash and he and Goodell together amassed 62 per cent of the votes which is not saying much for Buckley whose victory was an anomaly. In Maryland, Republican Beall won, but not because he had any profound ideological differences with Democrat Tydings. In Tennessee, Albert Gore, a four-term Democrat, lost, but it is just possible that he lost because after twenty years of representation anybody could become unpopular in his constituency, rather than because Nixon was after his head.

By and large in the south, Nixon's

so-called "southern strategy" failed and the failure was highlighted in Florida where Nixon campaigned for his candidates with particular zeal. To interest the southern white voter Nixon promised all things to all people. His main claim was that he was the true defender of southern interests. Had he not tried hard to get a southerner appointed to the Supreme Court and had not the Democrats who dominated the Senate frustrated him in his attempts? So went one among many arguments. But these also failed. The loss was not only noticeable in the House elections, but also, even more painfully, in the gubernatorial races in which the Republicans lost heavily. It is this latter failure that is going to haunt Nixon during the next two years, for with more Democratic Governors than Republican ones exercising control in the states, the next Democratic presidential nominee will have that many more friends all round the country on whom he can depend.

Why did the Nixon-Agnew rhetoric on law and order fail? One reason, of course, is that it is not much of an issue in the American heartland where people have not been much affected by "permissiveness" and where hippies can be seen only on the television screen. Another reason surely is that Agnew played himself out by overblown rhetoric and name calling. It was not smart politics to call so highly respected a man as Hubert Humphrey, a "turncoat", or to suggest that Adlai Stevenson III was not fit to bear his distinguished family's name. Understandably, many voters were put off by these tactics.

VARIETY OF LOCAL ISSUES

A crucial point about the elections was that issues differed from state to state, and if Nixon had taken a partisan stand on each issue he would have spelled his devaluation as a national leader. In Washington state in the north-west, the point at issue was abortion laws. In Michigan, state aid to Roman Catholic schools. Nixon could not have taken up a position on every such issue without inviting nation-wide reverberations around his own head. Sensibly he kept away from controversial local issues, directing his fire-power on what he thought were sure targets: "permissiveness" in society, increase in drug addiction, etc, all the while cleverly implicating the Democrats for these social ills. That did not work.

In the circumstances, as *The Washington Post* pointed out, the important

thing about the elections was not what happened but what did not. "A whole people would not be stampeded into voting for Congress or for governor on the simple-minded proposition that one of the two great parties in the land is uniquely soft on violence or peculiarly given to 'permissiveness' in the home or on our campuses or in the streets" noted *The Post* very cogently.

With so slight a change in the composition of both the Senate and the House of Representatives, it is manifestly difficult to draw any sensational conclusions about the mood of the people. Some experts have stated that the ultimate victor in the elections has been the two-party system. Others have noted that the vast expenditure has not effected the final outcome in any meaningful sense. Even before the electioneering got into full swing, the nature of wins and losses was being predicted with, what has turned out to be, remarkable accuracy. Did the buying of time on television make any vital difference to a candidate's standing in the minds of his constituents? Obviously not much, though this is not likely to make candidates spend less.

Nixon being a realistic politician, has surely read the writing on the wall, especially in the election of so many Democrats to the governorships. He will now have to switch some of his tactics if he is to catch the public imagination. The "southern strategy" of playing up to the southerners has obviously failed. So has the law and order issue. What then is indicated? The first item to which Nixon will have to devote himself is the state of the nation's economy. Despite the measures that Nixon has taken, prices continue to rise along with unemployment, which is unusual. The administration expected prices to fall as unemployment rose. This has not happened and if the trend is not arrested soon enough, Nixon will be in serious trouble when the presidential stakes are run.

On the theory that the remedy to a drunken night is more drinking the next morning, Nixon may, on the other hand, step up his appeasement of the Right. But appeasement is a thankless task and the President cannot be oblivious of the fate of Barry Goldwater, the rightist *par excellence*. This adds to the excitement of looking out for Nixon's next move. Will he muzzle Agnew? Will he court the press and television? As in an exciting serialised story, we will have to wait for the next instalment.

In the Cause of Integration

Nireekshak

WHETHER the Press as a whole can be regarded as a force for the common social good has been recently, particularly since the split in the Congress, a subject of much public debate. No one, however, has questioned the concern of the Press for national unity or, what has come to be described as, national integration. Indeed, the Press could claim with some justification, notwithstanding the odd black sheep in its own ranks, that it has done more than any other sector of organised opinion to advance the cause of national integration. Perhaps because of this awareness, and certainly also for other reasons, the Press had always looked upon the activities of the National Integration Council with unconcealed scepticism. Riven as the Council is by political differences, its latest meeting seems only to have enhanced Press scepticism about the Council's usefulness.

Hindustan Times, for example, has gone to the extent of saying that, unless the Council meetings are made "positive and purposeful", it would be "far better that it just quietly fades away". It is necessary to place communalism "outside the pale of political controversy" and this, in the paper's view, should not be difficult. But the Council "has still to come to grips with what are the common elements in the parties' approach to the problem". Its latest decision to launch a joint campaign against communalism is "a good idea", but while it "raises hopes" every time it meets, "nothing transpires". This lack of progress, the paper warned, "is bound to lead in course of time to popular cynicism and loss of faith".

Some loss of faith was already evident in *Hindu's* comments. The Madras daily used the occasion to produce an inspired sermon to politicians who, in their efforts "to climb to power by the easiest means, have unashamedly exploited the roots of prejudice to fan sectional feelings to fever pitch". It was this "intrusion of the political element that [seemed] to be the real culprit". Communalism was "by no means the only or even the major threat to national unity" and it was also doubtful if the "proposed joint educational mass tours are the best cure for the cancer of communalism"; at any

rate, the paper added, "with the guilt lying where it does, it may be more appropriate for the projected educational tours to be aimed at the politicians themselves rather than at the masses". Political leaders will be "serving national integration better by practising a little of what they preach". For the rest, "the ultimate national integrator obviously is rapid economic growth that will provide more for the many and universal education leading to modernisation" — a truth on which the paper stumbled, it seems, by sheer accident!

Hindustan Standard devoted most of its attention to what it called the "cold-shouldering" by the Council of the question of "the rebirth of the Muslim League". Considering that the League had obtained "a certificate of respectability" from the Prime Minister, it could now "easily increase its influence among the ignorant Muslim masses" and, if this happened, "Hindu revivalism will raise its ugly head as a counterpoise to Muslim bigotry". In a secular state, it noted, "there is no room for a communal party, no matter which community sponsors it; and no campaign against communalism can succeed where practice is at variance with professions".

CARTOGRAPHIC RECTIFICATION

National unity or, more specifically, territorial integrity, was also the underlying theme of a discussion on the Soviet Union's controversial Indian maps, a revised set of which was recently shown to India's Foreign Secretary. No one was fully satisfied with, what *Mail* called the Soviets "cartographic rectification" or with Government's explanation of the phenomenon. The Government spokesman who described the new maps as "an improvement on the previous Soviet position", *Mail* gravely noted, "is entitled to derive what satisfaction he can but he will find it difficult to persuade others that the 'improvement' is real rather than apparent". In fact, it argued, India had got "precious little" and in some ways it may be thought that "the revised map [only] adds insult to injury".

Not necessarily so, *Tribune* seemed to argue. True, "there is no breath-taking concession to India", but there

was never any "need for us to lose much sleep over this map issue". After all, "it is not foreign cartographers who decide for us where India is". According to *Nagpur Times*, though, this was a dangerous attitude to take. "It is wrong to suppose", it said, "that a factual error in Russian maps does not affect India's sovereignty in respect of the related territories. Nothing may happen for years but, if a dispute with regard to these territories comes to the forefront, Russia is bound to support that party whose claims accord with Russian maps. Hence it is essential to end the map controversy totally and finally and there should be no yielding on the issue".

Opinions differed on the choice of Mahendra Mohan Chaudhury as Assam's new Chief Minister. *Amrita Bazar Patrika* saw the election as marking "the beginning of a new era in the State", while *National Herald* preferred to view Chaliha's retirement as the "end of an era" and Chaudhury's election only as "a good beginning". Both papers agreed, however, that the main question now was whether Chaudhury, as *Herald* put it, "will be able to cope with the problems of Assam". The question, though, was left unanswered.

Reactions to the mid-term US election were prompt and varied. Though the reporting of the pre-election campaign was only cursory, editorial examination of the results was not. While *Times of India*, asserted categorically that the result was a "defeat for Nixon", *Free Press Journal* argued it was more like a "reprieve for Nixon". The results show, *Free Press* wrote, that the "silent majority which Nixon has claimed has been backing him is neither silent nor a majority". And "this must come as a setback to the administration, if it has not dimmed Nixon's own hopes of re-election in 1972". The President, it concluded, "is clearly on test". In the opinion of *Times* the result of Nixon's "personal intervention" in the election has been "disastrous for him and his party" — which is a fair enough comment. But when the paper went on to pinpoint the causes of the disaster, it came up with a gem. "The Republicans", it wrote, "spent more money than the Democrats and still lost. This cannot but weaken the Nixon Administration's authority both at home and abroad". Whoever would have thought that money was the central issue in the election!

China's Unfinished Revolution

Mohit Sen

China's Cultural Revolution by Gargi Dutt and V P Dutt; Asia Publishing House, 1970; pp 260 + viii.

China in the Year 2001 by Han Suyin; Pelican Books, 1970; pp 254.

THE Chinese Revolution was one of the greatest breakthroughs by the human race. The dialectics of its development were not only inspiring but were of great relevance to the yet unemancipated majority of mankind. The theory of the revolution, as set out in the works of Mao Tse-tung, was therefore eagerly turned to by ardent revolutionary spirits all over the world.

The completion of the revolutionary struggle for power was only the beginning. For the next eight years, there was the continuing thrill of tempestuous but well-grounded economic advance and social transformation — beside which the efforts of India and of other newly independent states looked paltry indeed. This striking contrast helped immensely to pinpoint the advantages of the socialist path and proletarian power as against the so-called middle way of the mixed economy, i.e. of capitalism. This was also the period when the Communist leadership in China took the initiative to end the past sectarianism of socialist foreign policy of the immediate post-War period. It should be remembered that, it was China which first recognised the anti-imperialist import of non-alignment and of Afro-Asian solidarity among both the socialist and non-socialist states.

AT ITS HEIGHT

During this period the impact of China was at its height, attracting millions upon millions, and drawing them towards revolutionary action. It is necessary to state this to counter the widespread view that China acted as a revolutionary force only after the Great Leap of 1958-59 and that it has reached still greater heights with the Great Proletarian Cultural Revolution. As a matter of fact, it is in this latter period that the revolutionary impact of China begins to contract and to diminish steadily, while alongside, stridency of the appeals and actions of the Maoist leadership increases.

Both the books under review deal with this latter period. Both provide the historical background against which, and from which, the Cultural Revolution emerged. But here the similarity

ends. In their appraisal of the phenomenon, as also in the outlining of the perspective, the two books are completely opposed to each other.

Gargi and Vidya Prakash Dutt concentrate on letting a mass of material from China speak for itself. It is a most creditable feature of the book that, it has brought together such a collection of editorials, articles, resolutions and wall-posters. Chronologically arranged and subdivided sourcewise, this documentation would greatly benefit the reader in arriving at his own conclusions. "China's Cultural Revolution" is scholarly reportage of a high level. And it is good to have Indian scholars of this calibre who have the patience to go through contemporary source material.

The authors, of course, do not hide their views. Their conclusion — indeed, the running thread of the book — is that the Cultural Revolution was a carefully worked out political move by Mao Tse-tung to destroy the opposition, to his policies of the Great Leap, at the highest levels of the Communist Party and Government. That opposition had developed because of the disastrous consequences of the policy, both domestically and for the fortunes of the international anti-imperialist revolution.

It is pointed that, the almost isolated opposition to this policy by Peng Teh-huai in 1958 found much broader and still more influential support from 1960 onwards. Even those, like Liu Shao-chi and Teng Hsiao-ping, who had been ardent adherents of these policies began to work out a different strategy following the disaster. Step by step this important section of the Chinese Communist leadership were attempting to take the Party and Government back to the course mapped out at the 1958 Eighth Congress of the Communist Party of China. But this was being done (and this is a feature which the authors should not have missed) without any self-critical appraisal of the Great Leap policies and without any discussion of these policies or of Mao's Thought in the Party. Taking full cognisance of this trend and its mode of operation, Mao prepared for the coun-

ter-attack. He made the Army his bastion and the younger inexperienced generation, frustrated by the failure of the Great Leap but unaware as to its cause, his battering-ram.

Gargi and Vidya Prakash Dutt have well brought out the mechanics of the Maoist counter-attack and the essentially political character of the Cultural Revolution quite clearly enunciated by the Maoist leaders themselves. They have convincingly refuted the argument that the Cultural Revolution represented a mass democratisation movement — after all, the chanting of slogans and fragmented texts is not proletarian democracy. A point the author could have made more forcibly, however, is that, even today, the actual stand of the Liu Shao-chi group is not available and yet they have been condemned. What is worse, these veteran revolutionaries have been deprived of their honour in a manner not so different from that used by Stalin in his worst form.

Two other merits of the book might be mentioned. One is the contrasting of Mao's approach in the thirties and forties with his present style — there is a refreshing refusal to be drawn into a blanket denunciation of Mao, much less into any anti-China or anti-Communist crusade — and the other is the analysis of the latter phases of the Cultural Revolution — testifying to Mao's failure to shape events exactly as he had wished.

The major shortcoming of the book, at least as far as this reviewer is concerned, is the absence of any attempt to analyse what led to the Great Leap and its later edition — the Cultural Revolution. What is the social nature of the phenomenon? Peasant anarchism, the specific liberation war character of the Chinese Revolution, and the pressure of nationalism — an ensemble of these three factors — seem to have offset the Marxist strain in Mao's Thought and so perpetrated the disastrous change of course in 1958.

UNCRITICAL PASSION

The great merit of Han Suyin's book is the passion with which she puts across the official version of the present Chinese leadership, not only with regard to contemporary China but world history. It is an unfamiliar role for her, and the resulting incongruities are glaring. Force of assertion cannot make up for a lack of background regarding Marxism, the history of the world Communist movement, and the Chinese re-

volution itself. There are sweeping condemnations of "bourgeois capitalism" in that country (the terms are those of the distinguished novelist turned evangelist). This is carried forward, or backward, to a scathing critique of Stalin for his method of socialist economic growth. What is much worse, however, is the glib and totally undocumented manner in which Han Suyin castigates Liu Shao-chi and his group, totally swallowing the Maoist line that these great revolutionaries had been the agents of capitalism for the past four decades and more. This is as absurd as the fantastic constructions of Wang Ming who makes out Mao to be nothing but a megalomaniac from his adolescent days. All these might entertain in thrillers of various kinds but are abnoxious when one is dealing with a stupendous revolution and the heroic men who made it. In "China in the Year 2001" we are presented with no facts and no documents to substantiate the claim that Mao knew of these "cunning capitalist colleagues" of his but that he bided his time before striking.

For Han Suyin the Great Leap was a resounding success. The People's Communes were a resplendent triumph. China's foreign policy moves from 1958 onwards were a succession of victories for the cause of world revolution. How could it be otherwise, since Mao's Thought was the guide — and she boldly states that this Thought will now be accepted as the acme of wisdom by all the peoples of the world.

Why then was the Cultural Revolution necessary? The reason advanced by her is the official Maoist one: that there were "top persons in authority taking the capitalist road" who had to be overthrown and proper conditions created for the continuation of the revolution after the death of Mao. An altogether strange proceeding, amazing arrogance, and an amazing lack of faith in the people, in the working class and, indeed, in the future!

It is really a bit much when, with imagination worthy of better causes, she praises the Cultural Revolution as the greatest single event extending the freedom of the masses and the spread of a rational, humane and scientific attitude! She stresses that, the chanting of Mao texts and the exclusive study of Mao is the only way that China's peasants can achieve spiritual emancipation.

However, both books are well written and not too bulky. The study in contrast is stimulating. And life is long enough for truth to emerge.

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Macro-Perspective of Indian Community Development

B Minz

The Community Development Programme has elicited two extreme views as to its success. One view regards the ideal aspect of the movement and exaggerates its success, thereby losing sight of some significant points in the process of innovation. The other view is very sceptical of the developmental aspects of the programme and tends to regard it as a total failure. Both views miss the reality of and the lessons held by the process of community development.

This article seeks to examine in what respects the community development programmes may be considered a failure, and in what respects a success. An attempt is made to outline the manifest and latent consequences of the innovation effort.

Three points emerge. First, there is not much indication of community development in terms of increasing community solidarity, or capacity for spontaneous self-help or mutual help — though the introduced innovations are fulfilling some useful functions, either manifest or latent, for the village communities. Secondly, while differentiation in the form of inputs of various sorts of innovative programmes is moving fast, the necessary concomitant integrative institutions to make the innovative programmes function effectively are lagging behind. And, finally, the economic innovations tend to widen the existing gap between the rich and the poor.

THE existing literature on the Indian Community Development Programme reveals that the writers on this subject hold opposite views regarding its success and failure. One school of writers, largely prompted by the ideal aspect of the Community Development Movement, tends to exaggerate the success of the various programmes and thereby loses sight of some of the significant points in the whole process of innovation. The other school appears to be very sceptical of the development programmes and tends to regard them as a complete failure. But holding two polar views neither school of writers seems to do justice to the reality of the process of Community Development.

The present study is an attempt to bring about a compromise between the two opposite schools of writers by adopting a middle course for making an objective appraisal of the process of Community Development. By citing some empirical data,¹ the writer attempts to demonstrate in what respect the Community Development Programmes may be considered a failure, and *vice versa*, particularly in terms of the manifest and latent consequences of innovation-effort. In main, the study focuses on clarifying the following three propositions:

- (1) There is not much indication of Community Development in terms of increasing community solidarity (community togetherness, organic coherence, co-operative way of life), capacity for spontaneous

self-help and mutual aid and self-reliance; however, in terms of contemporary theories of community growth the introduced innovations are fulfilling some useful functions, either manifest or latent, for village communities.

- (2) Differentiation in the form of inputs of various sorts of innovative programmes is moving at a great speed but some necessary integrative institutions to make them function effectively are lagging behind; consequently the cultural lag has become immanent.
- (3) Economic innovations tend to widen the existing gap between the rich and the poor.

The three propositions may be regarded as the three major consequences of the Indian Community Development Programmes, insofar as village communities are concerned. Further, in this study, these consequences are taken to be the macro-process of culture change in village communities. By macro-process is meant the long range effects of Community Development Programmes on Indian villages. We now proceed to expand the three propositions.

I

Articulation of Village Communities with the National System

According to the redefined objectives, the Indian Community Development Programme is specially designed to develop a spirit of community life among the villagers by promoting co-operation and the habit of mutual aid,

to make village communities self-sufficient in all their primary needs such as food, clothing and shelter, and to develop self-reliance in the individual and initiative in the community so that the villagers may be able to manage their own affairs.² These objectives tend to approach the Gandhian ideology of self-contained village communities. The Gandhian concept of Community Development is the establishment of tightly-knit village communities. But it appears that Community Development as perceived by Gandhiji is hardly feasible in view of the current trend of societal change which is largely characterised by growing individualism among the villagers. This aspect of the problem of Community Development in village communities has been dealt with at length elsewhere by the writer.³ The writer has attempted to demonstrate that it is rather difficult to achieve Community Development as perceived by Gandhiji. A village community is not like a united family where there is mutual love and respect among members. Instead, a village is normally characterised by mutual distrust and jealousy and inner conflict and competition. The new avenues for employment opportunities that are opening up outside the village system tend to encourage the growth of individualism among the villagers. The traditional forces of survival binding them together are diminishing. In this regard Kantowsky rightly notes:

After centuries of pressure the villagers enjoy for the first time

something like individual freedom which they are not willing to lose again to a myth called village community.⁴

This becomes evident from the following typical statements of the villagers:

Today nobody wants to be subordinate to others. Everybody wants to be his own master.

Today everybody feels that he himself is the ruler and the ruled. Nobody is afraid of anybody else.

Nobody wants to be submissive to anybody. Everybody wants to act according to his own wish. No one wants to listen to others.

All this indicates that the Gandhian concept of Community Development has not become a reality, or at least the Gandhian objectives of Community Development have not been realised. However, Community Development is taking place in some other forms.

When viewed in terms of the community growth theory of Frank Young, the Indian Community Development Programmes are creating conditions for the greater articulation of village communities with the national system. Articulation is inter-communication and linkage between local and outside systems combined with inner or institutional growth.⁵ Young's theory states:

All recent human communities develop according to a uni-dimensional sequence in the direction of greater articulation with... the emerging urban-industrial structure. Three main emphases characterise the growth sequence: a stage of local autonomy, a stage of representative group level contacts and a third phase in which the community and the national system inter-penetrate.⁶

If we analyse the macro-process of social change in terms of institutional growth in village communities and their linkage with the national system, we can identify at least two types of changes:

A STRUCTURAL CHANGE

Structural change may be defined as that type of change which "involves the emergence of qualitatively new complexes of roles and organisations".⁷

In Bisahakhatanga village, a process of internal structural change has started since the inception of the Community Development Programme. The Jolaha Muslims of the village being traditional cloth weavers were dependent on the tribals for their sustenance. As the tribals have preferred mill-made cloth to the indigenous cloth woven by the Jolaha Muslims, the latter have lost their main source of subsistence. They were forced to look for some other ways of earning their living. As they are commercial-oriented people, they

took to vegetable growing introduced by the Community Development Department. This has helped many of them earn a substantial amount of cash. Since they are short of land for cultivation, their main aim is to acquire as much land as possible. This they are doing by lending money to the tribals against the usufructuary mortgage of land of the latter.

Thus many of them are playing a new role of money-lenders. In this respect, unlike before, they are now making the tribals dependent upon them economically. Their population is also increasing rapidly because of the practice of early marriage among them. This is enhancing their numerical strength which may have implications in the village politics in the near future.

Another type of structural change in the village is changing power and leadership structure. For a proper understanding of the changing pattern of village leadership it may be useful to have some idea of the traditional leadership structure in the villages.

In a predominantly tribal village, there are mainly three types of traditional leaders: a religious leader locally known as *Pahan*, a secular leader called *Mahto* and an assistant to the religious leader, who is called either *Pujar* or *Panbhara*. The *Pahan's* main duty as a religious head of the village is to maintain a proper relationship between the village and the gods and spirits. His tenure of service is normally three years and he is elected by a divination locally known as *Pairenga*.⁸ The traditional practice is that the *Pahan* of the village should hail from the *Pahan Khunt* (lineage) of the original settlers of the village, that is, the people of *Toppo*⁹ clan in Bisahakhatanga village. However, as it has been observed by the writer at the time of field work, now a man of non-*Pahan* lineage and not belonging to *Toppo* clan can be elected a *Pahan*. The *Pahan* holds service land called *Dalkatari* or *Pahnai* land which is rent-free and inalienable. He holds an important position in the traditional *Goan Panchayat*.¹⁰

When the Zamindari system was in operation, the *Mahto*, besides being the representative of the village for secular affairs, was also responsible to the landlords in matters of rent collection for them. The villagers say that the position of *Mahto* was created by landlords to act as their agent. In some villages there could be two persons holding this position, one being elected

by the villagers from within the *Mahto* lineage of the original settlers in the village, although in some villages it may be hereditary, as is the case in usual practice. The *Mahto* gets service land called *Mahtoi* land. After the abolition of landlordism the position of the *Mahto* has become uncertain.

The *Pujar* or *Panbhara* being the assistant of the *Pahan* has to bring water and flowers for communal worship. He also collects fowl from different households for sacrifice at the time of important socio-religious festivals. He is elected in the same manner as the *Pahan* and holds office for three years. For his service, he also gets service land called *Pujar* or *Panbhara* land.

In the traditional organisation of the village the institution called *Dhumkuria* (youth dormitory) played an important role in training village leaders. In the village it was the only institution to give formal training to the village youth. The young boys of the village formed an association. The leader of the association was called the *Dhagar Mahto* and his assistant *Kotwar*. This provided an important training ground for future leadership. The novice officials were given training in organisation, administration and responsibility under the direction of the elders of the village.

In Bisahakhatanga this institution fell into disuse when the majority of the tribal population accepted Christianity. In other neighbouring villages also the club houses are still there, but due to ridicule of the non-tribals and the growing influence of modern education the institution is decaying. The halls have fallen into disuse and disrepair. Today formal education in schools and colleges is the main field of training leaders in villages. The persons who have received some formal education but for some reasons cannot leave their villages in search of white collar jobs in cities are increasingly taking up leadership positions in villages. This trend has been observed in Bisahakhatanga and other adjoining villages. Those who go for their college studies usually manage to get some kind of service in various government departments and keep themselves away from village politics. But the others who stay in their villages compete for leadership in the statutory panchayats.

The new statutory panchayat introduced in villages by the government tends to give rise to a new pattern of leadership and power structure. In the new panchayat system, representatives

are elected by adult franchise and hence the common people in villages increasingly participate in the national political system. In the traditional panchayat leadership was essentially hereditary in that the different types of village leaders hailed from some recognised lineage groups locally known as *Khunts*. Today these lineage groups have lost their importance insofar as leadership status is concerned. Instead, it is the new institution called the *Gram Sabha* which comprises all the adults of all the villages constituting a panchayat, that elects its leaders according to its own sweet will. In the choice of traditional leaders, the people had little say. Whatever choice they exercised in the election of the *Pahan* was more an interpretation of divine will than anything else.

The new panchayat system that prevails today gives access to positions of respect and power to more categories of individuals and initiates a basic change from a closed system to a relatively open one. In the open system performance based on special skills and recognised competence enables individuals from any stratum of the village community to achieve leadership status.

Moreover, leadership roles have become diffused and varied. Unlike traditional leaders, the new formal leaders play many roles, such as policy-makers for local development, rent collectors on behalf of the government, agents for different national political parties, contractors, brokers and patrons. They also become a link between the government and the common people in villages. For any work they approach government officials of different departments on behalf of the people whom they represent. On the other hand, when the government officials have to approach the villagers, they do so through these elected formal leaders.

In former days, the landlords also provided leadership. Especially during the Zamindari regime they wielded much power. But since the abolition of landlordism, their power is on the wane, at least in Bisahakhatanga panchayat. The position of some ex-landlords who want to maintain their former status is rather deplorable. About his miserable plight, one of the ex-landlords said:

Nobody cares for us today. People think that we were like thorns amidst them in the past. So they wish that we suffer now. Everybody, even the government wishes that we die. An insect is respected but we are respected by none. People simply want to kill us. It does not mean, however, that the

ex-landlords have lost their power. On the contrary, the introduction of the statutory panchayat system has given them an opportunity to assert their power. In many panchayats, it is the ex-landlords who usually are elected *Mukhiyas* and *Sarpanches*. In Bisahakhatanga also the ex-landlords held important positions in the panchayat from 1952 to 1963. However, their power is increasingly being challenged by the educated leaders from among the tribals and other low caste Hindus and Muslims. The introduction of panchayati raj in the District of Ranchi in 1964, has given rise to a new political awakening among the villagers. The scene of panchayat elections of May 1967 witnessed by the writer has given him the impression that the villagers are gradually understanding the value of their votes. The writer observed both men and women march towards the polling booths finding their suitable time. The new political awakening among the tribals and non-tribals of Bisahakhatanga and other villages has given rise to two major trends of leadership structure:

- The ex-landlords and other such influential persons want to retain their former power by assuming positions in the panchayat.
- The emerging leaders from the tribal group want to end the dominance of the ex-landlords by capturing important positions in the panchayat.

Thus there is keen competition for power between these two categories of village elites.

The two ex-landlords who held leadership status in previous years were thrown out in the 1964 election and two other educated middle-aged persons, a Christian tribal and a low caste Rajput were respectively elected *Mukhiya* and *Sarpanch*. They were raised to formal leadership positions mainly on grounds of their personal ability, better education and the hope of the people that they would work sincerely for the common good of the community. But during the three-year period of their leadership the villagers saw them nurse their own personal interests more than the common good of the village community. So in the 1967 election, leadership took a different shape. The Rajput gave up the idea of contesting the election. The ex-landlord of Bisahakhatanga and a Christian tribal of another village were candidates for the post of *Sarpanch*. The ex-landlord won the election.

For the post of *Mukhiya*, there were

three contestants — the current *Mukhiya* (hereafter called candidate A), another Christian tribal of Bisahakhatanga (hereafter called candidate B) and the ex-landlord from another village, who was *Mukhiya* before the current *Mukhiya* (hereafter called candidate C). As the people of Bisahakhatanga panchayat were not in favour of candidate C, the real competition was between candidates A and B, both of whom enjoyed more or less equal support of the people. Candidate A declared before the election that he wanted to be re-elected *Mukhiya* with a view to contesting for the post of *Pramukh* (president of the Panchayat Samiti at the Block level). But there are some influential leaders in the Muslim group who were against his being re-elected *Mukhiya*, as he stood in their way of fulfilling their vested interest, that is, acting as brokers. A section of the tribal population also was not willing to support him. Thus the whole Muslim section and those tribals and Hindus who were not in his favour formed a strong faction to work for his defeat and they succeeded in achieving their objective. Candidate B won the election as he proved himself to be more universalistic in his dealings with people than did candidate A. During his stay in the village, the writer observed that candidate A was backed by his intimate associates with whom he was closely working. Some villagers complained that he favoured only those who had voted for him in the previous election.

It may be said that change in traditional occupation, emergence of qualitatively new role structure and changing leadership and power structure constitute the basic structural change in villages.

B LINKAGES

The other type of change is the multi-dimensional linkages of village communities with the outside or national system. Some of the manifest objectives of the Community Development Programme are development of local initiative, self-help attitudes, self-reliance, self-confidence in villagers, increasing sense of community or civic responsibility, community spirit and co-operative ways of life. Insofar as the achievement of these objectives is concerned the government's innovative efforts appear to have been ineffective. Nevertheless, these efforts are fulfilling some other functions, manifest or latent, for village communities. That is, the Community Development Programmes are creating conditions in village communities for



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their greater articulation with the national system.

Social change in any community occurs, by and large, by virtue of its linkage with some outside system in that it provides the community with an opportunity for outer contact which facilitates lending and borrowing of new cultural elements. Some anthropological studies on acculturation¹¹ have demonstrated that contact of two or more different cultures usually leads to the modification of existing cultures. Planned or directed change may be viewed as a special form of acculturation in that there is a deliberate close contact of at least two cultures — the culture of the change agents and the culture of the recipient communities. The innovative culture tries to bring about change in recipient communities through contact. In other words, the change agents responsible for effecting change consciously and purposefully intervene in the culture to be changed by creating conditions for contacts. In this sense, any new institution or organisation that facilitates the linkage of a community with some outer system may be considered an index of change. For instance, the three newly created institutions — the statutory panchayat, the multipurpose co-operative society and the village school — though they remain mostly inactive, are fulfilling some useful manifest as well as latent functions for village communities. The new panchayat system by its very structure integrates village communities with the national system. Several villages are united to form a panchayat at the village level. Several panchayats are united to form a Panchayat Samiti at the Block level and the Panchayat Samitis form a Zilla Parishad at the District level. The elected representatives of this institution act as links between the villages and the national system.

The political articulation of the villages can also be seen in another form. Formerly the traditional village panchayats were confined to villages. They acted as autonomous bodies in villages and were based on local customs and traditions. But the new panchayat is required to act according to the rules and regulations laid down by the national government. Public representatives of the panchayats are elected according to the norms set by the State government. Besides, the fact that a government employee known as the Gram Sevak is the secretary of the panchayat and resides in the village is itself an index of greater articulation, according to Frank Young, of village communities with the national system.

The same thing can be said of the

village school. The school building in Bisahakhatanga and school buildings in other villages are not properly maintained by the villagers. When this aspect is taken into consideration, there is no Community Development. But the teachers who teach in the schools are government employees and they reside in the villages. Thus in terms of Frank Young's community growth generalisation this is also an index of articulation.

The establishment of multipurpose co-operative societies in the villages is an institutional growth. Through it the villages are linked with the national system in that those who are the members of the society get their credit requirements through the Central Co-operative Bank which is an institution of the national government. Also the fact that the government employees of the Co-operative Department often visit the villages may be taken as a source of linkage between the villages and the government.

Besides these institutions, the communication facilities offered to the villages by the government have facilitated the articulation of village communities with the outside system. The most important communication facilities are the village link roads constructed by the Community Development Department. These roads are not maintained by the villagers as a result of which most of them are turning into ditches. In this sense the road construction programme has been a failure. However, if we look at them from a different angle they are fulfilling some latent functions. These roads have linked different villages with the main roads and also one village with another. In the absence of these roads, many villages were isolated insofar as communication was concerned. Now people of one village can easily go to another.

When these roads didn't exist, neither the village communities nor the government had easy access to each other. The roads have brought the two in close contact. One can see government officials approaching villages on jeeps and other means of conveyance.

One of the most conspicuous institutional changes since the introduction of the Community Development Programme is the expansion of regional markets. Vegetable growing has acquired a universal status. The increasing production of vegetables has created more market centres and has initiated the expansion of the existing weekly markets. This has provided the villagers with greater opportunity to participate in the larger economic system of the nation.

In this regard it may be noted that formerly vegetables produced in villages reached only the weekly village markets. But now, the horizon has expanded. For instance, in Bisahakhatanga village, there is a progressive farmer in the Muslim group, who has established a direct relationship with the vegetable dealers in Calcutta. In addition to his own produce, he buys all the peas and a large amount of potatoes produced in Bisahakhatanga and other neighbouring villages and supplies them directly to the dealers in Calcutta.

Indirectly, the Community Development Programme has created a situation for growing interpenetration of people in towns and in villages. The increasing sale and purchase of vegetable seeds and fertilisers have brought the town people and villagers in close contact with each other. There are some town dwellers who have taken up the sale of vegetable seeds and chemical fertilisers and come regularly to village weekly markets to sell their commodities. Similarly, stock dealers in vegetables visit the weekly markets and buy large quantities of vegetables and supply them to different urban centres such as Calcutta, Jamshedpur, Rourkela, Bhilai and Durgapur. The villagers on their part, visit towns more often now than they did before. All those who do not get their vegetable seeds and fertilisers from the Block go direct to Ranchi and other towns to obtain them. Most of them also prefer towns to weekly markets for the sale of their vegetables, as in that case they get a better price for the commodities.

Therefore, with some institutional elaboration within and around the village there has already started, what Frank Young calls, "representative external contacts", and if we take into account the formal education in the village with specialised teachers residing there, "the interpenetration of the community into a wider structure" has already taken place.

Direct interpenetration of the village community and the national system is also occurring in some other forms. For instance, the government has provided each panchayat with a radio. It is true, as the writer has witnessed, that in many panchayats the radios are not utilised by the villagers for lack of technical knowledge to operate them. After the government radios were given to the panchayats no provision was made for their proper operation. In one of the panchayats of Mandar Block, the leader of the village, who is an illiterate person and to whom the radio was

enthusiastic, showed the worn out radio to the writer. He explained that the radio was not used any more as he did not have the batteries. However, in Bisahakhatanga village, the radio is being used by the ex-landlord who is the present Sarpanch of the panchayat. It should be noted that the radio is the common property of the panchayat but the ex-landlord has appropriated it for his own use. Thus, the main purpose for which the radio was given is not being served. However, the ex-landlord listens to the radio and communicates the news to the villagers. In this sense, it is serving its purpose.

It is in these terms that Community Development can be identified in Bisahakhatanga and other neighbouring villages.

In substantiating the first proposition two aspects of Community Development have been indicated:

- (i) The new trend of societal change largely characterised by growing independence and individualism among the villagers has thwarted the realisation of the Gandhian concept of Community Development.
- (ii) Community Development in villages can be identified in terms of the articulation conceptualisation which involves structural change and linkages of village communities with the national system.

II

Some Problems of Cultural Lag in the Process of Differentiation and Integration

From what has been said in the preceding section, it is evident that the process of community growth implies structural differentiation which, as defined by Smelser, is "a process whereby one social role or organisation ... differentiates into two or more roles or organisations which function more effectively in the new historical circumstances".¹² Structural differentiation is accompanied by "integration or establishment of new co-ordinative structures".¹³ Smelser contends that when new institutions emerge to play some specialised roles in a community some other institutions also emerge to co-ordinate the new institutions. However, problems may arise when the process of differentiation and integration do not move at the same pace.

These propositions could be applied with profit to analyse India's Community Development Programmes. Smelser maintains that, "differentiation concerns only changes in role structure".¹⁴ But in this study, the concept of "differentiation" may be used to cover all the new technologies, institutions, roles, and organisations, emerging since the inception of the Community Development Programme. In this sense, there is an accumulation of many technological and institutional changes, such as public drinking wells, foot troughs, roads, schools, co-operative societies, community halls, statutory panchayats, women's associations, and youth clubs. But appropriate and effective institutions to integrate or co-ordinate all these new inputs have not emerged at the same pace. Various types of innovations are continuous, but there is lack of integration. That is, differentiation is moving at a greater speed but integrative force is lagging behind. This is one of the basic problems of India's Community Development. The situation can be explained in terms of the cultural lag hypothesis.

A problem of cultural lag arises when some parts of culture, which are correlated, change in greater degree than do the other parts, thereby causing lack of adjustment between the different parts.¹⁵ This happens primarily because people are required to adapt themselves to changing environment, but this is usually done "with certain amount of lag".

On May 2, 1967, one of the Agricultural Supervisors of Mandar Block made the following comment on India's Community Development Programme:

Community Development work in the Block is not succeeding because the American model of Community Development has been imposed upon Indian villages. A model that should have come one hundred years later has come today. This is like making a student who does not even know the ABC of the English language take his matriculation examination in English.

Similarly, a village level worker who has 15 years' experience in working with the villagers made his remark:

The government started developing the village communities before they were ready for it.

In other words, highly evolved technological innovations have been imposed upon India's villages, the articulation level of which is far below the articulation level of the technological and institutional innovations. More specifically, some specialised and highly differentiated technological and institutional innovations, such as improved poultry, improved piggy, stud bulls and artificial insemination, the Japanese method of paddy cultivation, heavy iron ploughs, sanitary latrines, and community halls, have been introduced to communities primarily characterised by an undifferentiated

agricultural system. The articulation level required by these innovations is much higher than the existing articulation level of village communities.

This non-correspondence makes more sense in terms of Frank Young's proposition that "... a community will not change even if brought into contact with a potential source of change, unless it has a capacity for it".¹⁶ This proposition becomes all the more meaningful in terms of three other principles drawn from his community growth generalisation, that have practical applications to the problems of Community Development. These principles are:

- (i) An innovation will be accepted by a community whose articulation level is equal to or higher than that of the innovation.
- (ii) Instead of developing some specific institutions, there may be need to develop some general institutions. In this regard, an attempt to revitalise some outmoded institutions may be wasted effort.
- (iii) The articulation level of a community must be first assessed and changes then facilitated that are consonant with it.¹⁷

Young's theory of community growth states that the process of differentiation follows certain sequences. It implies that problems may arise if there is any overlapping in the sequence of differentiation. That is, if the innovations are not parallel with the sequence of differentiation in a community the process of innovation will result in a cultural lag.

The Indian Community Development Movement aims at bringing about many-sided social change in village communities. It is true that changes in different areas are concomitant. However, all changes do not progress at the same rate and this is the crux of the whole problem of social change in general, and of planned change in particular.

In and around Bisahakhatanga, many technological and institutional innovations have been initiated by the Community Development Department but they have not been properly integrated for lack of the prerequisite institutions. One of the integrative institutional mechanisms that appears to be lagging behind is the institution of effective social control. As this institution, if it exists, has not been firmly stabilised, Government has not been able to control the widespread practice of dishonesty, both on the part of the development workers and among the villagers. The general complaint of the people is that widespread dishonesty prevails at every important level through which resources

are directed, and that there is no effective legal way to prevent it. Consequently, the construction of village link roads, village school buildings and teachers' quarters, panchayat houses, health subcentres, community halls, residence for village level workers and *Kramcharis*, are not properly carried out. They often collapse after they are erected and in many cases they are not even completed. Government funds invested in these programmes are thus simply wasted. Similarly, in the absence of effective social control in rural areas, village schools, health subcentres, and community halls are not properly maintained and safeguarded. Consequently, in Bisahakhatanga village, the doors, windows, iron rods, play equipment, tiles and bricks of the school have been stolen. Lack of social control in villages is evident also in the thefts that frequently occur. For instance, in Bisahakhatanga, 20 out of 50 lemon plants of the present Mukhiya of the Panchayat were stolen in one December night. Further, there were several thefts of garlic in the village. Incidents such as uprooting of squash plants and throwing them away, were also reported to this writer.

It is the manifest objective of Government that the three basic village institutions — the village panchayat, the village school and the village co-operative — should function in collaboration with each other for acceleration of social change in the villages. But they are not co-ordinated in their day-to-day functioning. Instead, they have their separate existence and their heads tend to function independently of one another. Besides, there is no sense of responsibility among the formal leaders or among the people. Avoidance of responsibility has become a village norm. The Community Development Movement has not been able to foster a feeling of civic responsibility among villagers for maintaining the public institutions. This has become a significant moral problem. The following citations elicited from the villagers to the question, "Why is the school building not maintained properly?" illustrate the issue:

The villagers said:

The school building is not repaired because the teachers do not care for its repair. The Mukhiya and the Sarpanch do not do anything for its repair.

The teachers complained:

The people of the village are not willing to contribute anything towards its repair. They do not care for the school. The Mukhiya and Sarpanch do not co-operate with us. The Mukhiya and the Sarpanch, on their part, said:

It is the teachers' duty to maintain the school properly. They do not care. Neither do the people listen to what we say.

There is inadequate supervision of the schools by the departmental authorities also.

This lack of responsibility also characterises the statutory village Panchayat, the multipurpose village co-operative, as well as technological innovations such as the public drinking wells, the village link roads, and the construction of panchayat houses.

On the whole, too many technological and institutional innovations have been introduced in the village communities while there is inadequate provision for the technological and institutional means to make them work. Herein lies the cultural lag between the innovations and their continued use and/or maintenance. For instance, in Bisahakhatanga and the surrounding villages, foot troughs have been constructed, but the medicine and the technological knowhow necessary to operate them are lacking. Similarly, new types of wells fitted with pulleys have been constructed, but in the villages there are neither technicians nor materials for their proper maintenance. Once the pulleys are damaged, they remain unused for lack of 'technical personnel' to repair them.

For effective innovation, some internal changes have to occur among the people first in order that the community may be able to adapt itself to influences from outside. This means that the attitudes of the people, towards Government and towards their own values, customs and tastes, have to change first. Education is a prerequisite to effect change in people's values and attitudes. Holmberg and others have demonstrated that educational bombardment is necessary to change the values and attitudes of people if technological as well as institutional changes are to take root in a community. They have shown that technological changes were carried out through changes in people's values.¹⁸ In India's Community Development Programmes, the emphasis on changing people's values was either neglected or not well taken care of. This is evident from what close, objective observers of the programmes assert.

Our observations of the planning in India are that there have been much clearer evidences of strategy in planning economic than social change, and that there has been no planning for cultural change.¹⁹

In fact, the social education programme that is necessary to initiate cultural change in villages has been

abolished by Government as this programme failed to elicit tangible results. Nevertheless, the most essential thing is the development of human resources. More specifically, there is need to change the attitude of the people in the villages. To bring about this type of change, it is necessary, however, that the development workers have social skills as distinct from engineering skills. They have been unable, in fact, to use social skills to effect cultural change among villagers.

Moreover, effective and lasting innovation demands socialisation, or better, re-socialisation of the villagers, which requires formation of new interest groups. It is by forming these groups that the villagers can acquire new values, new attitudes, and new roles. In the villages the hold of caste, tribe, kinship and religion, is still very strong. The institutional changes that are being implanted in the villages require "realignment of groups and formation of new groups" — as Taylor and others maintain — which will transcend caste, tribe, kinship, and religious boundaries. All this is still lacking in Indian villages.

Last, but perhaps not least, the emerging institutions such as village schools, community halls, co-operative societies, women's associations, etc, sponsored by Government could work more effectively if they were integrated or co-ordinated with the existing social, cultural, educational and economic institutions which have greater hold over the people. But it is found that, the change agents tend to work independently of these. And this unnecessary duplication instead means that institutions tend to come in conflict with one another.

It may be concluded, therefore, that institutional and technological differentiations are being speeded up by the change agents without creating the appropriate institutional means to integrate them into a harmonious whole. Thus there is a lag between differentiation and integration, or (to use Poutsioen's²⁰ term) there is a "lack of adjustment".

III

Widening Gap between Rich and Poor

One of the objectives of the Community Development Programmes, particularly the agricultural development programmes, is to bridge the gap between the rich and the poor. However, a close examination of the operation of the programmes reveals that there is no bridging of the gap between the rich and the poor sections of the rural

population. On the contrary, the gap appears to have become wider today. One reason is that the economic development programmes are helping the rich to get richer while resulting in the poor becoming poorer. It is the relatively rich people, who have the resources at their disposal, who are able to obtain the lion's share of the economic advantages derived from the agricultural development programmes. This impact of the Community Development Programmes on Indian villages has already been identified by some sociologists and anthropologists. Thus, Desai holds:

[The] impact of Community Development project is fraught with serious consequences. It sharpens the gulf between the rich and the poor cultivators.²¹

Srinivas maintains that "the development programmes have helped only the wealthier sections of the rural population".²² Berreman says that the agricultural development programme in ... its effect has been over much of India, to benefit primarily the farmers — those who own land — and these tend to be high-caste people who are already the most economically advanced.²³

Quoting Dube, he further adds that "... nearly 70 per cent of its benefits went to the elite group and to the affluent and influential agriculturists".²⁴

These few quotations are sufficient to indicate that it is the relatively rich people, constituting the elite, who are taking advantage of the economic development programmes and gaining economically. The bulk of the poorer sections of the village population have not been able to derive any appreciable benefit from these programmes and have thus not been able to raise their economic position. This state of affairs may be accounted for by Gunnar Myrdal's theory of circular causation with cumulative effect. Myrdal has used the "circular causation" hypothesis to explain white prejudice against the Negroes in the United States of America. His hypothesis reads:

In its simplest form the explanatory model can be reduced to two factors: 'white prejudice' causing discrimination against the Negroes in various respects, and 'low plane of living' of the Negro population. These two factors are simultaneously interrelated: The Negroes' low plane of living is kept down by discrimination from the whites while, on the other side, the Negroes' poverty, ignorance, superstition, slum dwellings, health deficiencies, dirty appearance, bad odour, disorderly conduct, unstable family relations, and criminality, stimulate and feed the antipathy of the white for the Negroes.²⁵

The population of each village can be

divided into two main sections — the small elite group represented by relatively rich upper-caste people and the vast majority of the poor section comprising different low castes, tribals and Muslims. In Indian villages there has always existed a gap between the rich elite group and the great majority of the poor. The elite group has always been in greater contact with the outside system than the non-elite poor group has been. The elite group is, moreover, aspiring to change in the direction of Westernised subculture which, it would appear, is ultimately characteristic of the Indian Community Development Programme. In this respect, it is more cosmopolite than the other. "Cosmopoliteness is the degree to which an individual's orientation is external to a particular social system".²⁶ The group can also be characterised by greater innovativeness which is "the degree to which an individual is relatively earlier in adopting new ideas than the other members of the social system".²⁷ For this reason, the village level workers are in closer contact with this group than with the other group.

The major determining factor of the existing gap between the rich and the poor is poverty. For the poor section, poverty means that it lacks resources and is thus unable to purchase manure, fertilisers, improved seeds or implements, and is unable to avail itself of other facilities. Most people of this group cannot afford even 50 per cent of the cost of construction of irrigation wells, which the government subsidy scheme asks for. They are therefore unable to increase their output and they consequently remain poor. For them, poverty is both the cause and the effect of being poor. The rich people, on the other hand, have resources at their disposal which enable them to purchase manure, chemical fertilisers, improved seeds, or implements, and enable them to benefit from related economic development programmes. For instance, they can take advantage of the 50 per cent government subsidy for digging irrigation wells. Their ability to do all this helps them increase their yield and so they become richer. It is, therefore, evident that for them their economically better position is both the cause and the effect of their getting richer.

In Bisahakhatanga and other adjoining villages, the typical reply to the question, "Are you benefiting from community development programmes?" from the poorer section of the village population was: "We are not benefiting from the programmes. Only those who have financial resources are benefiting

from these programmes". To the same question the reply received from the relatively rich people was that they are able to avail themselves of the economic development programmes launched by Government. In evidence of this, on visiting different villages of Mandar Block, one finds that it is in fact the rich people with adequate resources who have their irrigation wells sunk with the help of 50 per cent government subsidy. The minute books of the Standing Committee of the Panchayat Samiti reveal that, more than 90 per cent of persons who apply for subsidy are from the upper-caste/class groups. Recently, 10 diesel pumpsets have been introduced, which have gone mostly to ex-landlords. Vegetable growing on a large scale has been undertaken by relatively rich farmers. Further, co-operative loans also help these people to better their economic condition.

The thesis of circular causation with cumulative effect, therefore, also explains the widening gap between the rich and the poor in these villages."

Conclusion

This article has attempted to present a new perspective of the Indian Community Development. It has been appraised that the Gandhian ideology of Community Development has been ineffective. Nevertheless, innovative efforts are helping community growth in terms of structural change and linkages of village communities with the national system. Increasing differentiation in the form of innovative inputs, but lack of integrative institutional mechanism, has created the problem of a cultural lag. Circular causation, with the cumulative effect of people's poverty, accounts for the increasing gap between the rich and the poor.

Notes

1. The data for this study were collected during a one-year (September 1966 — August 1967) period of field work in the Mandar Community Development Block in the District of Ranchi, Bihar, in general, and in Bisahakhatanga and its adjoining villages, in particular. The field work was made possible by a generous award of a Junior Fellowship from the American Institute of Indian Studies, University of Pennsylvania, Philadelphia, for the academic year 1966-67. The author expresses his deep gratitude to the Institute for awarding him the fellowship.
2. Report of the Community Development and Co-operation, Government of India for 1960-61, p 51.
3. B Minz, 'The Tripod of Community Development', *Social Action*, IXX, Number 3, July-September, 1969, pp 192-201.

D Kantowsky, 'Community Development and Panchayati Raj', *Inter Discipline*, IV, Number 1, (Spring 1967), p 52.

Frank W and Ruth C Young, 'The Sequence and Direction of Community Growth: A Cross-Cultural Generalisation', *Rural Sociology*, XXVII, 1962, p 381. Hereafter referred to as 'Sequence and Direction of Community Growth'.

Ibid, pp 374-375.

Neil J Smelser, 'The Sociology of Economic Life', Englewood Cliffs, N J: Prentice-Hall, 1963, p 100.

Process: The outgoing Pahan, his assistant and a few men of the village proceed towards the village sacred grove called Sarna. They take with them some water in a brass jug, some Arua rice, a five feet long stick and a winnowing fan. On reaching the grove the winnowing fan is tied with string to one end of the stick. The stick with the tied-on winnowing fan is then handed over to a man whose eyes are tightly blind-folded with a piece of cloth. The man holds the stick and places the tied winnowing fan over the stone image of the village deity called Sarna Burhia. The outgoing Pahan chants a few prayers, sprinkles some water from the jug with mango leaves and throws a few grains of rice over the winnowing fan. Following him all the men present take a handful rice and do the same. The blind-folded man after feeling the divine sensation of the deity starts shaking and abruptly heaves the tied winnowing fan towards the village. The other

people follow him sprinkling water and hurling rice over the fan at regular intervals. The blind-folded man moves from door to door and in any man's house in which the winnowing fan rests upside down is deemed to have been elected the new Pahan of the village.

9. Toppo is a kind of bird.
10. The Gaon Panchayat should not be confused with the Gram Panchayat. The former is the traditional council of elders, which existed and still exists in each village, while the latter is the statutory Panchayat recently introduced by the Government.
11. Robert Redfield, R Linton, M J Herskovits, 'Memorandum on the Study of Acculturation', *American Anthropologist*, XXXVIII, 1934, 149-152; R Linton, 'The Study of Man: An Introduction', New York: D Appleton-Century Company Incorporated, 1936; R Linton, editor, 'Acculturation in Seven American Indian Tribes' New York: Appleton Century, 1940; M J Herskovits, 'Man and His Works: The Science of Cultural Anthropology', New York: Alfred A Knopf, 1948, Chapter 31, pp 523-541; Chapter 32, pp 542-560.
12. Smelser, *op cit*, p 106.
13. *Ibid*, p 102.
14. *Ibid*, p 106.
15. William F Ogburn, 'On Culture and Social Change', Chicago: The University of Chicago Press, 1964, p 86.
16. Frank W and Ruth C Young, 'Societal Integration and Change

in Twenty-four Mexican Villages', *Economic Development and Cultural Change*, VIII, Number 4, Pt I, July 1960, p 367.

17. Young, 'Sequence and Direction of Community Growth', pp 385-386.
18. Allan R Holmberg and Others, 'Community and Regional Development: The Joint Cornell-Peru Experiment', *Human Organisation*, XXI, Number 2, Summer, 1962, pp 107-124.
19. Carl C Taylor and others, 'India's Roots of Democracy', New Delhi: Orient Longmans, 1965, p 504.
20. Johannes A Ponsioen, 'The Analysis of Social Change Reconsidered', The Hague: Mouton, 1962, p 47.
21. A R Desai, 'Community Development Projects: A Sociological Analysis', *Sociological Bulletin*, VII, Number 2, September 1958, p 161.
22. M N Srinivas, 'The Indian Road to Equality', *The Economic Weekly* XII, Special Number, 1960, p 868.
23. Gerald D Berreman, 'Caste and Community Development', in William L Rowe, editor, 'Contours of Culture Change in South Asia' *Human Organisation*, Special Issue, XXII, Number 1, Spring 1963, p 91.
24. *Ibid*.
25. Gunnar Myrdal, 'Rich Lands and Poor: The Road to World Prosperity', New York: Harper and Brothers, 1957, p 16.
26. Everett M Rogers, 'Diffusion of Innovations', New York: The Free Press of Glencoe, 1962, pp 17, 102.
27. *Ibid*, p 287.

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Bank Finance to Agriculture, Small Industry

Proposal for a Scheme of Approved Dealers

V V Bhatt

Following up the concept of a lead bank for each district to promote agricultural operations and small industries, it has been suggested that a lead bank should provide guidance to farmers and small industrialists in the purchase of machinery such as power tillers, pump-sets, agricultural implements, machine-tools, etc, and also provide medium-term loans to them to finance such purchases. Guidance and finance are also needed in the purchase of seeds, fertilisers, and pesticides.

This is not an easy task, however, and to perform it the bank would have to collect the required information, ensure recovery of loans and interest, assist in obtaining after-sales service, and keep a watch on the working of the assisted enterprises.

The task can be made easier by creating and supporting a set-up of approved dealers. Such an institution could, moreover, serve as a catalytic agent for widely diffused economic development. It would not only facilitate the bank's functioning but would also assist farmers and small industrialists, create employment opportunities in wholesale and retail trade and ensure a wide diffusion of technical and mechanical skills.

This article outlines the several requisites for a set-up of this kind to ensure that it fulfils its purpose and so assists the lead bank in performing its own task effectively.

IN an earlier paper*, it was suggested that a lead bank should provide guidance to farmers and small industrialists in the purchase of machinery — power tillers, pump-sets, agricultural implements, machine-tools, etc — and also provide medium-term loans to them to finance such purchases. Guidance and finance need to be provided also for the purchase of seeds, fertilisers and pesticides. This task is somewhat difficult. For, to perform it, the bank would have to (a) collect required information to judge the effectiveness of the machinery and the current inputs in the generation of output, sales, profits and repaying capacity, (b) ensure recovery of loans and interest payments at regular intervals, (c) assist the purchaser in obtaining after-sales service for maintenance of machinery items and necessary repairs and (d) keep continuous watch and supervision over the functioning of assisted enterprises.

This task can be made easier by creating and supporting an institution of approved dealers. Such an institution would not only facilitate the bank's functioning, it would also provide essential services to farmers/small industrialists, create employment opportunities in wholesale and retail trade, ensure wider diffusion of technical and mechanical skills, and provide the necessary training to potential mechanics. The proposed institution, could thus serve as a catalytic agent for widely diffused economic development.

The dealer, in the first instance, would be approved by a manufacturer.

* See V V Bhatt 'Lead Banks: Action-Oriented Approach, *Economic and Political Weekly*, October 3, 1970, p 1639.

For this purpose, the latter would collect the required information about the dealer (please see Appendix I). The information will be passed on to the lead bank and after its proper evaluation, the bank should decide whether it would regard him as an approved dealer.

To safeguard the interests of the bank and the customer, the dealer should be a man of integrity. To ensure that he would neither cheat the customers nor the bank, the manufacturer should ask him to lodge with the bank as surety an amount of money equivalent to 25 per cent of his yearly sales. This amount would be forfeited by the bank if there were evidence to show that the dealer has either cheated his customers or the bank. A scheme of fidelity insurance can also be thought of.

The approved dealer, then, would be provided with loan application forms by the bank. The dealer would contact the customer, collect from him information necessary to judge his proposal for the purchase of a machinery item/current inputs like fertilisers, advise him with regard to this purchase, and if the dealer is satisfied that the proposed purchase operation is a viable proposition, he would assist him in filling the loan application form to the bank and also recommend his application to the bank.

The information that he collects should be sufficient to ensure (a) the viability of this form of investment and (b) the repaying capacity of the customer. A proforma for such information with regard to the purchase of a pump-set by a farmer is given in Appendix II for illustrative purposes. It would be

difficult for a bank to collect such information, with its limited staff; the approved dealer could be of considerable assistance to the bank in this matter.

The bank, then, would judge the scheme on its merits. If it approves the scheme, it would so inform the dealer as well as the customer. The dealer would then instal the machinery/sell current inputs and inform the bank accordingly. After the receipt of this advice from the dealer and information from the customer that the machinery is installed or that current inputs are provided, the bank would debit the account of the customer and credit that of the dealer by the amount of the loan granted to the customer — it may vary from 75 per cent to 90 per cent of the price of machinery.

It would, then, be the function of the dealer to inspect the installed machinery at regular intervals and to ensure that it is properly maintained; such reports should also be sent to the bank. The dealer would also ensure that the interest on loans and the repayment instalments are paid regularly to the bank by the customer. In case of continued default, the machinery item would be forfeited by the bank and the manufacturer should guarantee that he would buy it back from the bank at the original price minus the customer's payments. Without such a guarantee by the manufacturer, the institution of approved dealers may not prove viable. Such a guarantee is then essential.

The approved dealer can be held responsible for the recovery of loan and interest payment in areas where no bank branches are located; in the banked areas, this would be the function of

the bank and the approved dealer would assist the bank in the task.

The concerned bank should conduct surprise inspection of the work of the approved dealer and if it finds that the approved dealer has cheated the bank or the customers, his "surety" amount should be forfeited and distributed among his customers, if the latter were cheated; further, he would be de-recognised both by the bank and the manufacturer.

With the safeguards indicated, the institution of approved dealers could make a significant contribution to the wider diffusion of (a) bank services, and (b) development impulse; at the same time it could ensure (c) the provision of essential repair and maintenance services to the farmer/small industrialist, (d) provision of appropriate guidance with regard to purchase of machinery items/current inputs and (e) considerable employment to the people in the fields of wholesale and retail trade, and workshop type of industries. The approved dealers' offices can be located at the Department Store mentioned in a previous paper (referred to above).

The details relating to the scheme of 'approved dealers' and the nature and functions of an approved dealer are given in Appendix I.

Appendix I: Function of an Approved Dealer

A: NATURE OF THE APPROVED DEALER

Under the proposed scheme, a manufacturer will recommend to the bank for its approval the name of the dealer, the centres of operation and the quantity to be sold during the year. If the bank is satisfied, it will allow him to operate as an approved dealer. It could then:

(1) Authorise its branch to give him loan application forms, receive loan applications from him, scrutinise such applications and if such applications are accepted to give loan to agriculturist/small industrialist recommended by him. The dealer should send the information as follows to the manufacturer as well as the bank:

(i) The details of his organisation as to whether it is a proprietary concern, partnership firm or private/public limited concern, etc, with the details of proprietor/partners/directors. Copies of balance sheet for the last three years should be submitted.

(ii) The godown facilities for keeping machinery items/spare parts in stock on his own and in bank's custody.

(iii) Details of cash credit facilities

presently available to him along with his bankers' names, etc.

- (iv) (a) Number of talukas in his district
- (b) Number of villages in each taluka
- (c) Number and names and addresses of sub-dealers under him
- (d) Record of past two years' sales
- (e) Record of sale of his sub-dealers
- (f) Number of machines sold during the last year
- (g) Details of sales force employed by him and his sub-dealer — Number of mechanics; Number of salesmen (counter/travelling you have); Number of days spent in travel by him during each month last year.

(2) Approval of loan applications would be quicker if the dealer has very good relations with the local bank agent. It is essential that (a) he has fair and regular dealings with the bank and (b) the bank honours his integrity and judgment.

(3) It is impracticable to expect that he or his staff can find and persuade all agriculturists/small industrialists to purchase machinery items from him only under the loan scheme. He has to take help and assistance from his sub-dealers and contact-men in villages. Therefore, if he does not have sufficient contact-men, he should search and appoint them. They should be

- (i) Preferably mechanics in villages (or group of villages).
- (ii) Known persons who enjoy the confidence of farmers/small industrialists in that area. They should be interested and actively work to bring to him honest and credit-worthy farmers/small industrialists desirous of buying machinery items by making the required cash-down payment.

The contact-men should be able to

- (i) Collect information about the farmer/small industrialist to enable him to recommend those cases to the bank.

- (ii) Carry out inspection of machinery items and make the farmer/small industrialist to pay his instalments on due dates by reminding him and assisting him. He will have to decide in advance as to what remuneration would be paid to these people for finding out clients, for col-

lecting information, and for sale of machinery items through their efforts and also for assisting him in the job of inspection and ensuring regularity of instalment payments.

B: FUNCTIONS OF AN APPROVED DEALER I — Making the Loan Application,

(1) The application for the loan is to be made by the agriculturist/small industrialist.

The application should be made in the bank's standard loan application form or the form prepared by the manufacturer and approved by the bank. The application forms are to be obtained by him from the concerned branch of the bank. He is to get the application form completed from the agriculturist/small industrialist. If he is satisfied that the form is properly completed and that the application deserves consideration by the bank, he will then forward the same to the concerned branch of the bank.

(2) Along with the application, he has to submit the following:

- (a) Relative records of rights pertaining to the farm.
- (b) A certificate of dues or no dues from the Co-operative Society. Such a certificate has to be obtained by the applicant and he has to help him to obtain the same.
- (c) A certificate of outstanding borrowings of the applicant from Government and/or Co-operative finance or any other lending organisation. This certificate should indicate
 - (i) the nature of security given and the terms of repayment
 - (ii) whether the applicant is liquidating his dues according to the schedule fixed
 - (iii) whether the applicant is in arrears in paying such dues
 - (iv) that the machinery items which the applicant wants to acquire will be outside charge or lien he has given for previous borrowings.

(d) A proforma invoice showing the cost of the machinery items (showing separately octroi and taxes if any). For prices of machinery items, he should refer to the price lists sent to him by the manufacturer from time to time. The prices ruling at the time of delivery are to be charged.

(e) Confirmation by the applicant to the effect that he is in a posi-

tion and/or has arranged to make the required down payment.

(f) Confirmation by the applicant to the effect that the machinery items against which loan may be sanctioned will remain pledged to the bank till all the instalments of the loan are repaid and during the currency of the loan the applicant will insure it against theft, fire and damages at his own cost.

(g) A certificate from the approved dealer that he has satisfied himself to the effect that if the loan is sanctioned, he would instal the machinery item, provide required after-sales service and look after the maintenance of the machinery item regularly. This certificate will also include his recommendations.

II—Delivery of the Machinery Items to Agriculturist/Small Industrialist

The machinery item can only be delivered to the agriculturist/small industrialist by him, if the following formalities are completed.

- (i) The bank's approval and willingness to finance the purchase under loan scheme has been received by him. The branch concerned will examine the application and on the recommendation of the "approved dealer" normally approve the loan recommended to the agriculturist/small industrialist — although, the bank has every right to reject the application without giving any reason for such rejection.
- (ii) A set of loan documents has been received by him from the branch
- (iii) He has collected from the farmer/small industrialist 10 per cent (or 25 per cent as the case may be) of the value of machinery item plus octroi duty and taxes as down payment and given to him a receipt for this payment. The other charges such as stamp fee, insurance charges, etc. are to be collected extra with the cash-down payment.
- (iv) He has obtained from the farmer/small industrialist confirmation that he will
 - (a) pledge the machinery item to the bank,
 - (b) insure it against theft, fire and damage at his own cost during the currency of loan,
 - (c) if he defaults payment of in-

stalments he would not object to the bank taking away the machinery item from his farm/enterprise,

- (d) The agriculturist/small industrialist has executed and signed the set of loan documents.
- (e) The signature of the agriculturist/small industrialist is obtained on the copy of the invoice in token of receipt of the machinery item.

III—Payment of Invoice

He has to hand over to the bank the following:

- (a) Duplicate of the receipt given to the agriculturist/small industrialist by him for down payment
- (b) Set of loan documents executed and signed by the agriculturist/small industrialist
- (c) Copy of his invoice for machinery item given to agriculturist/small industrialist duly signed by him in token of having received the machinery item.

The branch will then, if it finds all the documents mentioned above in order, pay the amount of loan granted to the farmer/small industrialist.

IV—Repayment of Loan Instalments

The approved dealer has to assist the bank in the recovery of the instalments of the loan from the agriculturist/small industrialist. Therefore, it is his duty to assist the bank in the recovery of its instalments.

- (i) The branch concerned will send him the instalment repayment programme by the agriculturist/small industrialist in duplicate. On receipt of this programme, he has to deliver one copy to the agriculturist/small industrialist.
- (ii) One month prior to the due date of instalment, as per programme, it is his duty to remind his contact-man, as well as the agriculturist/small industrialist regarding the instalment due for payment. Fifteen days before the due date, he should send two reminders and advise his mechanic and contact-man to see that the agriculturist/small industrialist honours his commitments. If the instalment is not paid immediately, he should get in touch with the agriculturist/small industrialist and persuade him to pay.
- (iii) If there are any instalments in arrears, the bank has the right

to ask the manufacturer to repurchase that machinery item when delivered by the bank and the manufacturers should give an undertaking to the bank to refund the amounts in default inclusive of interest to the bank. He would primarily be responsible for ensuring regular repayment of instalments. Any postponement and/or failure of the instalment payment will prejudice his position with the bank. As such it is necessary for him to maintain his prestige — otherwise the bank will be reluctant to approve future applications or may even refuse to approve.

If there are unreasonable postponements and defaults, the bank may be obliged to remove his name from the list of approved dealers and the manufacturer, in turn, will also have to take a serious view of such conduct. In such a case, his 'surety' amount would be forfeited by the bank.

V—Installation-Maintenance and After-Sales Service

In recommending the application, he will undertake to assist the installation of the machinery item, to provide the required after-sales service, and to look after its maintenance regularly. He has therefore to

- (i) provide necessary assistance to the agriculturist/small industrialist for installation of the machinery item sold by him and obtain an acknowledgement that it has been installed to the entire satisfaction of the agriculturist/small industrialist,
- (ii) keep sufficient stock of spare parts and accessories so that he can carry his obligations of giving after-sales service effectively, efficiently and promptly,
- (iii) arrange to send his factory-trained mechanic to inspect the machinery item from time to time and see that it is kept working in good condition. The assistance for installation or repairs and maintenance is not to be given free. He may, therefore, charge reasonable expenses as his fees. The normal guarantee of the manufacturer is applicable also to his sale of machinery item and he has to arrange inspection of the machinery item and normal servicing of the machinery item at least once in a year free of charge. This visit is

exclusively meant to check the installation, to carry out minor adjustments and repairs if necessary, and to give guidance and advise to the user on proper and correct maintenance of the machinery item as well as use of genuine spares. A report to that effect is also required to be submitted to the concerned branch of the bank, with a copy to the manufacturer. The bank may also request him for any special report, special inspection or special service. In such cases, the costs will be borne by the bank.

VI—Reporting to Manufacturers and the Bank

Once a month, he will report to the manufacturer/bank the following details:

- (1) The number of applications received
- (2) The number of applications recommended
- (3) The number of applications approved by the bank
- (4) The number of applications rejected and pending with the bank
- (5) The number of machinery items delivered against loan documents
- (6) The number of machinery items inspected and report sent to the concerned branch of the bank.
- (7) Recovery position of instalments due.

Appendix II: Credit Appraisal for a Pump-set Loan

A: INFORMATION TO BE COLLECTED BY THE APPROVED DEALER FROM THE FARMER

The branch of the bank in the area of an approved dealer will normally sanction proposals recommended by him, though it has the right to reject any proposal without giving any reasons. In order to be able to make such recommendation, the dealer will have to get detailed information about the farmer/small industrialist, by himself or through his contact-men. The nature of this information would be different for different projects. For illustrative purposes, the nature of information required from the farmer for the purpose of installing a pump-set is presented in this Appendix II-A; this information collected from the farmers should be checked by the dealer in some such manner as is illustrated in Appendix II-B.

- (1) Name and address of the agriculturist

- (2) His land-holdings in acres and present market value
- (3) Ownership of his land
 - (a) owned individually
 - (b) owned jointly
 - (c) owned on lease
 - (d) if leased for how many years?
- (4) Nature of soil
 - (a) black cotton
 - (b) ordinary black
 - (c) medium
 - (d) muram
 - (e) clay
 - (f) any other
- (5) Source of water in his land
 - (a) rainfed
 - (b) well
 - (c) canal
 - (d) river
 - (e) stream
 - (f) tank
 - (g) any other
- (6) Crop pattern of his field
 - (a) crops taken presently (without pump-set)
 - (b) crops to be taken (with pump-set)

	Expected crops with pump-set	Area to be cultivated	Expected yield per acre	Expected profit per acre	How many crops in a year
(i) Cash crop					
Sugarcane					
Cotton					
Grapevines					
(ii) Foodgrains —					
(iii) Fruits and vegetables —					
(iv) Any other					

- (7) His assets
 - (a) pieces of Plots
 - (b) livestock
 - (i) buffaloes
 - (ii) cows
 - (iii) bullocks
 - (iv) poultry
 - (c) house
 - (d) government securities
 - (e) insurance
 - (f) bank account
 - (g) godown
 - (h) shed/farm house
- (8) Applicant's family and income
 - (a) whether the applicant is head of the family. If not, the name of the head of the family
 - (b) his relation to the applicant
 - (c) his present occupation
 - (d) other members of the family
 - (i) totally dependent
 - (ii) with individual earnings
 - (iii) approximate earnings (total) of the family
- (9) His liabilities
 - (a) has he borrowed money from
 - (i) LMB/LDB
 - (ii) co-operative society
 - (iii) commercial bank
 - (iv) any other
 - (b) is he a member of a Co-operative Society?
 - (c) has he taken any loan from the Society?
- (10) General information:
 - (a) is he working on the land himself? If yes, for how many years?
 - (b) who are his neighbours adjoining the farm? Name a few —
 - i)
 - ii)
 - iii)

Review of Plan Implementation

Methodology and Mechanics

P K Mukherjee

With hindsight many plausible reasons have been adduced to explain the tardy and indifferent implementation of plan programmes in the last two decades. Analysis of these reasons makes clear that many of the factors impeding effective implementation could have been controlled if close and timely watch had been kept during the implementation of plan schemes. It is in this context that the task of reviewing plan implementation and progress becomes necessary and useful.

It is not that the executive authorities and policy-makers were unaware of the need to undertake such a task. But until recently the task of reviewing plan implementation or even that of evaluation of plan programmes and projects was deemed to be almost coterminous with that of progress reporting. It is only now that it is being accepted that review of plan implementation and evaluation of plan schemes begin where progress reporting ends.

It is, therefore, essential to understand the methodology of making such a review and the mechanics of doing it. In other words, one has to know what to review and how to review.

[The views expressed in this article are those of the author in his personal capacity.]

IF the Indian planning experience during the last two decades has thrown up anything, it is the tardy and indifferent implementation of plan programmes. Apart from the fact that many plan schemes were not properly formulated in all aspects, the most disturbing feature was that even the incompletely conceived plan programmes were very much delayed in their time schedule for implementation. As a consequence, the phenomena of cost inflation of an almost overwhelming nature was a common one rather than an exception. With hindsight many plausible reasons have been adduced to explain such a situation. Analysis of these reasons makes clear that a large number of these factors could have been resolved or controlled if a close and timely watch was kept during the process of implementation of these schemes. It is in this context that the task of reviewing plan implementation and progress becomes necessary and useful.

It is not that the executive agencies or even the policy-makers were not aware of the need to undertake such a task concurrently. But the usual procedure, which is a normal one in running the activities of Government departments or institutions, of reviewing plan implementation has been through the mechanism of progress reporting and appraisal. Until recently, this task or even the task of evaluation of plan programmes and projects was almost coterminous with that of progress reporting. One cannot say that things are properly understood now; but at least this much has been accepted that review of plan implementation

and evaluation begins where progress reporting ends. It is, therefore, essential to understand the methodology of making such a review and the mechanics of doing it. In other words, one has to find out answers to 'what to review' and 'how to review'.

For the sake of clarity of discussion, and even at the cost of repeating some obvious things, it may be mentioned that the plan schemes are basically of two types, (i) production schemes and (ii) welfare schemes. In the case of the former, they may fall either in the organised sector or in the unorganised sector. In what follows, it will be found that the task of reviewing plan implementation is comparatively easy in the field of production schemes in the organised sector and is rather complex in the case of welfare schemes. Secondly, it bears repetition to state that the reviewing could be done through progress data (a) on expenditure of financial outlay; (b) on physical achievement; and (c) information on factors responsible for shortfall. Again, in the case of production schemes in the organised sector, all the above three types of data are identifiable. On the other hand these types of data, especially the (b) and (c), are difficult to concretise in the case of welfare schemes.

Since the Administrative Reforms Commission (ARC) has stressed that the Planning Commission should also be responsible for monitoring the progress of plan schemes, it may be worthwhile to sort out the problems that may arise in this connection. In fact, four types of problems emerge and depending on the extent to which these problems can be resolved, it

will be possible for the Planning Commission to see that the entire plan programme is successfully completed. These problems are: (1) whether the Planning Commission should assume direct responsibility for monitoring or it should be content only in playing a co-ordinating role; (2) whether the Planning Commission should attempt to do either direct monitoring or co-ordination on a sample basis or on the basis of all programmes and projects; (3) whether it would be appropriate and feasible to base the decision of formulating next year's annual plan on the basis of the review to be made of the current year's plan; (4) if the review entails not merely the processing of progress data with regard to financial outlay or even physical achievement but also the factors responsible for shortfall, then how is it possible and realistic to collect the required data and information quickly and intelligently. Let us discuss these problems one by one.

It is a known fact that except the large, organised sector projects, the responsibility of implementation of plan programmes lies mostly with the State Governments. A number of Central ministries are responsible either directly through co-ordination, for the implementation of big public sector projects in the organised sector or similar projects in the private sector. Further, there are a number of other Central ministries which play the role of a co-ordinator and sometimes initiator, in the field of those schemes which generally get implemented by the State Governments. Till the Fourth Five Year Plan, the approval of the Planning Commission

how are his relations with them?

what is their opinion about the farmer and his honesty and straightforwardness?

(c) what is the opinion of patil and gram sewak and the village doctor (if there is one) about him?

(d) what is the general opinion of the villagers?

(e) can he give 2 to 3 references? name them i)

ii)

iii)

(f) can he give 2 sureties if required? name them i)

ii)

(g) how much loan does he need?

(h) how much he can pay in cash?

(i) is the cash readily available with him?

(j) if not, how is he going to raise it?

(k) how does he plan to repay?

(i) season (ii) months

(l) how long will he require to repay?

(m) what instalments he could pay?

(n) where does he sell his produce?

(o) can he give any guarantee of repayment?

(p) has he applied for loan from LMB/LDB?

if yes, what is the position of his application?

(i) being considered

(ii) being rejected

(iii) not known

(q) if he would like to take back his application and submit to bank

(r) if he has worked on diesel pump-sets

(s) does he already possess one such pump-set?

if yes, how did he purchase —

cash

tagai

IMB loan

any other

B: CHECKING OF INFORMATION BY THE APPROVED DEALERS

The proposal recommended by the authorised dealer to the branch should not be rejected. Therefore, before completing the prescribed application form of the bank for loan under the scheme and sending his recommendation, it is very necessary that the information collected is checked and the *bona fides* of the agriculturists are verified.

For checking and verification of the

information, he should take the following steps:

(1) Genuineness of the application:

(i) The record of land rights will indicate the title of the land, the total area, the number of wells etc, in the land and the nature of soil as well as the land revenue that the farmer has to pay on this account.

The correct market value for the land owned by the farmer should also be ascertained.

(ii) He should ascertain that the farmer

(a) himself works actively on his land and that farming is the profession of his family

(b) has free and unrestricted access to source of water from where he can draw it

(iii) He should find out if the farmer is in a position to make initial down payment (of 10 per cent or 25 per cent price of pump-set) plus taxes, octroi, etc.

(2) His credit-worthiness:

(i) He should ascertain that the farmer has good relations with his neighbours and they carry good opinion about him.

(ii) He should check the references given by the farmer directly and ask for their opinions.

(iii) In case the farmer is in a position to give the names of two

guarantors he should find out the *bona fides* of these guarantors also.

(iv) He should contact the secretary of the co-operative society to find about the dealings of the farmer with the society. The farmer's previous records of loan and repayments will speak a good deal about him.

(3) Repayment capacity:

The farmer's repayment capacity can be ascertained by —

(i) the present market value of the land

(ii) profits to be derived from irrigation

(iii) profits to be earned from the new crop pattern and total number of crops

(iv) total value of his assets

(v) total earnings of his family members

(vi) his earnings from allied business

From the total income, the total expenses of his family including the expenses on the dependants plus his present liabilities against various loans taken and the repayment instalments due, should be deducted to find out his repayment capacity.

(4) If the client is brought by a contact-man/sub-dealer, he should meet the person and convince himself of his honesty and creditworthiness and that the pump-set will help him to increase the production.

Kanoria Chemicals

KANORIA Chemicals expects to receive soon plant and equipment from abroad for expansion of its caustic soda capacity. The new plant is likely to commence commercial production in September 1971. Meanwhile, the company has taken up a scheme to improve efficiency, provide standby equipment, and step up production "as may be permitted by the Government's liberalised industrial licensing policy". Additional finance is being negotiated. During its tenth year ended March 1970, the company's production of caustic soda was lower at 17,245 tonnes (18,307 tonnes), liquid chlorine was lower at 8,500 tonnes (9,252 tonnes), and hydrochloric acid, too, lower at 13,137 tonnes (16,053 tonnes). But output of stable bleaching powder was up at 1,576 tonnes (276 tonnes). Production of benzene hexachloride which was started towards the end of April 1969, was 2,049 tonnes in spite of damage to the plant's glass-

lined equipment. The plant's rated capacity of 3,000 tonnes is expected to be fully utilised this year. Slackness of demand, owing to withdrawal of subsidy on pesticides, affected this chemical's profitability. The bleaching powder plant is being run intermittently on limited supplies of lime available from the market as modifications on the company's own lime kiln would only be effected by next March. During 1969-70, KCI's sales increased from Rs 232 lakhs to Rs 254 lakhs, but gross profit slipped from Rs 40 lakhs to Rs 37 lakhs. Reduction in margins is ascribed to higher costs on account of implementation of the wage board award and a strike launched by a "rival union". Since depreciation required more, net profit was substantially lower at Rs 7 lakhs (Rs 18 lakhs). No dividend was recommended on equity shares; distribution of preferential dividend absorbed Rs 3 lakhs.

was necessary before any new scheme or project or expansion work was sanctioned by Government and, therefore, it was in a position to keep itself informed of developments from time to time and also to influence the implementing agencies in the proper manner. But with the introduction of block grants to States and with the reduction of items in the list of central and centrally sponsored schemes, especially in those areas which are the responsibility of the State Governments, the question has arisen whether, in such a changed context, the Planning Commission can and should take a direct responsibility for monitoring the implementation of plan programmes. For instance, it has been argued that it will be extremely difficult to get the flow of the required data from the implementing agencies in full and in time. Further, it may be difficult for the subject-matter specialists in the Planning Commission to get into direct touch with the concerned State officials. It will therefore be difficult, if not embarrassing sometimes, to take up direct responsibility for monitoring. In fact, one can go to the extent of getting the data and making some worthwhile analysis out of them; but then perhaps, it will be pragmatic and tactful to pass on the inferences drawn from such an analysis either to the Central Ministry or even to the concerned State Governments for taking appropriate action. Whatever the form of monitoring, either direct or as a co-ordinator, it is agreed, that the Planning Commission should have full and up to date information of the implementation of plan schemes. This is necessary, because, in the absence of the required information, it may well nigh be impossible for the Commission to discharge effectively even its primary function of plan formulation both annually and on a five yearly basis.

The second problem relates to the coverage of the review, i.e., whether it has to be undertaken on a complete enumeration basis or to be restricted only to important plan schemes and programmes involving large outlays. Ideally, the review should cover the entire gamut of plan schemes, but in view of the fact, that such a task would involve considerable time and effort requiring a greater amount of co-ordination, a fair compromise would have to be struck by selecting only critical and important areas. One view is that, (a) since power, industry and minerals, transport and communi-

cations sectors cover as much as 60 per cent of the total public sector outlay in the Fourth Plan, (b) since these are sectors where the progress and review data are more easily identifiable and could be better organised in terms of their collection and dissemination, and (c) since the experience had been that in these sectors cost inflation had been the rule than the exception for various reasons including delays both in the formulation of the details of the project and in its execution, it would be worthwhile to give priority attention to the monitoring of the implementation of the projects in these sectors. If the outlays on agriculture and allied sectors are also taken into account, the total coverage of the public sector outlays in the Fourth Plan for the purpose of the review would be about 75 to 80 per cent. While perhaps it would be comparatively easier and more feasible to cover almost the entire group of projects in the industry, minerals, power and other allied sectors, one should also select the larger and more important schemes in the agriculture, irrigation and allied sectors. The reason being that the former sector consists of fairly big and medium projects, while in the latter, there are a large number of small schemes.

The third problem relates to the substantive content of the review. In the usual parlance, assessment on the basis of progress data of financial expenditure is taken to be the only task in such a review. Lately, however, the need for the collection of progress data on physical achievement has been well recognised and accepted in some quarters. At the same time, the difficulties, gaps and delay in collecting such information with full details have provided some excuse for the review authorities to leave aside the consideration of these vital aspects of Plan implementation. Assuming, however, that adequate steps have been taken to collect the financial and physical progress data in full detail and in time, the fact remains that meaningful inferences could hardly be drawn in order to provide corrective actions unless full explanatory information is simultaneously collected along with the financial and physical data. This is where the rub lies. On the one hand, the routine data collecting agency is hardly equipped and oriented to undertake such a task; on the other, a well organised and staffed evaluation agency, however big its

operations might be, will be unlikely to complete the task with minimum delay. The system of engaging advisers on programme administration to undertake frequent tours to the project site in order to get a "feel" of the explanatory materials, as is the practice now in the Planning Commission, is at best a palliative to a perfect solution of the problem. Two realistic solutions appear immediately and could be given serious consideration. The first is to set up an internal evaluation cell in each of the major project or programme areas whose task would be to keep in constant touch with the implementation of the project and collect the ancillary information and data which could be flesh and blood to the bare-bones of financial and physical progress data. In addition, this internal evaluation cell will engage itself in the operational research of various problems arising in the process of implementation of the project. This cell should be manned by a social scientist, an economist and a statistician. The second is to phase a programme of concurrent evaluation studies of appropriate design to be conducted by an independent evaluation agency covering the important projects and programmes. This will be a slightly time consuming process. Even then it will be worthwhile to undertake such evaluation studies not merely to monitor the implementation of the particular project, but also to provide guidelines to the formulation and implementation of similar projects in future.

The last and final problem relates to the reference period of making such a review. The Planning Commission initiates the preparation of the annual plan during November for the next financial year. This annual plan is finalised sometime during March/April and the implementation of plan schemes starts from April/May. The Commission requires the review report of the current year's plan schemes at a time when sanctioning and other procedural details have been hardly completed.

The ARC have laid down that a review report of plan implementation should be submitted to Parliament and the Prime Minister every quarter. Unless this directive is to be taken as a routine and mechanical exercise it will be appreciated that the completion of such a review for the progress of current programmes is hardly feasible or worthwhile. Therefore the review may be undertaken with a time

lag of six months at least, preferably with a lag of one year. It may be necessary and possible, however, to base the review of very large projects on a current quarterly basis and even on a month to month basis. In fact, a flexible approach could profitably be followed in which the reference period for review may be adjusted depending on the importance of the project, the feasibility of collecting all the required data on financial, physical and explanatory factors in time and the speed with which these data could be assimilated, processed and inferred upon. Following a hard and fast rule in choosing the same review period for all types of projects and programmes will defeat the very purpose of constructive review of implementation of plan schemes.

The current state of affairs regarding the inadequate and, at times, faulty preparation of details of plan schemes before these are initiated and regarding the infrequent and uneven flow of more progress data of financial expenditure does not generate much confidence in attempting to streamline the review task as outlined above. Added to this unhappy situation is the inexorable fact of the working of the federal constitution of the country and its attendant problems of communication and dissemination of policy directives and executive decentralisation. It is therefore absolutely essen-

tial that the progress reporting system needs to be put on a sound basis before any attempt to undertake a review of the plan implementation is seriously initiated. This has to be done at all levels, starting from the implementation level going up to the State level and finally at the central policy level. Unless the proforma for progress reporting are standardised and uniform procedure laid down, the exercise will end with a volume of diffused material and will not enable the building up of an all-India picture. The second precondition, mentioned earlier, is to ask the State Government and public sector project authorities to work out full details of the schemes and projects beforehand.

It is also necessary to indicate in these details the phasing of operations so that it may be easier to watch the progress of each phase and take corrective actions in time. The third and, perhaps, the most important precondition is the strict observance of time schedules in the despatch of progress data. Time is of the essence in any review exercise and, unfortunately, it is the factor which is of the least concern for anyone in the present bureaucratic system of administration.

Assuming that the above preconditions are largely satisfied, it is still doubtful whether at the end, the cause of making an objective review of

plan progress will be fully served unless further caution is observed by all who are directly concerned with the economic development administration in the country. Lately, it has been observed, that the executive agencies have been too much preoccupied in catering to the requirements of the powers that be, and through them, to parliament and assemblies in terms of giving them somewhat uncommitted and, at times, too aggregative types of information in the field of implementation of plan programmes and that also, as if, through a tap. While this is not the proper place to discuss whether this is good or bad and how this should be done, there is no denying the fact that this "habit" has trickled down from the top executive office to the implementing agency at the ground level with the consequence that we have started believing that these are the real review reports and that these could be had almost on tap. The administrators have to be squarely convinced that the task of preparing a complete, timely and objective review of implementation of plan programmes cannot be achieved by short-term methods. Such a task requires time, funds, trained personnel and, above all, efficient organisation at all levels of data collection, dissemination, analysis and reporting. It is a specialised job and should be recognised as such.

Advances against Shares Case for Review of Reserve Bank Directive

Girdharilal Vaid

The Reserve Bank's recent directive on bank advances of over Rs 50,000 against shares is intended to discourage the financing of take-over bids with bank credit. The objective is without doubt laudable, but the Reserve Bank's directive appears to have ignored the genuine hardships that will be caused as a result of it to a large number of small shareholders who have absolutely no interest in take-over bids or proxy wars.

BY the Reserve Bank's directive of August 28, 1970, all scheduled banks were required to take immediate steps to have shares tendered by their constituents as security — whether as principal security or collateral security — for borrowing limits of over Rs 50,000 transferred to the banks' names. In pursuance of this arrangement, banks will have exclusive right to exercise the voting rights in respect of shares given as security and the constituents cannot demand issue of proxies as a matter of right. The directive came into force from the date of its issue.

The objective of the directive is evidently to freeze the voting rights of

large borrowers against shares since a minimum limit of Rs 50,000 and over has been prescribed. The move is evidently a sequel to the recent "proxy wars" over a few public limited companies. The trend was set by Kilachands and Firestone in the case of Synthetics and Chemicals on the issue of appointment of the company's selling agents. This was followed by the tussle between the Chinai and the Kapadias for control of National Rayon Corporation. There was then the case of the Goenkas cornering shares of Indian Iron. No one disputes that in such instances Government has to take steps to safeguard against abuse of majority voting

power. Further, the Finance Minister has held out the assurance that voting rights now vesting in banks will be exercised in a fair and just manner; one may depend on this assurance. Where the Reserve Bank can be faulted is that its directive seems to have ignored the genuine hardships it will cause to numerous small shareholders who have absolutely no interest in wars of proxies or take-over bids.

The directive applies to the limit of the overdraft or the loan rather than to the value of shareholding in a single company. The purpose of the measure could have been better served if it had been applied on the basis of the value

of shares in a single company rather than on the basis of the limit of borrowing. How irksome the measure in its present form can be in practice may be illustrated. Imagine a person having an overdraft limit of Rs 50,000 from a bank for which he is required to pledge shares worth Rs 1 lakh as security. Let us say he holds shares worth Rs 2,000 in a company on an average, thus holding shares in almost 50 companies. But because his borrowing limit is Rs 50,000 he will have completely lost his identity with all the companies wherein he is a member. Henceforth he will have to depend on his bankers to receive dividend warrants, bonus shares, applications for taking up or renouncing rights shares, gift vouchers, etc. On the other hand, the bank being a consolidated shareholder on behalf of its constituent will be receiving a single dividend warrant from the company which will be required to be split up according to the holdings of individual constituents. This happens even now when the shares stand in the name of the bank instead of the borrower. But when dividend warrants have to be split into numerous dividend warrants and credit advices and tax credit vouchers have to be prepared in respect of every share and for every constituent of the bank, the work will be naturally multiplied several-fold and there is likely to be both long delays and errors. As it is, there are instances when banks have taken as much as a month to credit the dividend amount in the borrower's account while reputable companies despatch dividend warrants so as to reach the shareholders well in advance of the date of annual payment. Why should the shareholder suffer the loss of interest until the amount is credited to his account? So far as rights shares are concerned, it is feared that the banks may not agree to apply on behalf of their clients for partly paid-up shares offered by the company in which case the client will suffer. Banks do not accept partly paid-up shares as security. In such an eventuality, what policy will be adopted is not known. Moreover, even if some way is found to tackle the problem, it will be a huge task for the bank to ask each and every client whether he wishes to apply for the rights shares allotted to him.

Moreover, the transfer of shares would involve unnecessary expenditure. When the shares are withdrawn from a bank or the overdraft is repaid by the borrower, the bank will insist on shares being transferred out of its name as it would not issue more than one transfer deed thus making the delivery

of the shares in the market ineffective. This would involve payment of transfer fee and stamp charges by the shareholder. In practice, therefore, the cost of borrowing would go up to the extent of the double stamp fee. Not only this, the mobility of shares would be restricted by virtue of this measure. There are companies which take as long as 3 to 4 months for transfer of shares. So the shareholder will be forced to wait for a long period before he can sell his shares. Surely, it is not the intention of the Reserve Bank to cripple the mobility of shares or paralyse the stock exchange.

MULTIPLE TRANSFERS

There is another snag in getting the shares transferred into the name of the lender bank. Banks today do not accept shares which do not stand in the name of the borrower or the bank concerned. Suppose a person has overdraft accounts in more than one bank. Before the directive, he could keep the shares in his own name and pledge them wherever he desired. This is no longer possible now, for one bank will not accept shares standing in the name of another bank. How many transfers would thus have to be effected even though the real shareholder continues all through to be the same?

The directive is also likely to create some confusion and difficulty so far as Section 104 of the Income-tax Act relating to closely held companies is concerned. The act prescribes that companies which are controlled by a few shareholders and which do not distribute dividend to shareholders without adequate reason be penalised by the levy of an additional tax. The Section lays down that a company shall be deemed to be one in which the public are substantially interested if the affairs of the company or shares carrying more than 50 per cent of the total voting power were at no time during the previous year controlled or held by less than 6 persons. In computing the number of such persons, the Government or any corporation established by a Central, State or Provincial act or a company to which the provisions of this Section do not apply shall not be taken into account. It is a fact that in 1969 the definition of a company in which public are substantially interested was amended with effect from the assessment year 1970-71. It is provided that any public company whose equity shares are listed on a recognised Stock Exchange in India in accordance with the Securities Contract (Regulation) Act 1955 and the rules made thereunder would be treated as

a company in which the public are substantially interested without applying to it any other test as laid down in the Sub-Section 18 of Section 2 of the Act. In view of the new measure, whether the said Act will have to be amended is not clear.

Apart from the difficulties enumerated above, the Reserve Bank's move will lead to monopolisation of shareholding. As it is, large parcels of shares of many companies are held by institutions like Life Insurance Corporation, Unit Trust, ICICI, etc. Now banks will be added to the list of bulk holders of shares of companies. On the one hand, we have a Monopolies Commission to restrict monopolies in the economy; on the other, the directive will do exactly the opposite by wiping out the identity of the small shareholder. There are various provisions in the Companies Act to protect the rights and privileges of minority shareholders, but these provisions will be rendered ineffective if the minority shareholders are eliminated in this way. All good companies provide, in their annual reports, charts and data to show how widely their shares are distributed. This is a measure of public interest in the affairs of a company. This information will now be meaningless when shareholdings get consolidated in banks' names.

One can go on recounting the innumerable genuine hardships that will be caused to small shareholders by the Reserve Bank's directive. But the basic object of the directive can be achieved by various alternative measures. Presuming that the purpose is to prevent cornering of shares by speculators and to freeze their voting rights the measure could be made to apply only to shares of companies where, the Reserve Bank feels, there is a threat of cornering of shares by speculative elements or where voting rights are likely to be abused. Alternatively, even if the present measure is retained, the shares could be allowed to stand in the joint names of the shareholder and the lending bank so that the shareholders' identity is not lost. Suitable amendments in the Companies Act may be necessary to protect the small shareholders' rights and privileges while at the same time freezing his voting rights in favour of the banks. Various other alternatives could also be devised but certainly the directive as it stands today needs to be suitably amended. The fundamental objection to the directive is that it completely wipes out the identity of the shareholder in a company and usurps all his rights and privileges.

There was once a village called Khajuraho.

Tourism transformed it.

Khajuraho was a sleepy little village. Unknown to its few inhabitants eked out a meagre living by farming. It had some beautiful temples. But these were almost inaccessible, visited only by an adventurous and dedicated few.

Then things changed. Khajuraho was developed as a tourist attraction. Roads were improved. Hotels sprang up. A market was built to cater to the requirements of visitors.

And they came. By the thousands. Khajuraho began to hum with new activity. An airport was built. Transport services were expanded. There were more jobs for more people. More buyers for more handicrafts. Khajuraho was no longer an unknown village. It was an exotic destination name in world tourism.

Soon, Boeing-737 jets will bring more visitors to Khajuraho. And a master plan which envisages a new township of 10,000 people dependent entirely on the tourist trade has been approved.

Tourism is the world's biggest business and the fastest growing. In five years it will be worth Rs. 18,000 crores. And tourism offers high returns on investment in the shortest time. For instance, in 1968, Yugoslavia earned three and a half dollars on every dollar it invested in Tourism. A net profit of 250%.

Tourism is also a people's business. Because people benefit wherever the tourist travels. Wealth flows from the affluent countries to the less affluent. And within the country from the developed areas to the less developed. Everyone benefits. Airlines, travel agents, hoteliers, shopkeepers, craftsmen, waiters, taxi-drivers. The chain is endless.



DEPARTMENT OF TOURISM GOVERNMENT OF INDIA

ECONOMIC AND POLITICAL

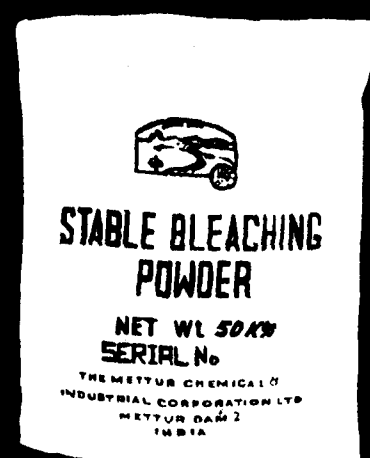
WEEKLY

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REVIEW OF MANAGEMENT



What's this sign a symbol for?

New ideas in engineering. They originate at L&T where a group of engineers design, manufacture and install plant and equipment for major industries—chemical and pharmaceutical, food and dairy, minerals and oil, pulp and paper, steel and cement, power and irrigation. The L&T sign also symbolises complete plant construction based on process know-how from clients and collaborators—plants seen through from greenfield site to final commissioning. In short, the L&T sign symbolises the development of every vital industry in India.

ECONOMIC AND POLITICAL WEEKLY

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Setting the Gun-sights

THE Prime Minister has been fond of saying that the so-called Naxalites should be fought and overcome politically. In her frequent expressions of socialistic compassion, she has been willing to concede that very genuine economic frustrations drive these young men to violence and that, therefore, the answer to the problem is to try to remove the causes of frustration. And indeed, West Bengal (though not in Andhra) there did appear to be some deliberate restraint in police action against the Naxalites in the early days of President rule. But all this has suddenly changed. The State administration has been armed post-haste with the power to arrest and detain anyone it pleases and absolved from having to institute even the normal nominal departmental inquiries into the actions of the police. The reasons for the change in approach are perhaps to be sought not so much in any rethinking on the right strategy to combat the Naxalites as in the recent change in the direction of the latter's activities. So long as the Naxalite attacks were directed mainly against the 'revisionists' in CPI(M), the forbearance of the State administration was touching; but once policemen, government officials and businessmen became the targets of attack and the Central Government came in for increasing criticism in Parliament and in the newspapers, the political approach to the Naxalites simply melted away and the problem became a law and order one.

Given their head in this manner, the Calcutta police has behaved in an entirely predictable manner. There have been large-scale arrests and reports of beatings and torture. And there have been killings. The State administration has naturally claimed that those who have died at the hands of the police were killed while attacking policemen. But, after the go-ahead signal by the Centre and the State administration, the general attitude of the police appears to have been so aggressive that in some of the cases it has been difficult to conceal the real facts about the 'incidents' in which alleged Naxalites have lost their lives. There is, for instance, the widely reported case of the youth who was shot dead while listening to a music concert. There is the case, similarly, of the four men who were killed soon after being arrested from their houses and, most important, there is the case of the eight young men whose dead bodies appeared mysteriously one morning last week in the Barasat area near Calcutta. This gruesome discovery raised a storm in Parliament and the Government was obliged to announce its intention to appoint a judge to make an inquiry. The Minister of State for Home Affairs was pained by the suggestion that the police might have been responsible for the killing of the eight young men. But if suspicions persist in this as well as in certain other cases, the fault is that of the West Bengal administration and police who have shown the utmost impatience with the normal processes of law.

However offensive to liberal values the alleged behaviour of the police in West Bengal may be, discussion of the precise degree of police harshness is in a sense irrelevant. By their own admission the Naxalites are committed to the overthrow of the present state by violent means; in defending itself it is unrealistic to expect that the state would abide by what are, after all, self-imposed restrictions on its coercive powers. There can be differences of opinion about whether the activities of the Naxalites in fact pose a threat to the existing political system or about whether the alleged police excesses are not making martyrs of the Naxalites and thus proving counter-productive. But these arguments are about tactics; it is difficult to invest them with moral or value dimension.

Speaking of tactics, the sharp stepping up of the tempo of police action against the Naxalites is bound to have certain consequences for the course of political developments in West Bengal. For one thing, the idea of an alliance between the Congress(R) and the CPI and some other Leftist parties to defeat the CPI(M) in the next election has become more difficult to implement. To that extent, also, the chances of the Central Government agreeing to early elections to the State Assembly have receded. On the first consideration the CPI(M) may be reckoned to have gained. One must, however, seriously wonder how relevant such short-run loss and gain calculation really are in West Bengal. Even if the reaction against the police has improved the CPI(M)'s chances of putting together an alliance of parties which might win a majority in the State Assembly if and when the next elections are held the question will remain how a government thus formed will fare any differently from the last two united front governments. Indeed, West Bengal appears to be headed for a situation where the balance of political forces within the State makes it difficult to work the parliamentary system even as the overall political balance in the country makes a change in the system impossible.

Mercenaries in Guinea

GUINEA under Sekou Toure, who has been its President since independence in 1958, has one of the most consistent records of opposition to non-African interference in African affairs. In 1958, de Gaulle offered immediate independence through referendum to France's colonies, accompanying this option with the threat that all French economic aid and personnel would be withdrawn from the territories that chose freedom. The only people who chose to rebuff France were the Guineans who were mobilised to vote against continued subservience by the Guinean Democratic Party (PDG) headed by Toure. De Gaulle's petulant threats were carried out. The French left abruptly. The usual European delusions of indispensability were voiced, but the Guineans proved that they could manage on their own in spite of the serious handicaps with which France had left them.

Along with Nkrumah, who has been living in Guinea since his overthrow in 1966, Toure has followed a foreign policy which clearly seeks to wean Africa away from Western political interference and economic exploitation. Communist interference from abroad is also not brooked; witness the expulsion of the Soviet ambassador in 1961. Unlike the double-talk of several other African countries, words have been followed by action. The most tangible form of action against Western imperialism has been the sanctuary and training facilities offered to the freedom fighters of the PAIGC, which is the movement for the liberation of Portuguese Guinea, also known as Guinea (Bissau), and the Cape Verde Islands. Guinea has also been used as a base for PAIGC military incursions into Guinea (Bissau). The guerillas have tied up 30,000 soldiers of the Portuguese Army for the last five years. The Portuguese, embattled as they also are in their two other major African colonies, Angola and Mozambique, find themselves in an increasingly frustrating position in Guinea (Bissau).

While the Portuguese Foreign Minister, Rui Patricio, who was attending a meeting to seek Portugal's admission to the European Common Market, found it prudent in the circumstances to dismiss as "incredible accusations" any Portuguese connection with last week's series of attacks on Guinea, there can be no doubt that

the attacks were launched with Portuguese collusion, if not direct inspiration. The appearance of fighter aircraft to cover the force of mercenaries which landed from the sea to attack the Guinean capital, Conakry, proves that the invaders were supported from a neighbouring territory and the only neighbour which would blatantly allow fighter planes to operate from its airfields, is Guinea (Bissau). The presence of the planes, ships and mercenaries was personally confirmed by the representative of the United Nations Development Programme in Conakry, Roger Polgar.

At the same time, the mercenaries who landed seem to have the support of Guinean political exiles who wish to overthrow Toure. There have been six previous attempts to overthrow Toure and there are a number of political refugees living in the Ivory Coast and Senegal who have probably established rapport with the Portuguese. The invaders seemed to be expecting anti-Toure forces within Guinea to rise in support. This was a false expectation as Toure is firmly established enough to have been able to repel the several waves of the attack, even though the Guinean Army is a small force of 5,000 men.

It cannot, however, be denied that while Toure's government has been very radical in its external policy, its internal policies have led to the familiar chanting of "socialism" without any substantial measures to alter the structure of Guinean society towards greater egalitarianism and social justice. The Guinean exiles who berate Toure do so not without reason. In contrast, the white mercenaries who have been paid to attack Guinea are nothing but hired killers who are the criminal flotsam of Europe with a marked anti-black paranoia. They are the same breed of petty adventurers who were slyly used by the Belgians and the British to do their dirty work in separating Katanga from the Congo and for other such nefarious purposes. In the Congo they showed a marked brutality towards Africans and yet successful pressures were exerted by Western European governments to prevent them from being brought to justice when a number of them were interned in Rwanda. Due to these pressures they were unconditionally released by the Rwanda Government and flown back by chartered planes to their blood-brothers in Europe. This must not be allowed to happen again.

The Guinean Government should try captured white mercenaries for murder to deter other European criminals from shedding more African blood.

The Complete Scientist

WITH the death of Professor Sir Chandrasekhara Venkata Raman (to call him as he liked to be called), a remarkable era in modern Indian science has almost come to a close. Of the handful of Indians who made outstanding contributions to science in what we may now call the pre-Bhabha era, very few are left with us.

Raman, of course, dominated the scene and not only because he won a Nobel prize in 1930. Right from his student days, through a brief stint in government service and until his death, he was the complete scientist, driven by an abounding curiosity and sustained by a disdain for any activity not totally scientific. In a long and fruitful life, his interests ranged over almost the entire spectrum of optical and acoustic phenomena, from investigations of aspects of the spectra of light emitted by materials when they are 'excited' to the study of musical instruments and the way they produce their individual musical sounds. Dominating everything was the work he did in spectroscopy in the late twenties, culminating in the discovery of the Raman Effect. When this discovery came in the tumultuous years following the invention of quantum mechanics, it provided one of the earliest and most spectacular confirmations of the new quantum theory. These days, when physicists consider quantum mechanics as part of the holy writ, it is difficult to appreciate the enormous enthusiasm the discovery must have evoked. In any case, Raman had the last word. With the recent invention of ways of producing very intense and pure light beams by means of lasers, the Raman effect is in the limelight again (Raman would surely have enjoyed the pun).

Quite apart from his scientific work, Raman has had a great deal of influence on the development of Indian science during his lifetime, through students and collaborators, first in Calcutta and then in Bangalore, through associations which he founded such as the Indian Academy of Sciences, through the journals he published, but most of all through the example he set of single-minded devotion to science, spurning non-scientific temptations in times when giving in was all too easy. Till the end he was busy and enthu-

siastic, speculating on the origin of stratospheric winds, studying systematically the nature of the pigments of flowers, etc. Not infrequently he disagreed with what one may call 'the dogma', sometimes with little more justification than his confidence in himself. But that was part of the man, enthusiastic, a little sardonic, self-confident and superbly articulate. At the age of 70, he was capable of telling a vast audience of students in Madras, in response to a request from the principal to exhort them not to miss classes, that during his two years as an MA student he had attended only two lectures, both of which he considered a waste of time!

In many ways, the Raman era has been an extraordinary period. And in these days of borrowed knowledge and, almost, borrowed wisdom, it ought to be considered a baffling period too. Here were these men like C V Raman and S N Bose working at Calcutta and Dacca (and not in Cambridge and Göttingen), in the backwaters of international science, doing profound and permanent work on the very frontiers of knowledge. What made these men transcend their surroundings? Raman himself maintained that it was the luckiest thing that happened to him when bad health prevented him from going to England at the end of his studies in India. Is there not a lesson here?

Why Alienate Nepal?

THE unseemly haggling between India and Nepal over trade-and-transit arrangements is a symptom and not a cause of the acrimonious state of Indo-Nepalese relations. On the Indian side there seem to be no stipulated guidelines for the conduct of our dealings with Nepal. This raises the question of what posture India should adopt towards Nepal. The elder brother attitude has proved to be totally counter-productive. Crores of rupees have been spent by India in Nepal, but the effort has been dissipated by too much interference by Indian officials in supervising the expenditure of this money. The gauche and tactless attitude of Indian diplomats and aid advisers in Nepal, who behave more in the manner of supercilious imperial emissaries rather than guests in a foreign country, is one of the reasons for the bitterness in Nepal's relations with India.

The alternative policy of building up an equal relationship based on both sides' hard commercial and security interests has been advocated. Not that this is a totally new line. We have

never been too permissive in our trade dealings with Nepal. In fact, we have taken good care to see that cheap Nepalese consumer products are not allowed easy access to Indian markets. One of the reasons given for preventing easy access was that some of these goods, including items such as razor blades, have a large non-Nepalese content and are not manufactured but merely processed in Nepal. The Nepalese, on the other hand, justifiably point out that since about 90 per cent of Nepal's foreign trade is with India and only a small proportion of India's external trade is with Nepal, the adoption of a more liberal policy towards Nepalese exports will not harm India. This would also be in keeping with India's professions, since we have repeatedly called for the liberalisation of the import policies of more developed nations at the UNCTAD and other international conferences. Greater flexibility towards Nepal's requests about transit facilities would also not significantly hinder Indian economic interests. In this connection it has been noted by Nepal that while India strongly backed all the other resolutions on economic affairs at the Lusaka Conference, it only agreed with great reluctance to the resolution on extending greater facilities for the transit goods of landlocked countries. There are, in effect, good grounds for accusing India of double standards.

It should be obvious that Indian policy based on narrow commercial self-interest is as likely to alienate Nepal as a policy based on patronising help. India with relatively great national resources always has a built-in advantage in any dealings with a comparatively small country like Nepal, however sincerely we might seek an equal relationship. In these circumstances the only wise course to adopt, in order to forestall Nepal from becoming even more estranged from India, is to accede to most of Nepal's trade-and-transit requirements and to see that our diplomatic methods are more subtle and less indiscreet. Magnanimity in commerce and diplomacy will not only help Nepal's economic development, but it might also initiate a new warmth in Nepal's attitudes towards India.

Planning for Surplus Capacity!

A Correspondent writes:

EVEN as the growth of industrial production continues to be sluggish and the creation of fresh industrial capacity

remains at a trickle, the Ministry of Industrial Development appears to be thinking up some distinctly weird schemes for reviving industry.

In the general panic over the industrial stagnation, the proposal has surfaced that the investment limit for free licensing should be raised to Rs 5 crores and that large houses should be liberally allowed to enter this sector. Because of its unpopular political overtones, the Planning Commission and the Ministry of Industrial Development have been trying to shift the responsibility for mooted the proposal. But the question of its parentage apart and leaving aside the political arguments, there are two good reasons for not amending licensing policy along these lines. First, Government would not have allowed the existing policy of encouraging entrepreneurs other than the large houses sufficient time to be tried out. Secondly, once the larger established houses see their opposition to licensing policy succeeding, there will be no end to the demands for changes in Government policies.

The Ministry of Industrial Development has also come out with the idea of deliberately licensing surplus capacity, ostensibly to introduce flexibility in the production system. Excess licensing has not been unknown in the past; Manubhai Shah made almost a cult of it in his last days as Minister of Industries in the early sixties. Clearly the idea behind planning is to maximise the benefit from investment of resources. If resources were plentiful, there would be little need for planning. That, unfortunately, not being our situation today, one does not know where the resources, including the foreign exchange, for building up excess capacity in various industries are to come from. If in fact there are available additional resources, the appropriate use for them would be in areas where there are shortages.

This hare-brained idea of the Industry Ministry shows the paucity of clear thinking in Government. As it is, the State governments are trying to circumvent industrial planning by putting in schemes not originally included in the Plan. The Central Ministries are playing the same game by taking on various pet projects of their own. Now the Industries Ministry would like to build surplus capacity to avoid shortages in the economy. A Government which is unable to provide jobs or a minimum standard of living for its people would like to make people believe that we have attained nirvana so far as the economic problem is concerned.

BUSINESS

Only for the Emperor's Robes

WHEN earlier this month the cotton textile industry started to talk of block closure of mills to conserve cotton and bring down cotton prices, it must have known that the move would never materialise. The mills had just been through a round of labour trouble and in any case Government would not have allowed the mills to close. It seems more likely, considering the background of the mills' operations, that the well-publicised talk of closure was intended to cause uncertainty among growers and to blackmail Government into importing more cotton. In this latter aim, the mills seem to have succeeded. Government has now promised to import 13 lakh bales against the initial intention of importing 8.5 lakh bales.

Cotton production this year is not as poor as the textile industry's alarms and excursions would suggest. Against the target of 65 lakh bales, the Cotton Advisory Board (whose estimate is more conservative than that of the traders) has estimated the crop to be 60 lakh bales — which is actually 6 lakh bales higher than the 1969-70 crop. In fact, the mills have not been all that badly off. Sales of cloth have been rapidly picking up, so have been the prices of the uncontrolled varieties. On the other hand, the axe has fallen on the controlled varieties and the decline in exports witnessed in 1969 continues. Mills have quite obviously slashed their production of the controlled varieties below the stipulated minimum (by paying the penalty of 7 paise per sq metre of the shortfall) and switched over to producing the uncontrolled varieties. The prospects are that given the two-year freeze in the prices of controlled varieties, the surging internal demand for the uncontrolled varieties and the small penalty to be paid for switching over to these, the industry is likely to increasingly concentrate on producing the more expensive textiles for the internal market at the cost both of the common man and exports.

The other point is that little of the imported cotton is re-exported in textile form; most of it is used up for the sophisticated internal market. It may be that, given the inadequacy of internal production, import of cotton is unavoidable. At the same time it would not do to lose sight of the declining *net* foreign exchange earnings of the cotton

textile industry. How much foreign exchange is earned against the expenditure on raw cotton imports? What proportion of the long-staple varieties imported are re-exported as cloth and how much goes into producing finer cloth for the indigenous market? With the Long-Term Agreement limiting our textile exports to developed countries and Britain's new tariff policy blunting the competitiveness of Indian textiles, what new product pattern may be designed to boost export earnings from Britain and other developed countries?

New policies may be necessary for the internal market as well. Since the intention of the 7-paise per square metre penalty for failure to produce the stipulated quantity of controlled varieties of cloth is to protect the ordinary consumer, the level of the penalty needs to be raised to offset the increasing attractiveness of the uncontrolled varieties.

In the still longer run, there is no escape from extending the agricultural breakthrough to cotton. With cotton accounting for some 55 per cent of the cost of cotton textiles, there is no better assurance for export viability of cloth than cheaper cotton with higher per-acre yield. Yet this is where the industry, for all the professed enthusiasm of the Indian Cotton Mills' Federation, has taken the least initiative, thanks to the protected internal market and the ability to pressurise (by using the threat of labour unemployment) Government into making large imports.

Protectionism—Just below the Surface

THE Twenty-first Annual Report of the International Monetary Fund on Exchange Restrictions has a pleasant story to record than the turmoils through which currencies and international trade passed in 1968-69. The main factor responsible for the change was the re-fixation of parities of the French Franc and the West German D-Mark.

International trade expanded by 13-14 per cent in 1969-70, without the strains on currencies noticed in the earlier year. Yet it would be rash to assume that world trade is no longer subject to artificial constraints. The main aberrations in international trade relate to government-sponsored efforts to boost exports or restrict imports, to

the existence of bilateral trade agreements, to use of multiple currency rates, and to restrictions on capital flows.

The major partner in bilateral arrangements is the group of Eastern European countries which accounted for 200 of 240 (operative and non-operative) bilateral agreements in 1969-70, according to the IMF Report. While overall the reliance on such agreements has been reduced, the Report notes that they remain important to some individual countries.

About 30 countries continue to resort to multiple currency practices to influence their foreign trade balance. Pakistan extended its bonus voucher scheme to some more commodities. Ceylon, Chile, Turkey and Egypt also extended their multiple currency practices further.

Finally, with improving balance of payments, less need was felt for restrictions on capital movements. Both the USA and UK liberalised export of capital. Japan, in its own oriental way, 'liberalised' import of capital — though its highly protected position is incongruous in relation to its increasing current account and overall surplus.

Yet, the 'distortions' in trade and currency movements that remain cannot be ignored. For developing countries, these represent a compulsion arising out of their development needs and foreign exchange shortage. The restrictions to question are those imposed by the developed countries. UNCTAD has been trying to push in the direction of a favoured position for exports of simple manufactures by developing countries. Both IMF and the World Bank recognise the economic logic of this argument. But protectionism, as its recent upsurge in the US shows, is a strong ally of chauvinism even in the advanced countries.

Why Buy a Cow...?

IN its anxiety to end the shortage of refractories for the steel plants the Steel Ministry is reported to be thinking of setting up three refractory plants in the public sector. This move would be perhaps in order if we were planning for a very large immediate increase in steel capacity. This, however, is not the case; by the end of the Fourth Plan steel capacity is not likely to increase beyond 12 million tonnes, with output about 10 million tonnes.

The refractory industry consists of a few large units and a number of

medium and small-scale units. Both the private sector steel plants have their captive refractory plants. The metallurgical industry takes up nearly 80 per cent of all output of refractories, steel producers being the major consumers. Refractory consumption per tonne of steel was perhaps the highest in India in the early sixties, but over a period of time improvements in steel technology—lancing of oxygen in open hearth furnaces, replacement of conventional silica roofs with basic roofs, the continuous casting process (eliminating the use of soaking pits)—have achieved economies in refractory use. Thus while on the one hand capacity was built up for manufacture of refractories in the sixties, the demand pattern kept on changing with the steel plants requiring more and more sophisticated bricks.

In the mid-sixties, the refractory industry was faced with the problem of large unutilised capacity mainly because of the shortfall in steel-making capacity. In a process industry like this where the kilns have to be operated whether a plant functions at 30 per cent or 90 per cent of capacity, low capacity utilisation meant a huge financial burden. The result was desperate competition among producers leading to steep price cuts and many small units being driven to the wall. The other problems of the industry were also unique: the uneven pattern of orders from steel plants, a wide variety of refractories with a wide range of specifications, lack of equipment manufacturers (particularly of presses) in the country and a very cumbersome and complicated pattern of inspection of goods by the steel plants.

It was Bokaro Steel which paradoxically upset the applecart even as it gave a fillip to the industry by pumping in orders. First, the Russians demanded fairly sophisticated refractories with rigid specifications. While the large orders from Bokaro initially boosted the morale of quite a few units which were almost on the verge of closing down, very soon the delivery schedules had to be extended because of the lags in the execution of Bokaro. The refractory units obliged. But soon there was a sudden upsurge in demand for refractories from the other steel plants, particularly Bhilai. This caused some erratic supply of refractories. And when Bokaro work got speeded up a bit and refractory orders with stringent specifications started pouring in, the clamour started about shortage of refractories. About 45,000 tonnes of re-

fractories had to be imported from the Soviet Union and the present decision to set up three new refractory units inevitably followed. The situation was aggravated by labour unrest in one of the major private sector refractory units leading to its closure for a few months.

The present installed capacity for refractories (of all sorts) is about 1.3 million tonnes and output during 1969 was about 0.8 million tonnes. This installed capacity, however, has to be viewed in terms of standard low alumina content bricks and does not really conform to the pattern of demand. It was the sudden shift to higher grade refractories for certain end-uses which really caught the producers unawares; but this does not warrant setting up of three new units. It was not so long ago that the Government wisely refrained from setting up its own captive refractory plant after strong protests from the private sector units. A constant contributor to the unevenness of supply of refractories is the piecemeal issue of major inquiries for different qualities of refractories. This often leads to high grade production capacity being unnecessarily used for supply of low grade products.

A detailed estimate of the production capabilities of the various refractory units needs to be made before Government goes ahead with its decision to set up new units. The results of such a study may well show that a little investment in balancing equipment can set right the problems of the industry. Hindustan Steel certainly missed the bus twice in the past—first, when it could have set up its own captive plant in the early sixties and, second, when it could have taken over one of the major private producers in the mid-sixties with a little bit of pressure. But at this point of time there is no case for HSL building a refractory empire of its own. The story of the Naini compressor unit need not be repeated in refractories. Even planning on the basis of a major expansion in steel capacity, why set up three refractory plants? As the Chinese proverb goes, why buy a cow when you can buy milk?

Shock across the Creek

A Correspondent writes:

THE annual general meeting of Thana Electric Supply last week promised a bang but yielded a whimper. The Kapadias made a show of a fight, lost it, but nevertheless got away leaving the im-

pression that they had fought well. After all, for once banks had not frozen their votes. This could have been a slip-up on the part of the Reserve Bank, but that would hardly be the interpretation put on the matter by Kapadia supporters. The Kapadias are no longer the pariahs; even the Reserve Bank now stays neutral in Kapadia matters.

Thana Electric was a private limited company way back in 1964 when its accounts were in the red. Killicks became the company's managing agents, boosted Thana Electric's capital from Rs 11 lakhs in ordinary and preference shares to its current level of Rs 60 lakhs and tapped debenture and bank funds to the tune of Rs 1 crore. Today Thana Electric is doing fine. In the expanded equity of Thana, Killicks took up 22 per cent and since the Kapadias have a majority holding in Killicks, they sought to make their presence felt in the election of directors of Thana Electric. Kapadias put up their nominee against R P Aiyer, a professional director and an old-time executive of Killicks, who has specialised in the management of electricity companies and is an expert on electricity tariffs and accounts. Aiyer is the chairman of Bombay Suburban, another Killick company, but one in which Kapadia-controlled Killicks is a minority shareholder. Having failed to dislodge Aiyer from Bombay Suburban, they tried to get him out of Thana.

What the Kapadias had not taken into account was LIC's opposition to their nominee. In fact, LIC is understood to have made its position clear to the Kapadias on the eve of Thana Electric's annual general meeting. The Kapadias, therefore, took the position that they would withdraw their nominee if Aiyer stood down. In this stand, Kapadias had the support of the Patel-Sethna group which was in control of Thana six years ago. As Aiyer declined to oblige the Kapadias, a poll was taken. The Kapadias, given their 22 per cent holding (*via* Killick), calculated that with the 10 per cent Patel-Sethna holding they would succeed in dislodging Aiyer. The decisive role was, however, played by LIC-UTI, which with combined holdings of 37 per cent of Thana votes tilted the balance in favour of Aiyer. Their defeat, in spite of tacit bank support, has been something of a shock to the Kapadias. They are believed to be considering liquidation of their investment in the electricity companies of the Killick group. However, this may be a coincidence and not a consequence.

Correction?

Romesh Thapar

INDIAN realities are too sharp for the instant slogans of Right and Left. This is becoming apparent as the ruling Congress Party at the Centre begins the plod back to an economically Centrist position. The recent excitement over controlling monopolies and denying industrial licences to the big firms is fast dissolving; all manner of polite seminars and dialogues, involving government spokesmen, are seeking to explain what was actually meant. It is convenient that we are still compelled to conduct our all-India affairs in an alien tongue, for it provides endless opportunity for re-interpretations (particularly when the level of English could not be lower!). The fact is that even the politicians are alarmed by the near-stagnation in the economy.

The new war of rules, regulations and forms, being conducted with a kind of dogged persistence by the Company Law Ministry, is not, however, without its blessings for the unthinking politician. A great deal of material for research is being gathered and, in the mean time, it can be used skilfully to loosen purse-strings for political operations. If nothing else, the 'radicalisms' of the past year have yielded many crores of rupees for the ruling party at the Centre. So, at least, gossip in the Capital claims...

May be, we have now entered a phase of more solid thinking. The slogan-shouting is over. The party coffers are full. A return to Centrist policies is dictated by the realities of power and its exercise over a sprawling subcontinent. Yet, radicalism cannot be abandoned for fear that others may pick up the tattered banner and rally the vote banks. It could be that fresh thinking will now develop around the objective of making centralism a revolutionary concept by injecting into it the programmes of mass action and fulfilment. Without this change in the value systems of the models of growth, the Centrists will be easily run down.

Already, one can hear the argument that what we need to do is to strike at the spreading tentacles of family control in business and industrial networks, without damaging each individual unit's vital and healthy

motivation to expand and modernise. Such an argument, if pressed, may have wide and beneficial results. Also developing is the thesis that agriculture be planned in such a way that some three irrigated acres constitute the ideal holding with inputs, chemical and mechanical, designed for such holdings. New thinking in these dominant areas will spark a reformation all along the line. But the question mark remains: who will defy the encrusted elite interests opposed to any change in the lazy, do-nothing system which they have designed for themselves (ourselves, if you care to be truthfull)?

However, the process of correction is under way. And, it should not take too long to untie the knots —

that is, of course, if there is co-operation in the various economic ministries to carry out the correction and not to be panicked by the pressures of lobbies which must now come under some kind of scrutiny. But these corrections only release initiatives in the private sector. What of the paralysed management in the public sector? Will Finance Minister Chavan cut out the nonsense which his officials talk at every Board meeting on the prodding of various head clerks? He felt the need when Morarji Desai ruled. And will the Union Cabinet sack favourites who have proved thoroughly useless? Their names are well known.

A correction is a correction when its total ramifications are understood. A fiddle here and a scratch there only perpetuate the mess — and the question marks...

November 23

MARKETS

The Cloth-Cotton Price Chase

Nishtar

COTTON has been very much in the news recently. All too suddenly the cotton mill industry has turned panicky over soaring cotton prices—though it must be admitted that the rise in prices has indeed been phenomenal. Earlier in the month, the Indian Cotton Mills' Federation had pleaded for relaxation of credit curbs and stock limits. But now several member associations have urged the Federation to take effective steps to ease the pressure on prices through reduced consumption. The Tamil Nadu Millowners' Association has gone to the extent of suggesting reimposition of statutory control on the price and movement of cotton and requisitioning and rationing of supplies. According to the Bombay Millowners' Association, which represents 35 per cent of the country's total spindleage and 45 per cent of the loomage, "the desperate cotton situation" can be met only by an "immediate block closure for 15 days followed by another block closure of 15 days some time in April 1971". The Association has urged Government to impose an "immediate cut in consumption amounting to 10 per cent of the Indian

cotton actually consumed in 1969-70 season" and it has also suggested expeditious and massive imports of cotton and/or staple fibre to augment supply.

How has the cotton situation become "desperate" so very early in the season? It is stated that the 1970-71 crop is smaller than was originally estimated and the crop is also late. More damage has been reported to the crop in those districts from which arrivals are expected in November. The crop in Vidarbha is reported to have suffered extensive damage due to heavy rains (in October). According to Maharashtra's Minister of State for Industries and Information, T D Parvekar, production this year is estimated at 25 to 30 per cent of the normal crop. The carry-over of cotton going into the production of staple counts like 20s is stated to be smaller this year than in previous years. And the two months' delay in imports due to the prolonged dispute between the importers and the Cotton Corporation has further aggravated the current shortage.

But even if one were to grant all this, there is no reason why the cotton situa-

tion should have become "desperate" so very early in the season unless the carry-over at the end of the season (on August 31) is to be dismissed as notional and meaningless. New crop arrivals have been quite normal, though somewhat delayed in certain tracts. The standing committee of the Cotton Advisory Board which met on November 4 had estimated the 1970-71 crop at a minimum of 60 lakh bales. Since then nothing serious has happened to the crop. Even the reported damage to the Vidarbha crop has been attributed to October rains. Is one to believe that all the members of the Board were ill-informed about the condition of the crop in different States?

That the cotton supply position is not comfortable may, however, be conceded. But it is the inflationary boom in the piecegoods market—even coarse cloth costs about Rs 5 a metre—which has led to the runaway rise in cotton prices. Cotton and cloth prices have been chasing each other in a vicious circle. It is really amazing that in all the recent talk about the cotton crisis, the more fundamental point regarding the boom in the piecegoods market should have been completely omitted. The omission is deliberate; one does not expect the industry to focus attention on high cloth prices. Raw material prices do not really matter as long as manufacturers find a ready market for whatever they produce. The affluent mills have been realising asked-for prices for their goods—prices have been marked up by 10 to 15 per cent since about the beginning of November and many mills are reported to have stopped booking fresh orders in anticipation of a further spurt in prices. It is these affluent mills which set the pace for cotton prices; other mills, the sick Government-run units included, are simply obliged to follow. Since competitive efficiencies and product patterns vary widely among mills, many units are finding themselves in an increasingly uncomfortable position because of the soaring cotton prices. These mills have now raised their voice; the other mills have joined in the chorus as they have nothing to lose and everything to gain from cheaper raw material supplies.

The proposal for block closure which is being seriously mooted by the industry has evoked sharp comment not only from labour and cotton growers, but also from Maharashtra's Minister for Co-operation, Y J Mohite. Labour leaders have decried the proposal as a 'sinister move' which is likely to foment 'serious discontent' among the workers. The President of the Gujarat Co-operative Cotton Federation has dubbed the

industry's cry for a closure of mills as a device to further boost cloth and yarn prices by creating a scarcity psychology and to pressurise Government into importing more cotton than is necessary. One does not expect growers to take kindly to any measure which is likely to depress the price of their produce. But even Maharashtra's Minister for Co-operation has described the proposal as a 'clever game' to mislead the Centre on the one hand and to exploit the growers and consumers on the other. He has stressed the need to stop this 'all-round' exploitation at 'all cost'.

But the rising trend in cotton prices will be viewed with concern by all those who wish well of the ordinary consumer of cloth and are interested in exports and in the industry's progress on healthy lines. High cloth prices have already begun to tell on exports. In view of the growing inflationary pressures in the economy, it will not be easy to check the rising trend in cotton prices, let alone bring them down to a level which could be considered reasonable for the large number of marginal units, unless strong measures are taken to restrict mill consumption and/or the supply is augmented through large imports. The controversial move for block closure may have only a temporary effect on the market if mills keep purchasing cotton for making good the production loss at a later date. What is needed is an effective check on actual consumption. This will not be possible without Government intervention. It is not necessary to emphasise that the better alternative would be to augment supply of cotton so that cloth and yarn production does not suffer. It is good to hear from the Union Minister for Foreign Trade that Government has decided to import 13 lakh bales of cotton during the current season instead of 8.5 lakh bales as decided earlier. The additional quantity is to be imported from Sudan and the US. The mere promise of larger imports will not do. Imports have got to be expeditiously arranged. Actual imports during the current season so far have been less than 50,000 bales. Very little progress seems to have been achieved in obtaining PL 480 cotton. And there are not a few who are sceptical about the flow of PL 480 supplies because of the current not-so-friendly state of relations with Washington.

Marking Time

WITH both bulls and bears inclined to mark time, stock markets have had

a rather quiet time this week. Technical considerations discouraged fresh selling. This imparted a measure of steadiness but not enough support was forthcoming to sustain a rally. Markets, therefore, moved to and fro in a leisurely fashion well within the previous week's low and high points. The price pattern over the weekend was mixed. Losses outnumbered gains but net changes either side were generally small. The decline in carry-forward charges points to a distinct improvement in the technical position of the market. But with bulls still licking their wounds, it is doubtful whether the market will be able to push its way up, especially when it has to reckon with many uncertainties.

The week's news was far from pleasing. Steel Minister Bhagat has stated that Government has no intention of increasing the price of steel even though the cost of production of steel has gone up by about Rs 34 a tonne as a result of the recent wage hike. Mishra had hinted at the possible imposition of statutory control on the price and distribution of rayon yarn. Cotton mill industry's plea for an increase in the prices of controlled varieties of cloth has again been turned down. Government is seeking a cut in tyre prices. Trade figures continue to disappoint. With exports down and imports up, the adverse trade balance during the first six months of the current year has increased to Rs 143 crores from the previous year's corresponding figure of Rs 97.7 crores. The industrial growth rate is keeping well below the target and raw material shortages and industrial unrest continue to cause anxiety. Dinesh Singh has ruled out any major liberalisation of industrial licensing policy.

The Railway Ministry is concerned over rising cost and increased wage bill which have put the railways' fourth plan in jeopardy. The Planning Commission is becoming increasingly sceptical about mobilisation of the resources needed to maintain the stipulated target of industrial growth and it has made no secret of its concern about the reluctance of State Governments to raise additional resources. Shukla's disclosure in Parliament that the Industrial Finance Corporation had already converted loans and overdues into equity in six cases aggregating about Rs 4 crores has taken the stock market by surprise as New Delhi has still to announce its loan conversion policy. The latest reports from New Delhi indicate that Government is likely to follow a more cautious policy in respect of

bonus issues. Recent discussions in Parliament on the price situation give one the impression that Government is almost helpless in controlling the inflationary spiral which apart from corroding industry's margins is adding to social unrest. The balance-sheet of bull and bear factors seems to be getting deeper into the red. Little wonder therefore that stock markets are in a chastened mood.

Harder Tone

THE oilseeds market has continued to maintain a harder tone. Neither the considerably increased flow of groundnut arrivals in nearly all the leading centres, nor the reduction in vanaspati prices by Rs 100 to Rs 400 a tonne (depending on the zone) has had any effect on groundnut oil prices. The spot quotation for groundnut oil was marked up by about Rs 200 a tonne to Rs 4,350—the latest quotation is around Rs 4,250—on keen buying by vanaspati manufacturers. Vanaspati production is currently running at a record high level because of the stepped

up capacity. Oilseeds futures kept irregularly firm; only castor made a new high. Bulls seemed eager to cash profits.

The market wound up the week on a somewhat hesitant note. Since the recent rise has been very steep, technical considerations alone can produce a reactionary tendency. But trading sentiment also appears to have been influenced by reports that Government is trying to make arrangements for importing substantial quantities of soyabean oil and mutton tallow on a commercial basis if adequate supplies are not available under PL 480 and US aid. Imports seem necessary to contain edible oil prices within reasonable limits. But it is even more important that Government avoids measures which serve as an inflationary fuel. New Delhi would do well to announce that it has no plan for building a buffer stock out of indigenous production and that it is also not thinking of exporting dehydrogenated or refined groundnut oil. This will go a long way in discouraging bull speculation. It has been all quiet on the export front recently.

COMPANIES

Wages of Indecision

Hansavivek

SCINDIA STEAM is making a bid to acquire Dharma Teja's 2,12,427 equity shares in Jayanti Shipping. These shares, attached in execution proceedings against the owner, are being put on sale by public auction by the sheriff of Bombay. Jayanti owns a fleet of 16 ships, including 8 bulk carriers, 2 oil tankers and 3 ore-cum-oil carriers. Acquisition of these shares at a time when it is difficult to obtain new ships, will therefore enable Scindia to carry on bulk trade and tanker trade on a comparatively larger scale. Meanwhile, out of 8 fast cargo motor ships of 13,500 DWT each, ordered from GDR, 3 have been delivered already, one will be delivered soon, and delivery of the remaining 4 will be completed by July 1972. Two cargo motor vessels of 16,200 DWT each, ordered from West Germany, will also be delivered during 1972. Scindia sold 6 steamers along with launches, boats, etc, in the year ended June 1970 and three more ships in the current year.

The company has one bulk carrier of 53,450 DWT in service, and proposes construction of another of about 53,000 DWT in West Germany with delivery

by the end of 1972. For the latter, it is awaiting Government approval. It had negotiated for a second-hand bulk carrier of 57,000 DWT for \$ 6.25 million, but could not purchase it owing to delay in government approval of the financial arrangements. In the meantime prices of ships rose sharply and the owner was not prepared to sell it for even \$ 9 million—a price which the company had indicated last April. In July last, the company had similarly placed an order for a bulk carrier of 54,000 DWT with West Germany, but Government approval was received only recently; meanwhile, the shipyard withdrew the agreed price and is now asking for a higher price and delivery a year later. Efforts had been made for a credit from Japan, but as the Japanese Government agreed to allow deferred payment arrangements for one ship only, Government decided to give that credit to the Shipping Corporation. K M D Thackersey, chairman of Scindia, points out that foreign shipyards and governments are not interested in offering extended credits of 8 years with 10 per cent and 20 per cent down payment. Shipowners of developed coun-

tries, being in a position to purchase ships on cash basis, steal a march over those of the developing countries. Only recently, Government has agreed to release 20 per cent down payment in foreign exchange and approved tax-free interest of 7 per cent on foreign loans.

Since its assets exceed Rs 20 crores, Scindia has been registered under the Monopolies and Restrictive Trade Practices Act. Thackersey observes that there are no guidelines for government officials on how they should regard acquisition of tonnage for replacement and expansion of liner and bulk trade services. This uncertainty has added to the delays in Government approval for acquiring tonnage. Indian shipping carries about 18 per cent of India's foreign trade. Thackersey feels tonnage acquisition by Indian shipping companies should not need clearance under the Act.

During 1969-70, Scindia's total turnover expanded from Rs 36.00 crores to Rs 39.46 crores, but its gross profit slipped from Rs 6.42 crores to Rs 6.09 crores. The contraction of margins was ascribed to all-round rise in costs—stevedoring, wages, and other operating costs—and to the prolonged delays at ports in India and abroad. Besides, the company had to charter more steamers to meet pool and liner commitments. Net profit fell from Rs 2.92 crores to Rs 2.21 crores, but still covered the 8.75 per cent distribution 2.2 times. Return on total capital employed in business worked out to barely 3.8 per cent.

HINDUSTAN GARMENTS is setting up a factory for production of ready-made garments at Sonapat near Delhi. The company has a collaboration arrangement with the British Van Heusen Company. The capital cost of the project is estimated at Rs 42.50 lakhs, comprising at Rs 29.50 lakhs fixed capital and Rs 13 lakhs working capital. Working capital requirements are being arranged through the First National City Bank which is also providing a term loan of Rs 4.50 lakhs. The balance of Rs 25 lakhs will be financed through equity capital, of which Rs 15 lakhs is to be offered to the public. Subscription to the issue, which is fully underwritten, will open on December 9. In the first year of full production the company's turnover is expected to cross Rs 30 lakhs, of which exports will account for just over Rs 5 lakhs. By the fifth year turnover will go up to Rs 267 lakhs and exports to nearly Rs 30 lakhs. The company expects to be in a position to declare a dividend of 10 per cent after a year's full production.

PERSPECTIVES

Murderers Take Over

Ashok Rudra

RIMBAUD — or was it somebody else? — talked about the times when assassins will rule, when the bloody knife will be the arbiter. The situation in Bengal is coming to that literally. The scene has once again changed: the young boys raiding schools and hoisting red flags are now no more than a memory of innocent adolescent pranks. Those who have entered the stage now mean much more serious business. They mean murder. There are at least three categories of murderers carrying on a grim competition in systematic and cold blooded murders. There are the urban guerilla squads of the CPI(ML) who have now changed over from the programme of making the police look foolish to that of annihilating police personnel. There are the murderers in the uniforms of the police — the police can shoot and kill with impunity anybody, anywhere, any time with the a priori exclusion of any inquiry. There are, lastly, the members of the criminal underground who have taken advantage of the absence of the PD Act to surface and engage in murderous vendettas under the cloak of political actions.

CHARU MAZUMDAR'S SUCCESS

The situation is indeed gruesome. While the Naxalites are keeping up a steady and unabated rhythm of two or three murderous attacks on police personnel per day, the police have in their turn become vindictive and are carrying out indiscriminate murder, mostly of young boys in their teens. Every single day the newspapers dole out stories having predictably characteristic features. The murders are always carried out in broad daylight, in the middle of crowded streets. The murder of policemen is usually carried out by selecting victims individually when they are off duty and engaged in private activities. The police too carry out their murders at places of their own choice with the help of plain-clothesmen — the typical case was that of a young boy who got shot at from a distance while sitting in a crowded audience at a musical soiree. This tit-for-tat by the police is of course of recent origin — it dates from the time when a desperate, vindictive, enraged Police Commissioner an-

nounced that to contain the guerillas the police would also operate in a guerilla fashion. The earlier more cowardly technique of murder followed by the police was that of beating the young boys to death while in lock-up or while in transport vehicles after arrest. This technique continues to be followed along with the shoot-at-will technique introduced later.

If comrade Charu Mazumdar's purpose was to demoralise and destroy the police force, he has been succeeding very greatly indeed. That the police has failed to contain the problem, that Naxalite activities have spread all over the State is admitted officially. Practically every day some spokesman or other of the government would make a statement that conditions have improved or are going to improve. But there would also be other statements by other spokesmen admitting the failure of all government measures hitherto taken and the steady deterioration of the law and order situation. Statements apart, the conduct of the police speaks for itself. To give police personnel the right to shoot and kill with the guarantee that there will be no departmental inquiry to follow is itself an avowal of total desperation — even during the British days the police never enjoyed such complete freedom to murder. To talk of the centralised police service not being equal to the task and having to decentralise itself and resort to guerilla tactics is itself an admission of the urban guerilla methods of the CPI(ML) having worked.

Yet another indication of the desperation of the local establishment lies in the character of the ideological campaign that is being carried out in the Press and on the platform and in the pronouncements of the government. The current spate of beheading or otherwise damaging statues of national leaders in public places is a part of this campaign. It is quite incredible that the CPI(ML), engaged in the bloody and serious business of annihilating policemen, would also engage in the prank of publicly insulting the memories of such popular heroes of the country as Iswarchandra Vidyasagar, Rabindranath Tagore, Subhash Chandra Bose and Vivekananda. Considering

the hold on the Bengali mind these names enjoy, the only result of desecrating the monuments to them can be public antagonism towards the perpetrators of such actions. The only plausible explanation of this phenomenon is that they are the actions not of the Naxalites, but of provocateurs hired by the police. If that be so, it cannot be said that the operation has paid off. Even now there is no discernible public anger against the Naxalites.

NO LOSS OF SYMPATHY

If the first achievement of Charu Mazumdar be to prove that the police are a paper tiger, the second has been to prove that the assumption of the other communist parties that the people are not yet ready for insurrectionary actions might have started to outlive its validity. One thing that is clear is that if people at large deplore and lament the fratricidal killings and inter-party clashes, the general breakdown of law and order (not only of law and order, but of civil administration in general), the damage suffered by the regional economy, the increasing non-functioning of the transport and communications system — all this, while making every ordinary citizen's life extremely difficult, has not created any noticeable public anger directed against those who are causing it. In this connection, it is important to appreciate that the daily disruption of civic life which takes place in different parts of the region is not precipitated by the pre-planned actions of any particular group of people. The prevailing mood of the people is to take law and order into their own hands, to destroy property, to damage the functioning of systems even when they are meant to provide amenities to the public. The prevailing mood is to suffer the consequences of every such action in mute patience — the spirit being that things are so bad anyway that they can't be any worse and so why not at least couch one's protest in the only language that seems to be understood by whoever the authorities are. It is in this generally prevailing anti-establishment, anti-civic administration and anti-social-order mood of the public that the Naxalites are carrying out their methodical destruction and murderous activities and getting away with no loss of sympathy among the people. The Naxalites are giving focus and direction to disruptive forces that are not their creations and this, of course, is some-

thing a revolutionary party believing in the necessity of breaking down a social system before rebuilding a new one would like to do.

Where will all these lead to, is a legitimate question to ask. Charu Mazumdar predicts that a people's liberation army will be marching down the plains of Bengal within a year or two. Whether that happens or not, another army is certain to march up and down the plains and that is the Indian Army. It is a safe bet that West Bengal is going to be put under military rule within the next few months. It is a characteristic feature of the myopic vision and the narrow factionalism of the parliamentary Left parties of the region that they are seriously engaged in discussions of who will betray whom in alliance with whom. From now on nothing is going to depend on the West Bengal legislature. History is being written and will continue to be written in the streets and in the paddy fields, in the language of firearms and knives; resolutions passed in closed-door Assembly halls and orders written in the files of the Secretariat are going to be like the yelps of a puppy against a raging hurricane.

Among the parties the sure loser is the CPI(M). As days pass the confusing multiplicity of political paths open before the people of the region is fast

disappearing and giving place to two clear-cut alternatives. The first is the path of class collaboration, of strategic subservience to the ruling bourgeoisie, of building up what is called a healthy capitalism. The second path is the one followed by the Naxalites — of total, uncompromising, hostility towards the entire social system. The CPI(M) is rapidly losing its identity and its following by failing to choose between the two lines. The CPI, on the other hand, has earned for itself a lease of life by finally succumbing to the dictates of the class character of its leadership and its rank and file and taking a plunge for the first alternative. It matters the least what permutations and combinations of parties form the next government — what is certain is that no Home Minister will succeed in controlling the bloody, riotous, anarchic situation which the present police terror is totally failing to contain; what is certain is that any political party which would make use of the hated State police and the even more hated CRP to shoot to kill fifteen-year old boys and girls will cease to have any moorings on the Left. The road that can be seen as of now leads through increasing disruptions of the civic society and ends up in army rule on the horizon. What lies beyond cannot yet be seen. The conditions for counter-revolution are not very different from those for revolution.

on political or parochial considerations were squarely posed in the meeting. But nothing has since happened to rectify matters. The position has actually worsened. And to cap it all, an inspired propaganda campaign has been set afoot dubbing the Planning Commission as a conservative body which is allegedly standing in the way of the progressive, radical policies of Indira Gandhi's government. It is suggested that the Commission should be 'reorganised' once again to achieve desired social objectives in tune with the Government's radical approach. The demand for reorganisation in fact amounts to asking for a mere change in the personnel of the Commission. A closer and critical look at this campaign will, however, show that it is largely based on half-truths and its purpose is only to cover up failures in the implementation of the Plan.

There is much ado these days about, for instance, the industrial licensing policy and its working. It is made out that the Planning Commission is putting pressure on the Industrial Development Ministry and the Government to relax the curbs on big business houses and otherwise to liberalise licensing procedures. But the fact of the matter is that the Planning Commission has done or said nothing to create difficulties for the Industrial Development Ministry in the implementation of the licensing policy as it was formulated several months ago. On the contrary, the Ministry itself initiated a discussion in the Cabinet for a review of the licensing system in the middle sector involving capital investment between Rs 1 crore and Rs 5 crores.

It was proposed that the middle sector be exempted from licensing requirements to facilitate greater activity in this sector. Before the licensing policy was finalised, the Planning Commission had held this view and had proposed that instruments other than licensing, such as permission for capital goods import and allocation of foreign exchange, should be used for the purposes of exercising the necessary controls in this sector without impairing initiative and enterprise by unnecessary bureaucratic interference. The advice of the Planning Commission was not accepted at that time and the middle sector too was made subject to licensing. Apparently, the Industrial Development Ministry and others in the Government have subsequently come to feel that this is creat-

ing difficulties and so the matter was again raised in the Cabinet. But when the issue came up for a final decision, the apprehension was voiced that any formal and straightforward decision relaxing licensing requirements so soon after the licensing policy was adopted would attract adverse reactions from radical opinion. It was decided, therefore, that there should be no modification in policy but in actual implementation the Industrial Development Ministry should grant licences more liberally. This having been done, reports started appearing that the Planning Commission had been pressing for a modification of licensing policy.

A similar campaign is now in the offing with regard to the problem of unemployment. The recent Patna session of the ruling party has apparently decided to make this an election issue. The fanfare about a special programme to deal with unemployment and to provide 5 lakh new jobs every year was one of the highlights of the Patna session. The exact implications of the new employment programme have been given hardly any thought. But earlier the Prime Minister had brought up the question in the last full meeting of the Planning Commission. How effectively the employment potential of the entire development process can be enhanced and what role should be assigned to special employment oriented programmes are now under study in the Planning Commission and a working paper is being prepared. However, what is bothering the Planning Commission is that in the name of special programmes there might be diversion of effort from Plan programmes with the result that total additional employment generated in the economy as a whole might be less even while some employment-oriented projects may be taken up as show-pieces. Such a tendency is already in evidence, specially in the implementation of the State Plans.

LESS AID TO STATES

Allocation of funds by the Centre to special programmes will mean so much less of Central assistance for the State Plans, at least in the coming crucial year. Faced with shortage of resources, the State governments never slow down or defer their large, prestigious schemes and the axe always falls on smaller, less spectacular programmes, which also invariably

happen to be more employment oriented. Primary education, rural road building and rural construction activity are the first to suffer. This is already happening in the way the State Plans are being implemented. The expenditure of Plan funds is already found to be proportionately less on these programmes of vital importance to the common man's welfare which are also more employment oriented. The net effect is more unemployment rather than less and the introduction of the special programmes now in view, unless they are properly fitted into an integrated scheme of development and Plan implementation, may only aggravate the situation.

In the view of the Planning Commission the key issue just now is the extent and size of the development effort in the third year of the Plan. There could be some excuse for shortfalls and poor performance in the first two years — that the Plan had to get off the ground after a difficult period of stagnation, recession and holiday from planning. But no such excuse can be made at this stage when the new Fourth Plan should be gathering the necessary momentum. This requires a step up of effort all round — in mobilising resources, in their proper allocation and in the implementation of projects and programmes in the Plan. The position is not very bright in this regard as is clear from the controversy already under way between the Planning Commission and the Finance Ministry on the question of resources (including Central assistance to the States) for next year's annual Plan.

Such controversies between the Planning Commission and the Finance Ministry are nothing new. They have been there right from the beginning of planning, with the Planning Commission keen to have the required financial resources committed for the Plan and the Finance Ministry finding it difficult to foot the bill. On the present occasion, too, there is the same controversy. The Planning Commission is insisting that besides providing for the Central Plan for the next year, the Centre should increase its assistance to the State Plans from around Rs 600 crores this year to Rs 800 crores in the coming year. This is not only necessary to give a push to Plan implementation but will also be in line with the disbursement of total Central assistance for the Plan period to which the Centre is

committed. But the Finance Ministry is demurring and has indicated that it may not be able to find more than Rs 650 crores for Central assistance to the States in the coming year. In fact, Finance Ministry circles have been putting out suggestions that the overall size of the Plan may have to be revised downward because of paucity of resources. Calculations in the Finance Ministry are reported to have indicated that there might be a shortfall of as much as Rs 1,600 crores in the Centre's resources for the Plan period.

RESOURCES GAP

The shortfall in resources is stated to be mainly on account of a much smaller balance from current revenues than was anticipated in the Plan. The balance from current revenues had been estimated in the Plan to be over Rs 1,600 crores, but it is likely to shrink to Rs 850 crores (mainly on account of the interim relief granted to Central Government employees). In addition, there is going to be a big shortfall in the railways' contribution. The railways, who were credited with the ability to generate Rs 285 crores of surplus resources for the Plan, are likely to end up with a deficit of Rs 18 crores. The expenditure on relief measures of various kinds — drought, flood, famine, etc — is running at a far higher level than had been anticipated and will eat into Plan resources while the surplus from public sector enterprises is going to fall far short of the earlier expectations.

The financial stringency is, of course, very real and the position of the Finance Ministry is not an easy one. But this situation has to be faced. There can be no easy escape from it by revising downward the Plan outlay at a time when the Plan, after three years of Plan holiday, should be just beginning to make a positive impact. A downward revision of the Plan outlay at this stage will imply abandonment of the development effort and reversion to another period of Plan holiday. The plea of stringency of resources on the part of the Finance Ministry also goes ill with the pressure mounted by the other ministries for taking up new projects and schemes outside the Plan and the idea of an addendum to the Plan to accommodate them.

The Planning Commission will, therefore, be quite correct in saying

FROM OUR CORRESPONDENTS

NEW DELHI

The Sinking Plan

THE preparation of the Annual Plan for 1971-72, the third year of the Fourth Plan, appears to be deadlocked. The next year will be crucial for the satisfactory implementation of the Plan. But being the year when the country and, in particular, the political leadership will be fully caught up in the excitement and turmoil of the general elections, indications are that the more enduring tasks of economic development and implementing the Plan will receive little attention. The present difficulties in the preparation of the Annual Plan indeed stem from this. The Planning Commission is in a state of deep despondency. There is nobody in the Government or among the politicians, the planners feel, who is development

minded and is committed to the Plan. The Plan was accepted and approved, but the erosion of the Plan which is now under way appears to be nobody's concern. By the time the Planning Commission begins its mid-term appraisal of the Plan next year, such an effort may become rather pointless.

GROWING PESSIMISM

Pessimism among the planners has in fact deepened after the full meeting of the Planning Commission last month. The problems of non-implementation of the Plan, the tendency on the part of the political leadership and the administration at all levels to ignore the tasks set in the Plan and to take up new programmes and projects

that the Government is unable or unwilling to fulfil its commitment to the Plan as regards both finding the resources for it and exercising a measure of discipline in the allocation and spending of resources. This appears to be the real problem and the root of the controversies between the Planning Commission and the Government. The Planning Commis-

sion's own examination of the resources position, however, suggests that barring the effect of the interim relief to Central Government employees, the pluses and minuses in the Central resources should balance out so that there is no reason why a plan of a reasonable size cannot be provided for the coming year.

Some of the hard-liners in the Cabinet as well as in the MPCC posed as the champions of the unorganised poor peasants and unprotected landless labourers. But none took seriously their tall talk of taking up cudgels on behalf of the down-trodden in the rural areas since it is common knowledge that they owe their positions of power largely to the support of the rich peasants who control both the Government and the ruling party organisation in Maharashtra. Further, their attempt to create a rift between the rural and urban areas did not succeed and resulted only in tarnishing the image of the Government and the party organisation.

The crude and unimaginative manner in which the Government handled the strike raises certain important questions. Was the Government justified in serving eviction notices on employees occupying Government flats? Has the Government the right to intrude on the privacy of citizens? It was reported that the police harassed the families of employees who had joined the strike. Police officers knocked on the doors at odd hours in the night and questioned the wives and children of government employees. Their pretext was that they were trying to find out the whereabouts of the employees. The most disturbing feature of the whole situation was that even the opposition parties, which had expressed their sympathy and support for the government employees, were not prompt and vociferous in protesting against this flagrant attack on a basic right of all citizens in a democratic country.

The strike has given a new lease of life to trade union activity in the city of Bombay. After a very long time, various trade unions controlled by different political parties succeeded in pooling their resources and organising mammoth processions and public meetings in support of the government employees. Their threat of a "Maharashtra

bandh" on November 24 and the prospects of the success of the bandh made the Prime Minister realise the grave political complications that might ensue. Her personal emissaries, R K Khadilkar and P N Haksar, arrived in Bombay and the Chief Minister was persuaded to settle the dispute in an amicable manner.

The Shiv Sena suffered a tremendous setback to its prestige which was fairly high especially after its victory in the recent by-election to the Assembly. During the twelve-day strike of government employees, the Sena was on the defensive for the first time since its emergence as a political force in the life of the city of Bombay. After paying lip-service to the demands of the employees, the majority of whom are believed to be sympathisers of the Shiv Sena, Bal Thackeray asked them to withdraw their strike. The angry em-

ployees interpreted this advice of the Shiv Sena leader as convincing proof of his collusion with the Chief Minister and ignored his directive. The widespread feeling among the government employees in Bombay was that the Shiv Sena had deserted them and betrayed their cause. Instead of backing them in their bitter struggle against the government, they found that the Shiv Sena leader was using his powerful organisation to ensure normal milk supply. Thackeray explained that he was doing this in order that children may not be put to inconvenience. This explanation sounded hollow to those who remembered how during the riots of 1969, the Shiv Sena had caused the destruction of several milk-booths in the city. By and large, the government employees have felt deeply hurt because of the pro-employer attitude of the Shiv Sena.

read the programme for the Conference, because instead of a *mid-year review*, what he gave us was an evaluation of *Mid-Term Industrial Prospects*. Semantic and terminological misunderstandings apart, this was probably the most interesting effort of them all. Ashok Desai maintains that the terms of trade between agriculture and industry, which had been unfavourable to industry so far, have now started moving in favour of industry. He foresees a continuation of this trend upto 1972 and a consequent picking up of the tempo of industrial output, as profit levels of industrialists improve. However, the main operative constraint on the Indian economy in the near future is likely to be foreign exchange, according to Desai. He tries to make estimates of the balance of payment position on both the current account and the capital account for 1970-71 and 1972-73. He gives us two sets of estimates, one "optimistic" and the other "pessimistic". One only wishes that Ashok Desai had spelt out in greater detail some of the assumptions and implications underlying his estimates and the methodology he had adopted.

LONG YAWN

Bakre's piece on the cement industry was one long yawn by any standards and specially after the substantial repeat provided by the STC. Mainly a historical and descriptive account of the cement industry, Bakre was interesting only when he talked of the problems involved in estimating potential demand for a commodity which has for long been in short-supply. Most of the issues that he raised, like pricing policy and locational patterns, were just touched upon.

The discussion on the three papers gave an opportunity to the participants to express their diverse viewpoints. The free enterprise-wallahs tried as usual to chorus their regular wails about "failure of planning" and "governmental delays". Freddie Mehta tried to refute Ashok Desai's point about the reversal of the terms of trade in favour of industry. Mehta's contention was that they would soon turn against the industrial sector again. Rangarajan made the point that expenditure on capital formation in the private sector in 1970 would not be lower than that in 1969. This conclusion was based on data from long-term financial institutions. Reference was made to Samuel Paul's recent effort to make short-term projections of investment, based on data on orders for machinery. Paul himself provided some

MAHARASHTRA

White-Collar Workers Show How

Y D Phadke

THE Confederation of Maharashtra Government Employees called off, on November 22, the strike of government employees which had created an unprecedented situation in the State. Work at the Sachivalaya in Bombay and State Government offices all over Maharashtra had remained paralysed for 12 days. The winter session of the Maharashtra Legislature, scheduled to commence at Nagpur on November 15, had to be postponed because of the strike. More than a thousand Government employees, including prominent office-bearers of the Confederation, were arrested by the Government which did not hesitate to resort to all kinds of intimidatory tactics against its employees. Despite the Government's threats to take disciplinary action, including termination of services, the morale of the employees was surprisingly high. The strike was a complete success and was conducted in such a peaceful and disciplined manner that veteran trade unionists vied with one another in praising the lower middle-class, white-collar government employees for their enviable determination and superb sense of solidarity.

The tributes were richly deserved. In spite of the fact that the Government had assumed wide powers under an Ordinance and had forbidden legitimate activities such as processions, demonstrations, picketing, etc, which are open to striking employees in private enterprises, the government employees confidently continued their strike. They did not waver and came out of the ordeal unscathed. Instead of unnecessarily making it a prestige issue, the Government could have agreed to resume negotiations with its employees regarding their pending demands. The Chief Minister appeared to be inclined to take a more conciliatory approach but, it appears, he had to adopt a tough

attitude in view of the sharp reactions of some of his colleagues like S K Wankhede, Shankarrao Chavan and Yeshwantrao Mohite.

In the meeting of the MPCC, which was attended by the Union Finance Minister, Y B Chavan, Wankhede made a frontal attack against the Union Government's announcement of interim relief for its employees without consulting or even informing in advance all the State Governments. He declared that as the Government did not have money to spend on even essential items of expenditure such as minor irrigation schemes, it would not pay a single paisa more to its employees. He asked the employees to withdraw their strike unconditionally and resume duty so as to avoid the dire consequences of their defiant attitude. This hostile attitude of the senior ministers was shared and strongly supported by Vasantdada Patil, the President of the MPCC. Some members made an unsuccessful attempt to tone down the resolution passed by the MPCC, but they found themselves in a hopeless minority. Even Chavan, who wanted the hard-liners to approach the problem in a much more responsible manner, had to give up his efforts and decline to intervene in the strike.

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The Dismal Scientists

(From a Special Correspondent)

ECONOMICS may or may not be a dismal affair, but many of the practitioners of this discipline in Indian industry and business are certainly a sorry lot. Economists in academia and government, moaning about the burdens and miseries of their occupations, can at least derive the vicarious satisfaction of knowing that so far as any semblance of competence is concerned, they can make the "Business Economists" dance round in rings. The predominant impression one got after attending the mid-year session of the Business Economists' Group at the State Trading Corporation's office in New Delhi on the November 16, was of tired, jaded and faded minds getting together with the avowed intention, *albeit* unknowingly, of converting the most trivial issues into matters of earth-shaking importance. Phiroze Medhora, the convener of the Group, might well consider organising a refresher course in economics for the members now and then.

The two topics chosen for discussion in depth at this meeting were "A Mid-year Review of the Economic Outlook" and "The Economic Aspects of the Cement Industry". The two papers presented on the first topic were by V S Bhavé and Ashok V Desai while A G Bakre was the lone contributor on the cement industry. The papers having been distributed in advance, they were taken as having been read and the morning session commenced with Bhavé

and Ashok Desai outlining the major points in their papers.

INDUSTRY BY INDUSTRY APPROACH

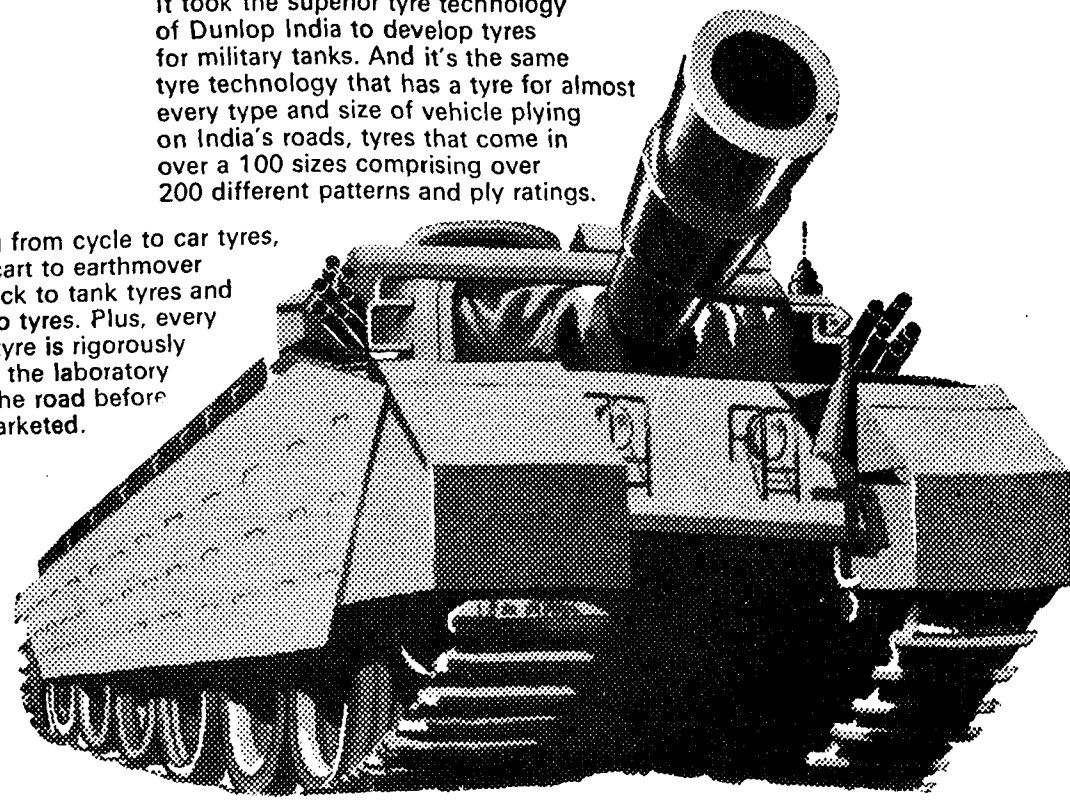
Bhavé's effort "India 1970-71: A Mid-Term Appraisal" was a painstaking piece of work, reviewing the forecasts made in an earlier work (February 1970), and attempting to make fresh estimates. Data, for Bhavé, is "not a serious problem". He gets them from "our economic dailies and journals" which publish the required data from "time to time". For assessing the likely rate of growth of industrial production, he rejects "indicators such as investment trends, fiscal and monetary policies of the government, etc" and prefers to rely on "industry by industry" estimates. He feels that by doing so, mistakes in the assessment would be isolated and would be easier to rectify. Need one say more? It is perhaps futile to point out to the author, after he has made up his mind so firmly on this point, that a sectoral approach like this can multiply errors instead of cancelling them out because of the presence of intermediary goods. Anybody who has worked on inter-industry flows will testify to this from bitter experience. However, one is thankful that Bhavé did not choose to deal with national income, prices and foreign exchange at any great length, the analytical level being what it was.

Ashok Desai seemed to have wrongly

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clarification on his interesting methodology. Medhora made the perceptive point that there could well be a Scissors' Crisis in the offing in India, since marketable surplus was bound to rise and industrial production was rather sluggish.

By and large the discussion was so diffuse and inchoate that it was not possible to make much of what was going on. Apart from some representatives from the universities, research institutions, financial institutions and a handful from industry, most of the participants seemed to be over-eager to make their presence audible at any cost. Probably daunted by this vociferous display of the private sector's firepower, the lone representative of the Ministry of Finance, P C Joshi, quietly resigned himself to an amusing day.

WHY OPTIMISE?

The conference, however, brought out certain interesting points. It seems that Indian industry is not interested, at the present moment, in using technical ex-

pertise and analytical competence on the part of the economists it employs. This is probably because of a deep suspicion of economics in general and its practitioners in particular. When they have been doing so well all these years, why listen to these "economists"? Even the totally sub-optimal has been so profitable for Indian industry in the past that there has been no incentive for optimisation. The second-best has been far too good for our magnates, so why aim for anything better? The net result is that economists in Indian industry have stagnated and sunk to the level of glorified P R men.

Freddie Mehta commented at one stage of the discussions that all the participants in the conference were like the members of a Greek tragedy, waiting and watching ineffectively the approaching Nemesis. Well, thank God for small mercies. For, one has a feeling that if the present crop of business economists actively stepped on the scene, the result would only be to hasten the approach of doom.

MANILA

A Political Rebirth

T J S George

THE kind of democratic norms taken for granted in India are unknown in South-East Asia, where even countries like Singapore are at best monuments to "democratic dictatorship". The Philippines itself suffers from an inseparable image of gun-toting, graft, and rampant crime. Though it is known to have a jealously free Press, its popular image has clouded the virtues of the democratic system it enjoys.

However, the nation-wide elections that were held on November 10 should help to restore faith in the Philippines as South-East Asia's only practising democracy. Watching the elections from the provinces as well as from Manila, I even got the impression that the graft and the gun-toting can be lived with if the basic health of the system can be maintained this well.

Previous elections, of course, had been as viciously undemocratic as, say, those in some of the remoter parts of Bihar. Last November's presidential election in particular was notorious for the degree of political bossism and thuggery used in various constituencies. But this time, it was an impressively peaceful and free election. And the results are a feather in the country's democra-

tic cap.

One reason for the difference may be that this election was not for political office. People were only electing delegates for a convention next year which would write a new constitution for the country. But the worst had been predicted. The most widespread fear was that President Ferdinand Marcos and his administration would manipulate the election so that the constitutional convention would be packed with administration men and the new constitution so written as to favour continuation of Marcos' power.

FEARS BELIED

The fears proved unfounded. Admittedly, the two political parties did try to influence the electorate here and there. But, by and large, the election turned out to be as non-partisan as is possible in the Philippines. The President obviously stuck to the ground rules with grace. Given his powers, he could have packed the convention with his men. But so many independents and anti-administration men have been elected that it is clear that President Marcos conducted himself in truly democratic style. He spent the 10 days preceding

the election away from Manila, playing golf in the resort town of Baguio.

The idea of writing a new constitution is itself a positive Marcos contribution. The present constitution was born out of the American stranglehold on the Philippines and it enables American citizens to have equal rights with Philippine citizens in certain areas. Clamour for changing this set-up had been going on for a long time, but it was President Marcos who first gave it an official push. Under his initiative, the Philippine legislature passed a constitution convention act. The delegates now elected will begin their deliberations in the middle of next year.

Recognising the fact that the job of constitution-making should be above partisan politics, strict rules for the conduct of the elections were framed. Political parties were barred from putting up candidates or from otherwise campaigning for the convention. Rigorous limits were set on election expenses by candidates, so that the usual traditions of only the rich being able to fight an election would not vitiate the convention. Even advertising by candidates was strictly controlled by the Commission on Elections.

ISSUE-ORIENTED CAMPAIGN

One result of this tight control was that the campaigning turned out to be very constructive. Nearly 3,000 candidates and their supporters found it necessary to visit voters and personally explain to them the meaning of a constitution, the reasons why a new chapter was essential, and what kind of changes were best for the country. It was a highly beneficial process of national political education.

I watched an election meeting in Baguio, 200 miles north of Manila. It was organised, as per law, by the Commission on Elections. All candidates from the city were on the platform, and each was allotted exactly ten minutes to speak. Individual candidates used their allotted time to explain to the audience what he or she would do if elected to the constitution convention. The speeches were entirely issue-oriented.

Thanks to such healthy campaigning, the convention promises to be truly representative of the people. All shades of opinion will be heard. Two former presidents and about 10 former legislators (MPs) have been elected. Also successful were some former judges of the supreme court and a large number of professional people. Above all, the

youth made its presence felt. As much as 60 per cent of the Philippine population is below 39 (and 45 per cent below 15). They were prominent during the campaigning, and several of their representatives have been elected. The convention is thus assured of an infusion of ideas from the generation likely to be most affected by the new constitution.

It is, of course, too early to say what kind of changes will be introduced by the new constitution. It is certain that special privileges accorded to Americans will end. Naturalisation laws may be liberalised and perhaps a unicameral legislature adopted. The heated arguments are over whether or not the presidential system should be replaced by a parliamentary system. If the presidential system is to continue, the term of the president will almost certainly be fixed at six years without any re-election (against the present practice of a four-year term with one re-election).

In brief, the Philippines is in the throes of a political rebirth. It will cease to be an anachronistic mixture of Spanish, Chinese and American cultures outside the Asian mainstream, but an Asianised society which no longer needs to establish its identity. It is modernising. A new conscious middle class has been becoming politically active and this, along with the youth, is likely to be the most potent force for change in the next few years.

NOT WITHOUT A HITCH

But it will be wrong to assume that badly needed changes will be introduced without a hitch. The open society of the Philippines has reared a people politically very alert and articulate. Widely divergent groups of opinion want changes that fit in with their respective ideology. At one extreme are the so-called 'Maoists', the most popular among them being the student organisation, Kabataang Makabayan. This body has condemned the constitutional convention as an imperialist-comprador plot and called for popular opposition to it. At the other extreme is what appears like an ultra group in the army. A couple of days before the election, an essay written by the chief of the army appeared in Manila newspapers as a paid advertisement. This essay warned of a communist plot to sabotage the constitutional convention. Its language and arguments were strongly reminiscent of the George Wallace-General Lemay type of philosophy. Will the 'threat' of liberal reform through the

legitimate constitutional convention provoke this ultra group to act in panic?

The Catholic church is another powerful lobby, 80 per cent of the people being Catholics. But the church is split, and not everybody likes the titular head, the Cardinal in Manila. There is a Catholic Left and the so-called 'Clerico Fascists'. A number of able clerics have put on the garb of radicalism in order to win popularity in the present national mood. These men

could be a greater block to reform than the blueblooded reactionaries. The redeeming factor is that the constitutional convention elections have returned many reform-minded people and progressives. If they succeed in writing a national charter which accommodates the people's desire for change, the Philippines will have achieved the significant feat of using the existing democratic system as an instrument for radical reformation.

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SOUTH VIETNAM

Changed Pattern of War

Harish Chandola

THE Vietnam war is winding down, but for the US troops only. While their casualty-rate has gone down substantially, that of the ARVN (Army of the Republic of Vietnam or the South Vietnamese forces) has gone up sharply, to over 700 killed or wounded a month. One reason for this is that the withdrawing US forces are turning over the fighting to the South Vietnamese forces, in accordance with the American policy of Vietnamisation of the War. But an even greater reason for the fall in US casualties is the changed attitude of the American soldiers who now feel certain that they are getting out of the country soon and do not want to get killed in the meantime. Instructions have been issued to the US forces from the top to keep casualties down. But how does one keep casualties down in the field at company and platoon level? To that no answer is provided from the top and those in the field interpret it as an order to keep out of the fighting.

WHY GET SHOT?

This correspondent had occasion to talk to men of a US brigade in the field, in Dau Tieng, in Tay Ninh province, about 60 kilometres north-north-west of Saigon, recently. They confirmed that the method of operation of the US troops had changed. Though the actual number of operations launched by them — sweeps, patrols, ambushes and air assaults — had not been cut down, these were being carried out far less effectively now because there was growing reluctance among the soldiers to go out and find the Vietcong. One officer who had been in Vietnam two years ago, said, before the units used to go out to kill, but now they went out with the idea of protecting themselves rather than looking for the Vietcong.

The usual practice now was to go out and set up a temporary camp for the day and write letters or swim in a bomb-crater. And then attempt ambushes at night. It was during the day that the US Army in Vietnam used to be at its most effective. In case the Vietcong make contact, a draftee infantryman said, they pull back and call in artillery. That, he thought, was

most sensible because why should he get shot when they were clearing out and the war was just about going to be over for them. A sample poll taken in the brigade recently showed that 60 per cent of the men in it were "against" the war. As the result of this mood, the number of court-martials for disobedience and possession of drugs (which has become a serious problem) had recently risen.

ARVN UNDER ATTACK

Because more of the fighting is being turned over to them by the US forces, the South Vietnamese troops are coming in for more attacks from the Vietcong. Particular targets of Vietcong attacks are the "pacified" hamlets and military teams sent out to turn more areas into "pacified" hamlets. "Pacified" hamlets are clusters of villages around which the South Vietnamese "civil guards" or militia build defence perimeters in order to isolate the village population from the Vietcong. Within the "pacified" villages all Vietcong contacts are arrested and eliminated with the help of Government informers. This is being done as part of the Vietnamisation of the War programme.

All such "pacified" hamlets have been under severe attack and it was found that the militia was unable to defend them. Regular troops had therefore to be committed to their defence, and it is these regular troops which are now under fierce attack. One recent instance would be worth quoting. On October 27 and 28, the Vietcong armed forces in Ca Mau, the southernmost province of Vietnam, launched an attack on the encampment of the second battalion of the 33rd Regiment, 21st Division of the South Vietnamese army, which was providing support for the "pacification" teams in Cai Nuoc district, and blew up 12 pillboxes, many barracks, a signal centre and destroyed six mortars in the fight in which five companies of ARVN were reported to have been wiped out.

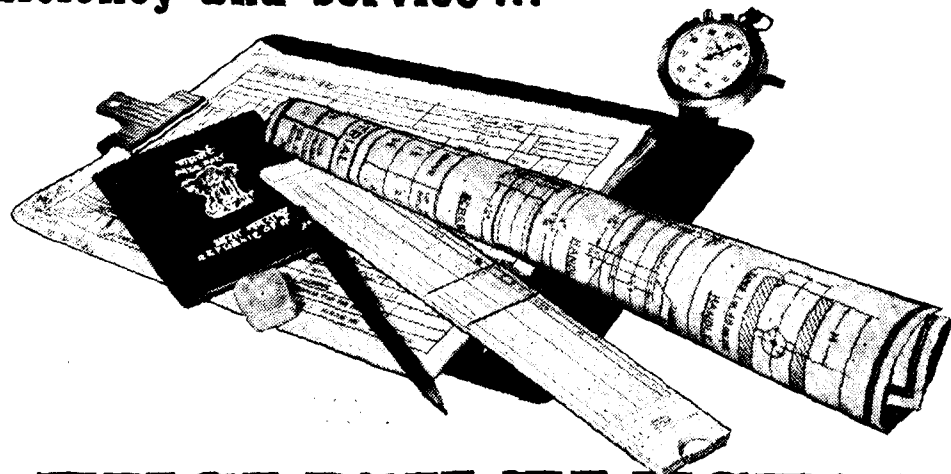
Meanwhile, the proposals made by the Foreign Minister of the Provisional Revolutionary Government of South Vietnam, Madam Nguyen Thi Binh, on September 17, and also those made by President Nixon on October 7, to end

the fighting, have created hopes of a ceasefire. These hopes are causing a new situation within the South Vietnamese army. Soldiers, reading reports in the press, believe that the country is going to have a ceasefire. And they think if a ceasefire is just round the corner, why should they fight and get killed in the meantime. Therefore many of them are quietly leaving their units and going to their villages or relations to wait for the ceasefire.

There can be no doubt that the Saigon Government is now discriminating against the handful of Indian traders there in order to express its resentment against the Indian policy towards Vietnam (particularly against the successful visit of Madam Binh to India some months ago and also against the Indian efforts to obtain the status of Observer for the delegation of the Provisionary Revolutionary Government of South Vietnam, led by Madam Binh, at the non-aligned summit conference at Lusaka). The South Vietnam Government has now made an arbitrary assessment of the Indian traders' income and has issued them with notices that they should pay their revised and higher taxes. When the traders went to the authorities with statements and their account books, they were simply told: "That is the amount of tax that you have to pay. If you think it is too high, then close down your shops and let us know." As a result, some Indians have sold their business to the Vietnamese. On the main Saigon street, a new signboard now proclaims the Vietnamese ownership of a large textile-store that was called "Bombay Tu-Do" before.

In a recent article on non-alignment, a Saigon daily was not happy with only denouncing the Indian policy without condemning the Indian traders as well. It wrote: "India, which claims to lead the cause of the non-aligned world, is the worst offender... she has failed to even rise above the dubious character of many of her sad-eyed nationals in Indo-China who buy and sell currencies, weapons and black-market goods to the highest bidder regardless of political colouration or nationality." The article failed to add that the Indian traders were only the fronts for most of these operations actually run by the Vietnamese leaders. The Indian traders are not a major problem in Vietnam. There are no more than 40 shops owned by them, and all of them are now willing to return to India or set up business elsewhere.

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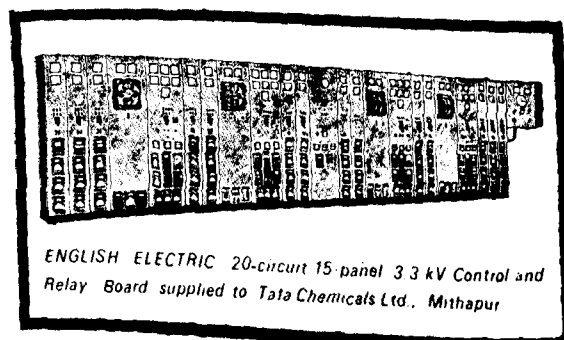
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THE FOURTH ESTATE

A Prime Minister in Office...

Nireekshak

WHAT is the 'relevance of Nehru' in 1970? It seems Mountbatten and Edward Heath, not forgetting Krishna Menon, all of whom participated in Nehru's birth anniversary observances in Britain, were more concerned with the question than the professional pundits of the Indian Press. *National Herald*, as might have been expected, did have some observations to make. So had *Blitz*, though almost only in passing, which, seemed uncharacteristic of a paper which has never concealed its claim to being the conscience keeper of Nehru. Yet, like *Herald*, it marked the date on the calendar while most others, why almost everyone else, quite simply ignored it.

"It has to be reiterated," noted *Herald* in an editorial entitled "the relevance of Nehru, 1970", that "the dominant processes which Nehru established, the democratic process, the secular process and the socialist process, cannot be reversed... Among the consequences of Nehru is that, like Gandhi, he released forces which are still groping to find form... If the forces of progress are true to his vision, reaction, whatever its temporary successes in the ravines of central India, can be beaten thoroughly." *Blitz* similarly argued that political developments in the country since Nehru's death "amply demonstrate how relevant the Nehru legacy is for today and tomorrow". The paper's columnist, K A Abbas, went a step further by saying: "Eventually, of course, Nehru and Nehruism must triumph... to save us, the people of India."

Interesting as these comments are, one noticed that even photographs which newspapers usually publish on similar anniversaries in tribute to a departed leader were absent this time. *Deccan Herald* did publish an article on its editorial page to mark the occasion, accompanied by another brief life-sketch of Nehru. *Free Press Journal*, too, published an article on its editorial page together with a photograph. But that was about all. One reason which aided the forgetfulness of newspapers was probably the lack of special advertising; had this been forthcoming, one could have expected at least the usual supplements. But there seems to have been only two special releases

from the advertising world, one of which was a contribution from the department of audio-visual publicity. The other, interestingly enough, was from Grindwell Abrasives and its American collaborators. Norton. This was a unique one in the sense that nowhere in the advertisement was Nehru's name mentioned. Instead, he was represented by the famous single rose and a quotation, not directly ascribed to him, probably from one of his speeches. Rather imaginative work, that.

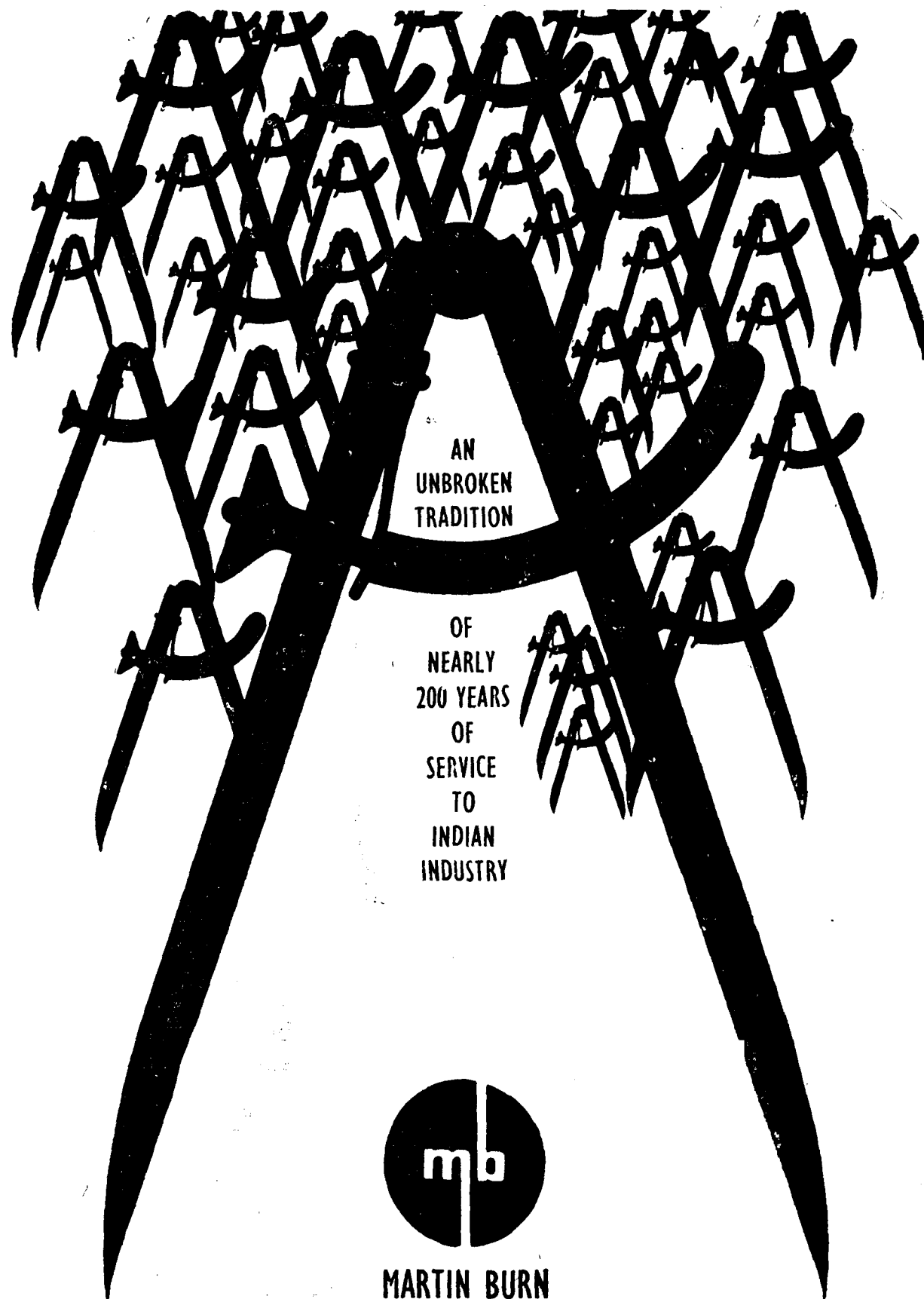
It is strange that journalists, who had no better friend than Nehru while he was alive, and their various organisations, not to say anything about newspaper establishments themselves, have not yet thought of honouring the memory of India's first Prime Minister in some suitable way. Paradoxically enough, it is a foreign government publication, *Soviet Land*, which has done this in a very successful way by instituting its, now well known, Nehru Awards for writers and journalists. Indian newspapers, meanwhile, continue to chase matinee idols and cricketers with their trophies. And if the special supplement that *Free Press Journal* brought out to mark Indira Gandhi's 53rd birthday, a few days after her father's birth anniversary, is any indication, our newspaper barons seem also to believe that a Prime Minister in office is more praiseworthy than two in the grave!

To turn to other issues, the Press did very well indeed by General de Gaulle. The death of the French leader did not, unlike that of Nasser, send editorial writers in deep mourning and comments were therefore the more objective for that. *Statesman*, for example, rose fully to the occasion to provide a perspective analysis of de Gaulle's role in French and world history. Why it sought persistently to compare the general with Churchill, and Churchill only, is however a trifle difficult to understand. "There are many occasions in history," the paper wrote, "on which a single man may be said to have saved his country. There are considerably fewer examples of the same man saving his country twice. But this was true of the late Charles de Gaulle." The two instances, of course, are well known; the first in 1940 when France fell to

the Nazis and the other in 1958 when, as *Statesman* put it, "the revolt of the colons [in Algeria] had reduced the Fourth Republic to the verge of civil war". De Gaulle was "capable of committing very serious mistakes," *Statesman* noted, but "there were times when de Gaulle was his country". The French leader's success in rallying his compatriots in 1940 when, according to *Deccan Herald*, "he could say without embarrassment that he incarnated the legitimacy of France", and again in resolving the Algerian crisis, which he did with "superb aplomb" as *Amrita Bazar Patrika* mentioned, ran like a thread through most editorials.

It may not be the most appropriate thing in the world to bring in the name of T N Singh in the midst of a discussion on de Gaulle. But the fact is the SVD Ministry that T N Singh has set up in Uttar Pradesh has been the subject of much avid, though also derisive, comment in the Press. A "massive ministry", said *Hindustan Standard*. Its size, however, "is no advertisement for either its strength or its solidarity; it is suggestive of dissension stemming from inability to agree on the share of spoils of office". The "three-tier SVD Council of Ministers", *Free Press Journal* wrote, without however drawing any comparison with railway coaches, is "certainly a record for the State!... Yet can the SVD hold together and endure?... The trends suggest that the SVD is already in a bad shape."

From Uttar Pradesh the spotlight shifts to West Asia, and we have some engaging comments on the proposed federation of Egypt, Sudan and Libya. "There is, on the face of it, much to be said for a federation between Egypt, Sudan and Libya which are geographically contiguous", commented *Hindu*. "However, the new grouping will almost certainly create new problems within the Arab world and outside... The national interest of all three countries cannot always be identical and unless the federal system is highly flexible it may not have a long life." *Deccan Herald* thought, on the other hand, that "the projected Arab trioka will represent a considerable force in the Arab world". It was a "more workable project" than the old proposal for a Maghreb union in North Africa and, if successful, "could be the forerunner of larger groupings which would strengthen Arab unity and help heal the divisions within the Arab camp...".



MBGC-23R

REVIEW OF MANAGEMENT

November 1970

A Lot of Thin Air

S K Bhattacharyya

Glossed-Over Systems

Ishwar Dayal

Computers and Operational Research

Asit Chandmal

Worker-Management Relationships

Koichi Niitsu

R and D and India's Industrial Future

Ward Morehouse

Foreign Collaboration, Research and Consultancy

S S Tarapore

Development Strategy for Electronics

A Parthasarathi

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Manuscripts intended for publication should reach the Editor at least six weeks ahead of the

Medium without Message

WHETHER developing societies should be 'consumer-oriented' or not is, of course, a subject of perpetual argument. This is but another aspect of the wider debate over whether a developing society with limited resources would be better served by having the use of these resources comprehensively directed by a benevolent central authority or whether this direction should be left, in varying degrees, to the working of the market mechanism. In any argument, the experience of the Soviet Union in the 1930s inevitably comes up for quotation. The societies to which the argument refers are, however, a far cry from the Soviet Union of the 1930s in respect of their political and social systems. Similarly, the youth movements now sweeping the West have provided philosophical arguments against the consumer orientation of developing societies. We have it from no less an authority on these matters than John Kenneth Galbraith that relentless pursuit of the goal of expanding consumption neither makes for mass contentment nor provides the key to wise regulation of the economy. But here, again, the environment to which this kind of comment applies is quite different from that of a developing society. In an economy as highly developed as the US, it may be true that the rate of growth of GNP yields place to the orderly reorganisation of society as the principal national goal. In a poor economy, which has still miles to go to achieve even minimal material standards for the majority of the population, this does not apply — at any rate not in its entirety. Indeed, the major problem facing countries such as ours arises from the imperative necessity to aim both at a high rate of economic growth and at discernible progress towards achievement of social objectives — a task which had never faced the now-developed countries of the West at comparable stages in their development.

The question whether developing societies should be consumer oriented or centrally directed (in the comprehensive sense) is not, therefore, really relevant and consumer choice, its exercise and manipulation are a live issue in these societies. But if the political system presupposes choice, the economic reality dictates that this choice must be controlled and contained within a range far narrower than available in highly developed societies.

When there is a choice, however limited, available to the consumer, advertising lays claim to having an essential role to play in informing and persuading him. But as with consumer choice, so with advertising; there can be no *carte blanche*. Only the most crass ad-man will claim a socially useful role for advertising which exhorts the young to pick up a consumption habit which, there is a very good chance, will leave them with an incurable and fatal disease or, to take a different kind of example, that which tries to convince the consumer that unless he acquires some article of apparel costing many times what he can afford he would sink in the social scale. There is, to be sure, another role for advertising — that of informing the consumer about better and improved technology and getting him to accept it in his day-to-day living. Today, pressure cookers can be seen being used in our remote villages; so can diesel pump sets and many other types of 'developed' products. There is no doubt that advertising in its broad sense, including the use of media and personal propaganda, has a role to play in enabling societies to accept change.

The socially relevant role of advertising in a developing society stems from the fact that it is part of the mechanism of choice in a democracy and that it enables wider and quicker assimilation of new technology. This is a role which, at the stage at which the American economy has reached, may be losing its importance in the US. The pity is that this vital point of difference is not appreciated by the advertising profession itself. This was only too clear from the deliberations of the recent Seventh Asian Advertising Congress at Delhi. Instead of seeking to focus attention on the role that advertising has to play in the acceptance of newer and better technology in the developing societies of Asia, discussion at the Congress was either meandering or, when it was not, got bogged down in displays of virtuosity over advertising techniques. A gathering of this kind cannot really discuss techniques; what it can do is to give a sense of direction. Unfortunately, the Asian Advertising Congress ended without giving a clear direction to societies in Asia, and to advertising men in particular, regarding the role that advertising can play in the process of economic development.

A Lot of Thin Air

S K Bhattacharyya

Measures for Improving the Performance of Public Enterprises in Developing Countries, Volume I: Report of a Working Group, Herceg-Nov, Yugoslavia, October 13-24, 1969; United Nations Publication No E 70-II-1; \$ 1.

AN EXTENSION of Parkinson's Law relating to work and the time available for its completion could be applied to public problem-solving, by formulating the proposition that, committees or working groups are appointed to utilise the unexpended budgets available.

It is very difficult to find any other *raison d'être* for the United Nations Working Group, which met for nearly two weeks in order to identify the appropriate measures for improving the performance of public enterprises in developing countries. The deliberations of the working group (which included such luminaries as Hanson of Manchester, Chamberlain of Columbia, and Ramanadham of Osmania) resulted in unsurprising and unexceptionable conclusions which may be summarised as follows:

- (a) Training programmes need to be organised for managerial staff of public enterprise;
- (b) Consulting and other forms of assistance should be made available to them; and
- (c) Action-oriented research in their problems should be instituted.

These proposals, which were originally submitted by the host country, Yugoslavia, led therefore to the inevitable conclusion that an interregional institution or centre for improving the performance of the public enterprises must be established by the United Nations. The working group's acceptance of the Yugoslav proposal was worded in finest officialese: "In view of the need for training, research and consultative services, [they gave] general support to the proposal and commend[ed] it to the sympathetic consideration of the appropriate organs of the United Nations, of interested Governments, and of the international organisations concerned". It should not be surprising if interregional institution is established and the members of the working group are its founder-directors.

The vacuity of the recommendations reflect the depth of analysis that the working group made of the problems of public enterprises. Considering that they were dealing with one of the most difficult and currently controversial problems in economic development, and also considering the substantial body of knowledge and experience now available on the operations of public enter-

prises, it must have taken a lot of effort not to come up with even a single worthwhile recommendation with the merit of specificity. The whole report is filled with *non-sequiturs*, repeating with parrot-like regularity statements which have been made many times before, merely adding to them the glamour of pronouncement by an United Nations working group.

Old Hat

Consider, for instance, the following piece of wisdom in relation to capital investment analysis in public enterprises:

"However, modern techniques in the field of investment planning such as cost-benefit analysis, discounted cash flow, forecasting, and other project formulation and project evaluation devices, if used judiciously and with understanding of their limitations, can achieve improvements sufficiently significant to reduce the incidence of errors in investment. In this regard, public administrators may have useful lessons to learn from the advanced practices of the modern private corporation in market economies and of the leading enterprises in centrally-planned economies. Such feasible improvement in investment planning practices, at the level of the national economy, at that of separate economic sectors of particular industries and of individual enterprises, may check the tendency, frequently observed, to overestimate benefits, to underestimate costs, to choose from among a narrower range of projects than is actually available, to gloss over management capability as a factor in project preparation, and other recurrent failings."

What the working group did not perhaps realise is that this recommendation is old hat — even to students of managerial economics and finance in Business Schools for the past 20 years! The distinguished professors and the high officials who adorned the working group failed to identify elementary problems such as that:

- (i) costs in a developmental situation are much more difficult to classify, measure and analyse because of the trade-offs involved between accounting costs and social costs, and
- (ii) benefits are intangible and are not susceptible to easy quantification and monetary measurement.

In recommending the use of discounted cash flow, one wonders whether the

working group was aware of the fact that a key requirement is identification of an appropriate discount or hurdle rate, and that one of the most controversial issues in this context is the formulation of a conceptual framework which achieves congruence between the social purposes and the economic objectives. Since the working group's report makes no mention of any of the recent developments in this regard, one wonders again whether they are aware of Bannol's¹ much-debated statement before the Proxmire Committee of the US Congress that, "the discount rate is an arbiter for the allocation of resources between private and public enterprises" and it must be "based on the concept of opportunity cost. The correct discount rate is the percentage rate of return of investment that the resources utilised would otherwise provide in the private sector".

As Henderson² points out, several other alternative rates could be considered. For instance:

- (a) the rate of interest on long-term government securities,
- (b) the social time preference rate for discounting, which reflects Government's judgment about the relative value which the community as a whole feels that it ought to assign, or which Government feels it ought to assign, to present as opposed to to the future consumption at the margin,
- (c) the opportunity cost rate of interest based on value to society of the use to which the resources employed in the project would otherwise have been put — in other words, the value to society of whatever it is that the project precludes, and
- (d) a hybrid method incorporating into cost-benefit calculations, an estimate of the opportunity cost, as distinct from the money cost of a given project, by combining the use of a social time preference rate with the social opportunity cost of public investment.

It is even possible to argue that the projected GNP growth rate would provide a valid basis of public investment criterion, though it might be vitiated by political day-dreaming. Not unsurprisingly, the foremost practitioner of the art of public investment analysis, the World Bank, came to the conclusion that the concept of an economic rate of

ECONOMIC AND POLITICAL WEEKLY

return as an investment criterion for economic development is of limited feasibility in the real world. To quote John A King, Jr³:

"A first indication of the economic justification of a project can be obtained by calculating an economic rate of return for it. Such a calculation compares the measurable costs and benefits of the project to the economy as a whole, assigning to each a value which approximately reflects its real scarcity. In an economy in which market forces operate freely in the presence of domestic and international competition, the actual prices of all factors of production could be used in making such a calculation. But in the real world, there are major interferences with the free play of demand and supply: for example, protective tariffs and quantitative restrictions on imports and exports; unrealistic rates of exchange; government controls of interest rates, prices, production, and sales; private monopolistic controls of production and prices; and wage rates exceeding the real cost of labour because of government or trade union action. These distorting factors often make an appraisal, based on actual prices, of the economic merits of a project incomplete and inaccurate. Sometimes enough information is available on the real, undistorted costs to the economy of the main resources required so that appropriate adjustment can be made of the values of costs and benefits arrived at by the use of actual prices. In many cases, however, only a qualitative adjustment is possible."

The amazing thing is that, while eminent theoreticians and able practitioners are groping for investment criteria for public sector projects, the United Nations working group can indulge in such pompous and verbose nothingness.

To take another of the subjects dealt with in some detail in the working group's report — measurement of performance in public enterprises — the working group comes up with this exercise in fatuity:

"While the trend of current practice seems to be towards a greater emphasis on profitability, the task of reconciling the goal of profitability with the wider goals of public policy permits no evasion. A possible method of effecting such a reconciliation is for the supervisory authority to agree with the management of the enterprise on a target of profit which takes fully into account the social obligations undertaken by the enterprise in accordance with policy directions."

The Liberman⁴ reforms in the Soviet Union, based on the concept of profit-centres and incentives related to return on investment, Robert Anthony's⁵ framework of reconciling conflicting objectives by designing appropriate control systems and this author's⁶ suggestion

of developing pre-determined budgets in relation to commercial revenues, costs, and profits, and quantified targets of social achievements, do not seem to have attracted the notice of the working group.

As a key to the problem of managerial control, the committee came to the conclusions:

"A better understanding is no less necessary on the part of supervisory authorities of what is ailing public enterprises in developing countries and why their performance has been falling short of what was expected of them or of what is actually attainable. As the findings of the comparative research undertaken by the Public Administration Division suggest, the impediments to better performance are manifold. By contrast, the stimulants are usually fewer. To bring about corrective action, the problem is how to overcome the impediments and fortify the stimulants. Essentially, this is a human problem of challenge and response, involving a readiness to learn from experience and a determination to avoid taking refuge in the many excuses for failure which are always readily and temptingly available."

It is difficult to imagine what could have been an emptier statement about the problems of performance evaluation and top management remedial action in the public enterprise.

If the report of the working group is indicative of the likely output of the proposed interregional centre, one can only hope that the UN will have the wisdom to scotch the recommendation before it contributes to the shortage of

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office space in the glass-ensconced towers in the East Side, to the development of tourist trade on the Dalmatian coast, and to the prosperity of the paper and printing ink industries!

Notes

- 1 Evidence by Professor William J Baumol of Princeton University before the Sub-Committee on Economy in Government of the Joint Economic Committee, Congress of the US, 90th Congress, First session, US Government Printing Office, Washington DC, 1967.
- 2 P B Henderson, "Notes on Public Investment Criteria in the UK", publication of Oxford University Institute of Economics and Statistics, Volume 27 (1965), pp 55-89.
- 3 John A King, Jr, "Economic Development Projects and Their Appraisal — Case and Principles from the Experience of the World Bank", published by The Johns Hopkins Press, Baltimore, Maryland on behalf of the Economic Development Institute, International Bank for Reconstruction and Development.
- 4 E G Liberman, "Planning Production and Standards of Long-Term Operation — Industrial Management and Planning", *Voprosy Ekonomiki*, 1968, No 8. Evsei Grigorievich Liberman is Chairman of the Department of Political Economy of the Kharkov Institute of Technology.
- 5 Robert Anthony, "Planning and Control Systems — A Framework for Analysis", Harvard Business School, Boston, 1964.
- 6 S K Bhattacharyya, "Performance of Public Undertakings: A Framework for Appraisal", *Economic and Political Weekly*, Review of Management, Volume III, No 21, May 25, 1968.

Fisheries Potential in Indian Ocean

THE annual fish catch in the Indian Ocean could be increased five times, providing badly needed protein food for Asia and East Africa. This is one of the conclusions of the second session of the FAO Indian Ocean Fisheries Commission which ended its work at the end of October in Rome.

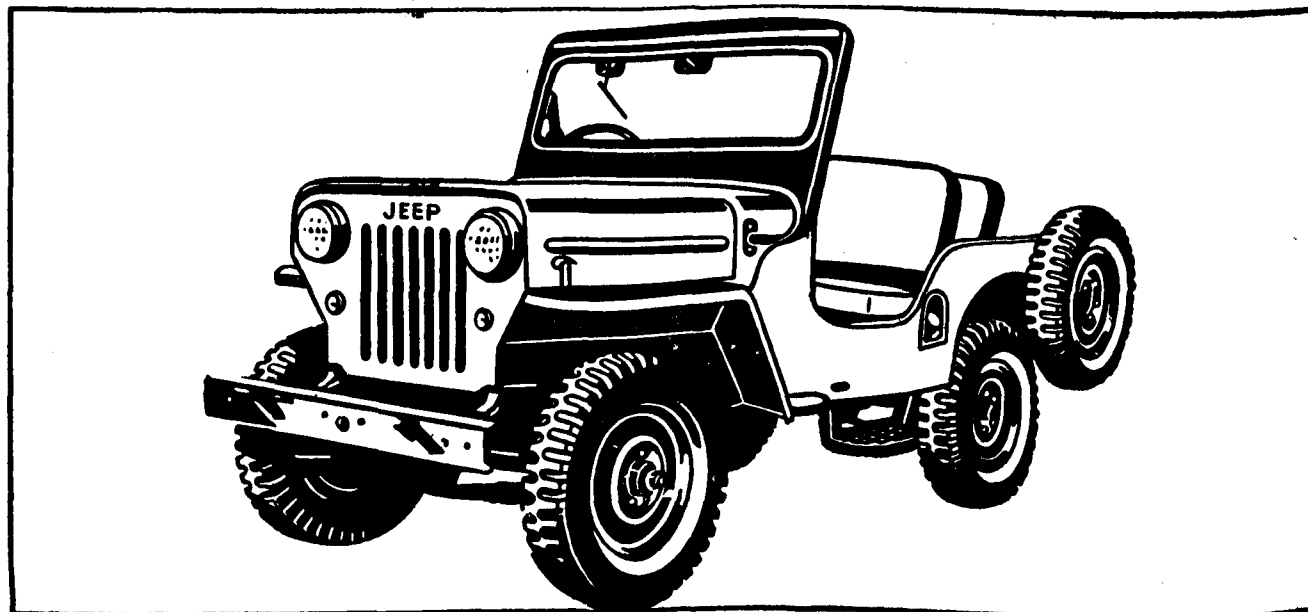
Vigorous efforts are needed, to boost the catches from the Indian Ocean as almost all the countries bordering the Ocean wrestle with problems of general under-supply of foodstuffs and particularly of animal protein-rich foods. Yet, whereas the Indian Ocean, a storehouse of fish and seafood, accounts for one-fifth of the earth's sea surface, its yield in 1968 came to only 2.4 million tonnes of fish — or only four per cent of that year's total maritime catch in the world. It is therefore only realistic to envisage an increase in landings

from the Indian Ocean to some 14 million tonnes a year.

At the same time, the Commission discussed reports that certain species of larger tunas are being heavily fished and may require international protective management against over-fishing. This showed that the existing fisheries activities, while inadequate in their total catch volume, are dangerously unbalanced and are uneconomically concentrated on a few species.

The FAO Indian Ocean Fisheries Commission is a 28-nations body. It gives guidelines to FAO's technical assistance activities in several key countries, among them India. These have already begun to elaborate means for diversifying, opening new fishing grounds, and exploiting species which were hitherto neglected.

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Glossed-Over Systems

Ishwar Dayal

Management Development and Management by Objectives by Andrew M Brown; Somaiya Publications, 1970; pp 118; Rs 24.

FOR the management of complex organisations, sophistication in diagnosis, analysis, and decision-making has become necessary. This is because of three major features of modern industry, viz, size, dependence on the appropriate mix of specialist and generalist knowledge and skills, and balancing of changing forces. The sources of data for decision-making, as well as the processes of acceptance of decisions by the managerial hierarchy, are varied.

These features make prediction of events rather difficult; on the other hand, without anticipating events in the activities of the enterprise, the management cannot effectively manage. In an environment of unpredictability, the management would have to move from crisis to crisis. The crisis becomes intensified when decisions comprising the activity of the enterprise are ill-matched: finance, machine output, manpower, market channel etc.

To facilitate the matching process, to systematically review the work environment, to allocate tasks, and to co-ordinate the segments, many packaged programmes have been developed by interested persons. Management By Objectives (MBO) is one such package. Brown (p 65-66) states that MBO has three main aspects:

- (1) Establishment of long-term and short-term objectives for the company and for each manager in respect of his own operation so that together they constitute the overall company objectives.
- (2) Periodic performance reviews and target-setting interviews so that each manager understands what objectives he must achieve, when he must achieve them, and against what standards his performance will be judged — in the context of the general objectives of company wide performance improvement.
- (3) Periodic stock-taking of individual potential throughout the company and 'follow-up' action to make the best of this.

A standard text-book on control systems would refer to these as either performance-budgeting and information systems or management control systems. The promoters of the MBO packaged programme generally follow a strategy of developing from within the organisation executive groups who, after training, implement the package programme from within. The consultants provide the back-drop, the knowledge,

and the training for those who carry out the bulk of the work to instal MBO in the company. The approach is now common and is followed by other specialists as well.

Brown suggests that the management development programme (MDP) coincides with MBO, because the one focuses on the development of the individual and the other on the organisation as a whole. Brown suggests that MDP should meet the following three requirements (p 19):

- (A) improved performance in the present job, in which target-setting is a vital element;
- (B) identification of managers for transfer or promotion;
- (C) providing information for management succession planning.

Linking both MDP and MBO, Brown says that, "the Basic philosophy of MDP must be part of any comprehensive MBO, for both recognise the key importance of the individual managers and their interpersonal relationships in securing the correct balance of organisation and individual objectives" (p 13). Further, "MDP and MBO may be regarded as two sides of the same coin, one emphasising primarily the individual manager and the other emphasising primarily the organisation".

In the first two chapters, Brown indicates the basic principles of MDP, then gives a specimen MDP plan, and finally rounds off by discussing some aspects of this. The author deals with MBO in the same manner in Chapter 3. Remuneration and an incentive plan in operative terms are discussed in Chapter 4. In Chapter 5, Brown mentions a few contributions by social psychologist and organisational behaviour theorists. His last chapter is devoted to the role of the line manager.

Planned on a "do-it-yourself" level (p 2), about 55 out of about 115 pages of this book contain sample manuals plus specimen forms for both MDP and MBO. The author's target population is the practising manager, and not the teacher.

However to serve as a "do it yourself" instrument, the subjects dealt with in the book need more exhaustive treatment — unless one is directly to use the very manuals and forms the author has provided. In fact, one weakness of the book is that the author has omitted discussion of why these particular

elaborate forms and procedures are recommended or what aspects of them may be more important than others for a company to develop a system of its own. Secondly, the author agrees that the utility of the programmes depends on the climate of the organisation and that they must, therefore, be designed to suit the particular company (p 21).

The manuals and forms do indeed serve as valuable illustrations. They cannot, however, be taken as the prototype for programmes for any company. A "do it yourself" book of this kind has to discuss, for example, what cultural factors, organisational climate, and technology would influence MDP and MBO programmes; it should discuss what aspects of a company's activity, philosophy or management practices needs to be examined by a company if it wants to develop MDP or MBO. These questions are highly significant and have to be discussed in such a publication.

There are also some practical and theoretical issues involved in the subject which are of interest. Let me take the practical issues first, and the theoretical later.

The success of MDP and MBO programmes depends on at least two key issues:

First, how appropriate is the organisational structure for the task to be done. Given an inappropriate organisational set-up, even the best efforts prove inadequate. In a rule-bound bureaucracy, one civil servant does as well or as badly as the other; the brilliance of an officer makes but marginal difference. An educational institution with a high-calibre faculty does not insure high productivity. If the administrative practices are inappropriate for the task, the output may still be low.

Secondly, the capability or maturity of the top leadership of the enterprise will affect the development of MBO or MDP. Often, owing to their own personality, some executives are inclined to function through cliques or by playing the power game. Unless, therefore, they are made to understand their own predilections through counselling etc, no programme of improvement would work out as well as it should. MDP and MBO both require an element of trust on the part of higher management in the employees. Without this confidence other measures become

inadequate. In India, as elsewhere, lack of trust in other people is a basic problem in a large number of organisations. How do MDP and MBO function in this environment?

For instance, a common experience in our industry is that we know what should be done with, say, inventories. Yet beyond talking about it, nothing ever gets accomplished. Lack of action is not entirely due to incompetence. Partly, it is the effect of a large number of resentments and hostility. Such feelings are commonly more pronounced in our environment than in the established industrial societies. Could MDP or MBO by itself cope with a situation created by these tendencies?

In several companies having target-setting MDP programmes, the entire process has after a while become stale and meaningless to most employees. There are a number of jobs, too, for which target-setting is either unrealistic or needs to be done for the entire group of jobs because one job overlaps another. This defeats its purpose for MDP.

How does an organisation change itself and become more adaptive to its internal processes and to the environment? Does MDP or MBO by itself

make an organisation adaptive? I personally doubt this, especially when the leadership has insufficient awareness of itself and of the organisational processes. This is not to write off either MDP or MBO. What I am emphasising is that managements in India will be able to use these systems to good effect only if they recognise the conditions and the organisational situation necessary for using the package effectively.

No programme can be a substitute for knowledge. A programme must have a built-in method for acquiring knowledge of the situation if it is to create a dynamic organisation. Some packages, like Robert Blake's managerial grid, tend to do this. In the volume under review, the author has tried to do this tangentially — by devoting a chapter on the contribution of the social sciences to organisational effectiveness. To my mind, the link is tenuous: vague, and at best, indirect.

I agree with the author that the present state of human knowledge may suggest a systematic plan rather than a scientific one (p 1). But this is true up to a point. We cannot ignore the contributions of psychoanalysis, sociology, social anthropology and other behavioural studies for an understanding of be-

haviour. To the extent that a study of these subjects enables us to identify, classify or predict events, the knowledge is usable — and in this way, scientific.

Brown implies that theory is unimportant. Many others support this view — teachers and practising managers alike. I strongly disagree. I believe in Lewin's dictum that, there is nothing more practical than a good theory. Without the base of theory, no programme, packaged or otherwise, would be worthy of acceptance. I would not like to confuse theory with the jargon used by academic disciplines. While no discipline can communicate without a language of its own, the scientist has also to think of how he can make his theory understandable to the public. A manager cannot avoid developing or understanding theory relating to his situation.

I recommend the book to those who wish to know what MDP and MBO programmes are and how they are applicable to companies. The book lacks a theoretical base, and this is not so much the author's failing as a limitation of the field of study itself. The book is produced well and the publishers deserve praise for it — except for the high price.

Use of Computers and Operational Research

TELCO: A Case Study

Asit Chandmal

Operational Research techniques form an integral decision-making part of computerised information systems in TELCO.

An attempt is made in this paper to describe the use of Operational Research techniques by TELCO to develop an integrated system of material control, spare parts warehousing and production planning and control.

I

Use of Computers

THE TELCO approach to computers is illustrated in Chart I. The computer has three functions: (a) to process data; (b) to help make decisions; and (c) to aid implement decisions.

In a reasonably large sized company there is an incredible amount of data being created everywhere with regard to material, production, manpower, sales and costs. For example, a receipt document or an issue document by itself does not have much meaning. However, this data can be converted into meaningful information with the help of a computer. Today's receipts can be added to yesterday's inventory and today's issues subtracted from it to get an up-to-date inventory position for an item. When this is related to expected consumption, existing delivery schedules, and purchase orders, suppliers' rejection rates, and transit time delays, it becomes the basis for deciding optimal material ordering. If in fact the inventory position is too high or too low it is necessary to compute a new delivery schedule.

However, it is not enough to know what to order and when to order; the correct order must also be despatched to the suppliers immediately. If a computer is used it is possible to calculate optimum re-ordering schedules for the next 12 months for thousands of items and hundreds of suppliers in less than 24 hours. However, unless the computer also prints out different documents itself, i.e. delivery schedules and purchase orders, the effect of this timely recalculation will be lost since manually it would take several weeks to type out these documents, and there may be errors.

CONTROL REPORTS

Thus the computer aids management implement decisions by printing the actual documents. The above information

can also be used for preparing control reports such as warnings of likely stock-outs, purchase budgets, supplier performance evaluation, etc. These control reports also aid management to make and implement correct decisions.

Chart I indicates how the same approach is applied to production, manpower, sales, and costs.

In addition to the constantly changing data indicated in Chart I, there is also a certain type of data which does not change very often. It is necessary to computerise this data also in order to implement the systems described. For example, data regarding materials and products such as part numbers, warehouse location, unit of quantity, requirements for each sub-assembly, assembly, and finished products (i.e. bill of materials) detailed operations sheets, suppliers' names, addresses, prices, etc.

Information about personnel may include date of birth, date of appointment, qualification, grade and so on. When this master data is combined with the changing information on materials, machines, labour, demand and cost it becomes a comprehensive data bank. For keeping the data bank up-to-date and to retrieve information quickly it is necessary to use computers. Thus a computerised data bank is essential for optimal decision-making.

In TELCO, Operational Research Techniques form an integral decision-making part of computerised information systems; exponential smoothing for demand forecasting, linear programming for material allocation and off-loading, inventory control techniques for material procurement, economical batch analysis for production planning and critical path methods for project control and maintenance.

Thus TELCO's approach to computers can be summarised as follows:

Data + Computers = Information
Information + Computers + Operational Research Techniques = Decisions

Decisions + Computers = Documents and Reports (for implementing decisions)

Chart I indicates the TELCO approach but this approach is not fully implemented. However, Charts II, III and IV represent how computers are used to do material control, aid spare parts warehousing and to help forge production planning and control. Part II examines the use of Operational Research Techniques in these systems.

II

Use of Operational Research Techniques

The central problem as posed by top management was to reduce inventories of finished bought-out components, semi-finished forgings and castings, and raw materials necessary for producing commercial vehicles and spare parts, and yet to reduce the number of stock-outs.

It became immediately clear that it was impossible to control inventories in the Automobile Division unless the following problems were also tackled:

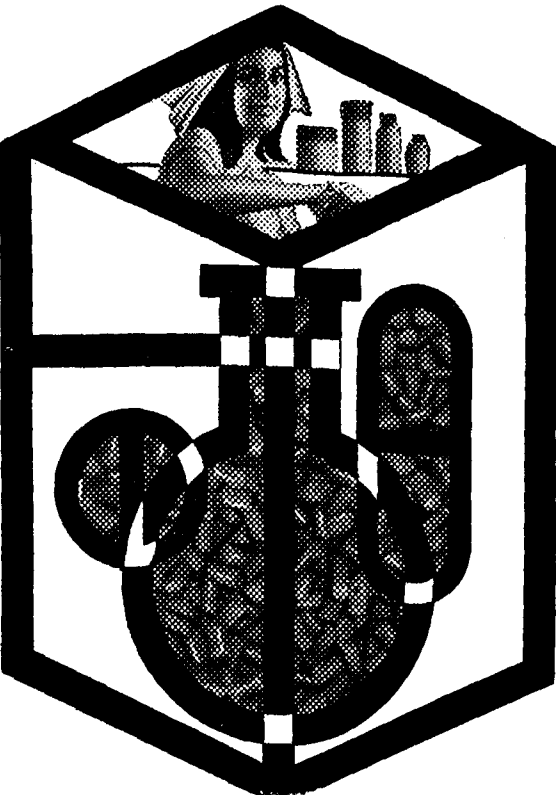
- Demand Forecasting for each of more than 5000 spare parts, and
- Production Planning in feeder divisions, viz. the Forge and the Foundry (see Chart V).

Further, the techniques which could be used to control inventories of items bought from outside suppliers could not be applied to items supplied by the Forge and the Foundry as this would lead to suboptimisation.

FORECASTING FOR SPARE PARTS DEMAND

Items were divided into two categories: 'A' and 'C' items. 'A' items were those which either had a high rupee turnover or a big physical volume since warehouse space was also a bottleneck. The rest were 'C' items. Since it was clear that there would be an upward trend in demand for spare parts (more

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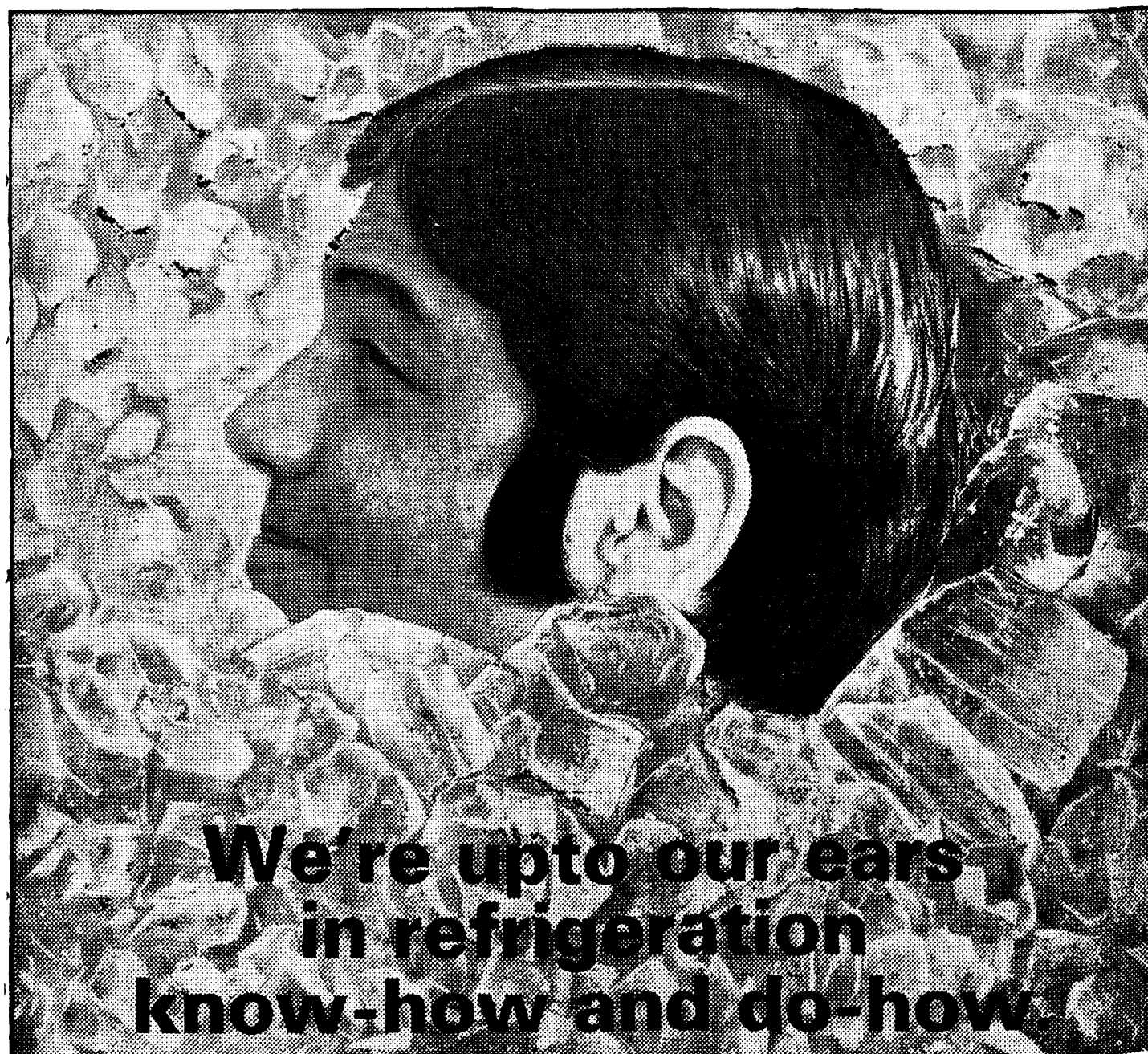
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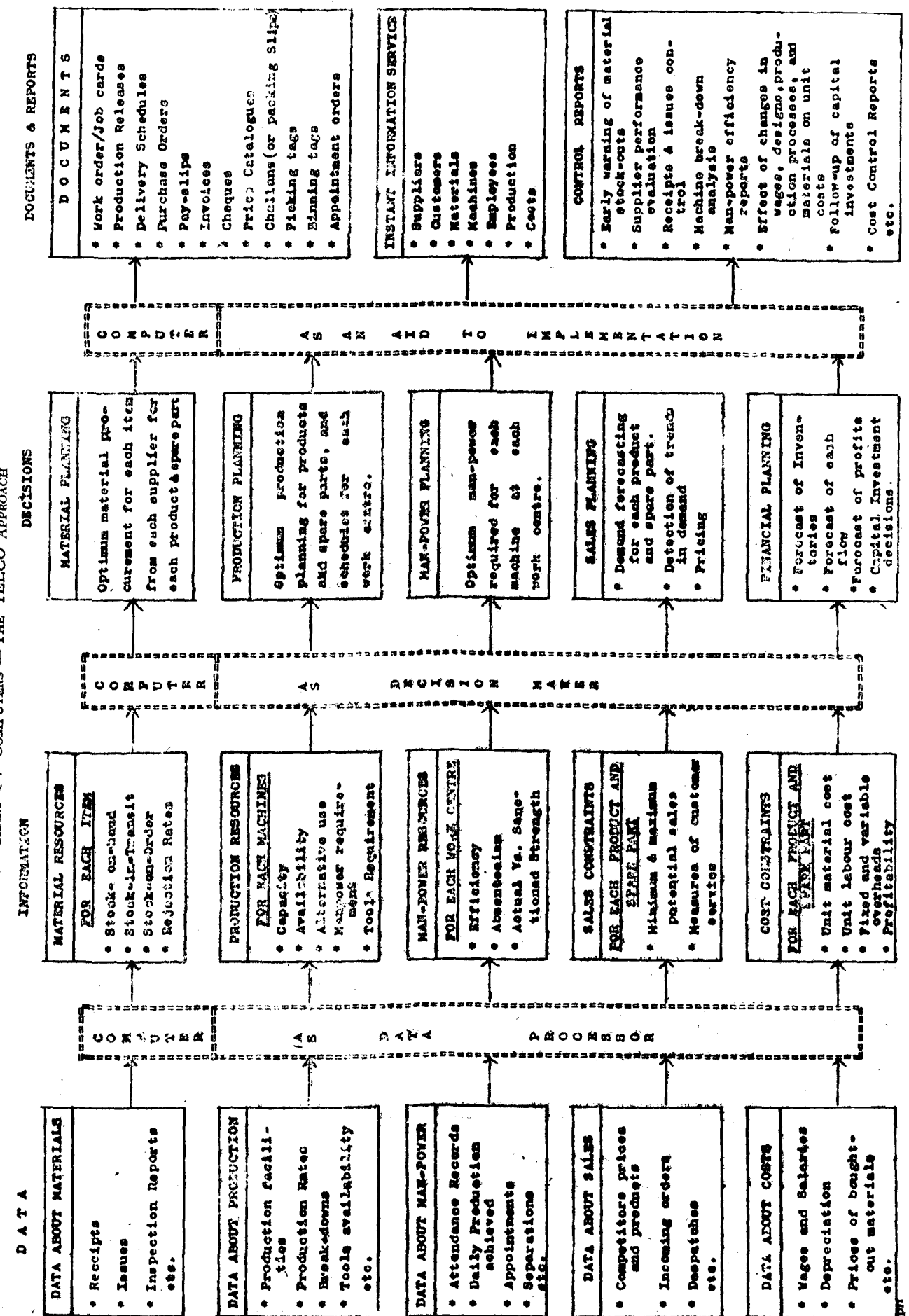
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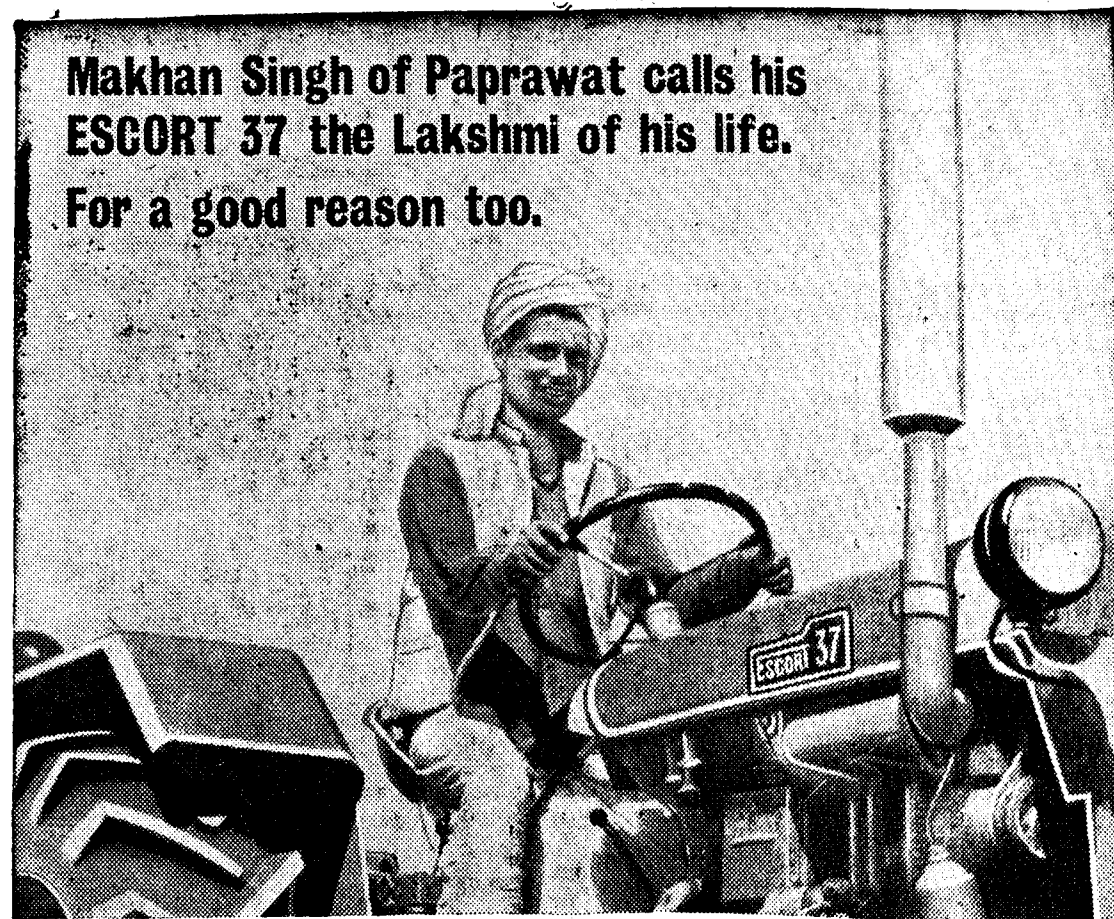


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CHART I: COMPUTERS—THE TELCO APPROACH





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

Makhan Singh is a tough 36.

In 1967 he borrowed money from a local financier to buy an ESCORT 37. From the money he earned cultivating and cropping his 10 acres of land (and by hiring out the spare capacity of the ESCORT 37), he has, today, not only paid back the loan; he has bought fifteen more acres of good land in Rohtak!

"The ESCORT 37 has turned the tide of my fortune" says Makhan Singh. "Even in the winter of

last year when everything was freezing, I had no trouble running my tractor! There was no water to freeze. ESCORT 37 is air-cooled!" (which also means there's no radiator, no hose pipe, no water pump. A lot fewer parts to look after!)

One other advantage certainly impresses Makhan Singh; the swiftness with which ESCORT 37 warms up to its optimum working temperature. "No other tractor warms up so fast, stays warmed up so long. All because the

engine's air-cooled," he says. And he knows.

Then there's maintenance. "My ESCORT 37 costs next to nothing to maintain in good working order," he says, and continues...

"But should any little thing go wrong, I inform the nearest Escorts Dealer (there's one within ten miles from here!) and trained mechanics and advisers arrive here in a matter of hours. You see, I don't need help often. But it's good to know it's there!"

**ESCORT 37 AIR-COOLED ENGINE
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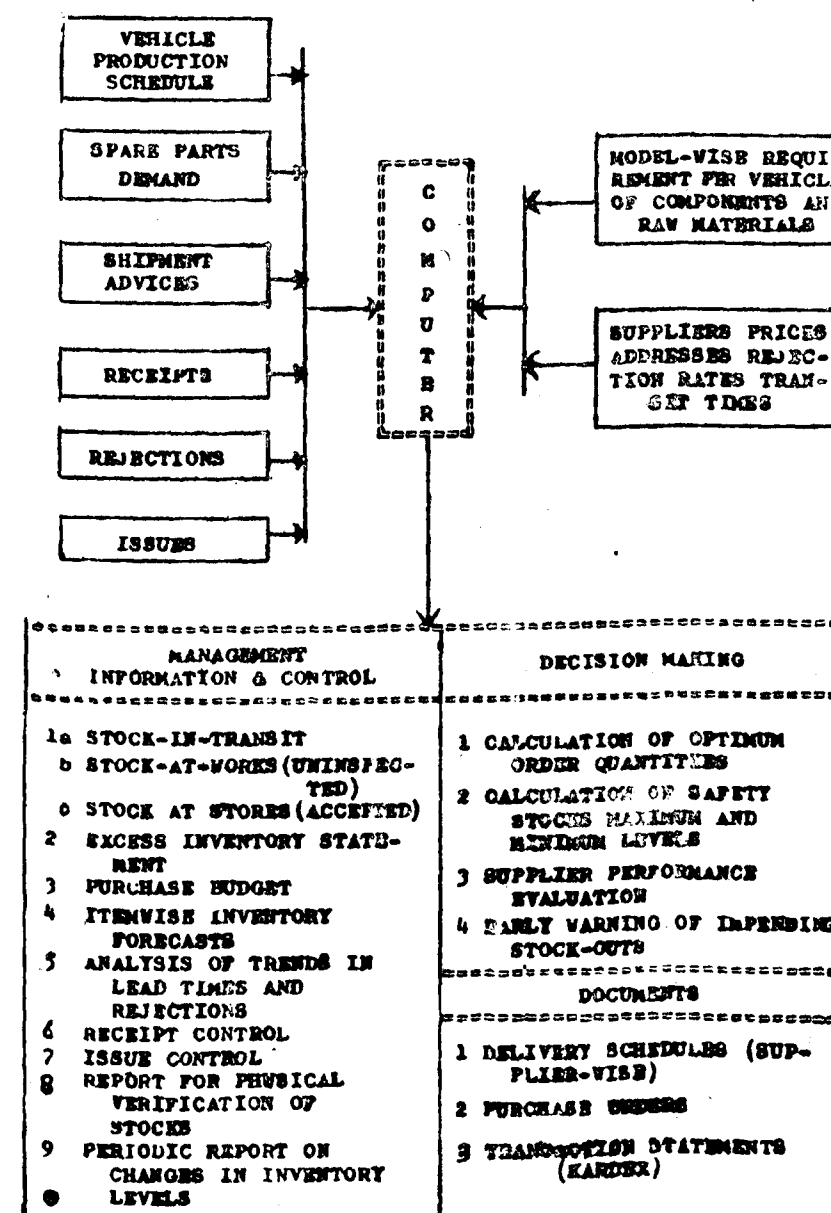
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CHART II : MATERIAL CONTROL SYSTEM (AUTO DIVISION)



vehicles were constantly being put into operation) it was decided to use double exponential smoothing.

$$SSM_{(new)} = \alpha (\text{Actual Demand}) + (1-\alpha) SSM_{(old)} \quad (1)$$

$$T_{(new)} = \alpha \left[\frac{SSM_{(new)} - SSM_{(old)}}{1-\alpha} \right] + T_{(old)} \quad (2)$$

$$\text{Forecast}_{(new)} = SSM_{(new)} + \frac{1-\alpha}{\alpha} T_{(new)} \quad (3)$$

where SSM = Single Smoothed Mean
T = Trend Factor.

A starting value of $\alpha = 0.3$ was

chosen and this was progressively reduced to 0.1 after 6 to 8 months.

The usual tracking signal (Ts) was also employed.

$$Ts = \frac{\text{Cum Error}}{\text{Mean Absolute Deviation}} \quad (4)$$

If $(Ts) > 4$ then an out-of control situation exists.

The Mean Absolute Deviation (MAD) is updated using

$$MAD_2 = \alpha (CAD) + (1-\alpha) MAD_1 \quad (5)$$

where CAD = Current Absolute Deviation.

When the tracking signal trips a manual examination is done to decide if it is due to a one-time freak demand (an

impulse) or a real change in the level of demand (a step change).

Since there were more than 4,000 "C" items it was desirable to use an adaptive forecasting technique and not have manual intervention. The basis was the method described by Trigg and Leach. However, since this method gives a better step rather than an impulse response, it was modified as follows:

Trigg's Method: Every month compute α from

$$\alpha = Ts = \frac{\text{Smoothed Error}}{\text{Smoothed Absolute Error}} \quad (6)$$

and use it for next month's forecast.

Modified Trigg's Method: Use last month's value of α for next month's forecast. This delayed use of α gives a better impulse response and this method was chosen because there were more impulse situations for spare parts (see Charts VI, VII and VIII).

Both the above methods worked satisfactorily for most of the items. However, they could clearly be improved upon for forecasting under certain circumstances. Comprehensive experiments have been conducted by simulating various decision rules for 3,800 items using actual data for 18 months. These results will be published separately.

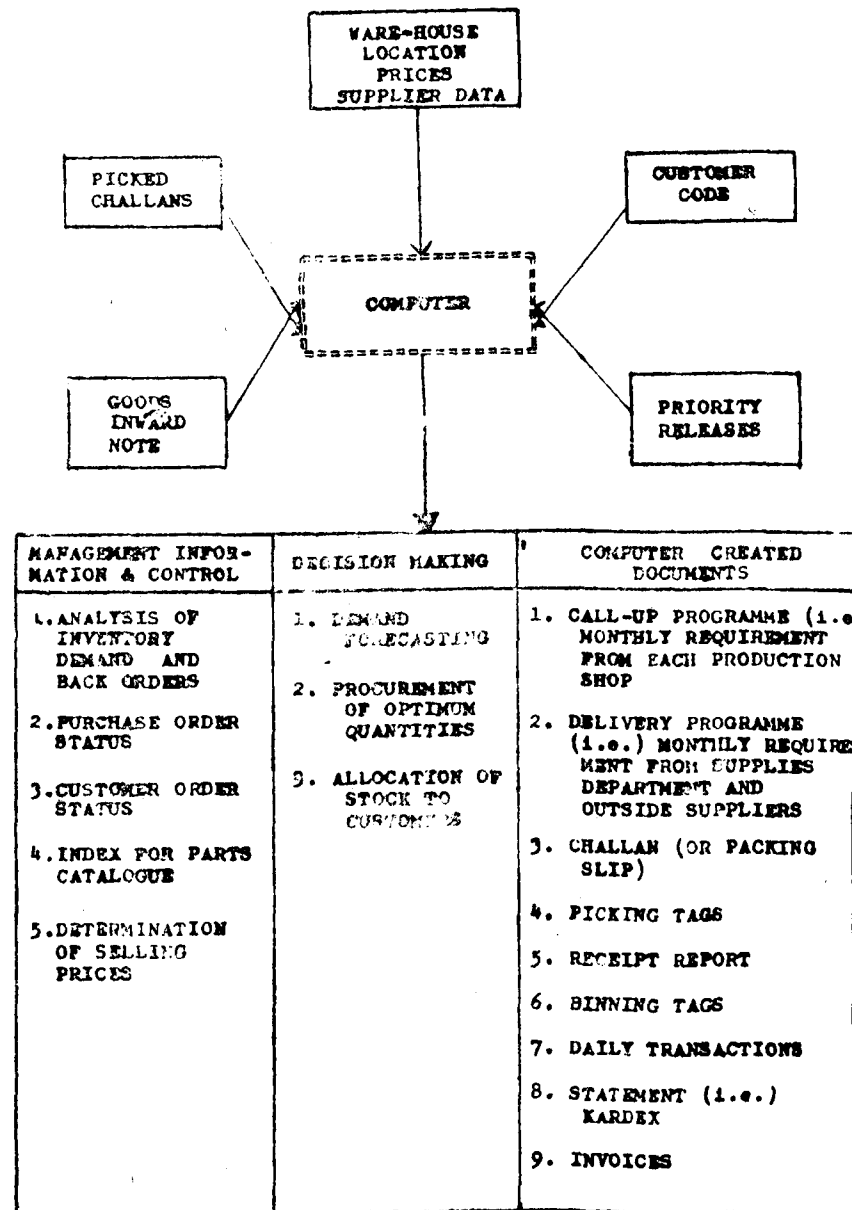
Comprehensive market research was also conducted to forecast long-term demand, and to evaluate pricing policies and optimum warehouse locations.

ALLOCATION OF AUTO INVENTORIES FOR SPARE PARTS PRODUCTION

The same raw material, forgings and castings, are required both for production of vehicles as well as spare parts. A decision has to be made every month on how each item of the available inventory should be allocated for production and spare parts, and the stores and production shops informed. If too much is reserved for production then spare parts sales suffer; if too little, then stock-outs occur and production is hampered. Further, alternative uses exist for the same raw material. An optimum allocation is necessary.

If a spare part assembly j can be made out of different combinations of raw materials, (say 1, 2, 3 or 1, 2, 4 or 2, 4, 5), then these distinct combinations are called activities; in the example there are 3 activities for spare part j . A given activity usually needs more than one type of raw material. The following linear programming

CHART III: AN INTEGRATED SYSTEM FOR SPARE PARTS



model is used every month to make the above decisions.

$$\sum_i \sum_j X_{ij} P_{ij} \quad (7)$$

applicable i, j
subject to

$$\sum_i \sum_j X_{ij} C_{ijk} \leq S_k \text{ for all } k \quad (8)$$

applicable i, j

$$\sum_j X_{ij} \leq A_j \text{ for all } j \quad (9)$$

applicable i
where

X_{ij} = optimum No of Spare Part j to be manufactured by activity i

P_{ij} = profitability of Spare Part j manufactured by activity i

C_{ijk} = amount of raw material k (in kg) required for spare part j made by activity i

S_k = maximum quantity of raw material k which can be released for spare parts

A_j = maximum demand for spare part j

CONTROL OF BOUGHT-OUT FINISHED COMPONENTS

The basic equation is
Average Inventory
= Buffer + $\frac{1}{2}$ (Intershipment time) $\quad (10)$

The buffer is calculated for each supplier of each item based on his past transit time distribution. Two or three

standard deviations of this are kept as buffer depending on whether the item category is "A" or "C", and whether there is only one supplier or other sources exist.

Therefore inventory becomes a function of intershipment time. If the number of shipments increase, however, receipt documentation and material handling problems increase. Further, there are certain minimum transport quantities. Ordering quantities are calculated based on these factors.

Requirements are calculated by multiplying the monthwise production schedule for each vehicle model by the unit requirements of each component. This amounts to simple matrix multiplication. Spare parts demand is added, and requirements upgraded by expected rejection rates.

Order percentage in case of Multiple Suppliers: The cumulative accepted quantity is maintained on the computer from the beginning of the financial year, viz, 1st April. Every time the computer calculates new delivery schedules, it will place further orders on each supplier in such a way that the order percentage split is maintained over a period starting from 1st April until the last date on the delivery schedule.

However, it may so happen that a particular supplier fails and the Supplies Manager wishes to distribute his order percentage over the other suppliers. For example the original split may be 20%, 30%, 50% and the new distribution is 0%, 40%, 60%. Two months later the Supplies Manager may find that the first supplier has started supplying again and he wishes to restore the old percentage of 20%, 30%, and 50%. However, he wants to ensure that the other two suppliers do not suffer as a result of supplying 40% and 60% at his own request. The Supplies Manager wants to ensure that 30% and 50% of future requirements are given to the other two suppliers respectively and any excess they may have supplied should be adjusted against the first supplier.

This may be implemented by calculating an effective order percentage over the whole period from 1st April onwards such that the restored order percentage (30%, 50%) is maintained from the day it was restored. Obviously the effective order percentage will be something like $(20 - S_1)\%$, $(30 + S_1)\%$, $(50 + S_2)\%$ where S_1, S_2, S_3 represent small changes.

The dates of despatch are calculated simply by deducting transit time from

CHART IV: PRODUCTION PLANNING AND CONTROL (FORGE DIVISION)

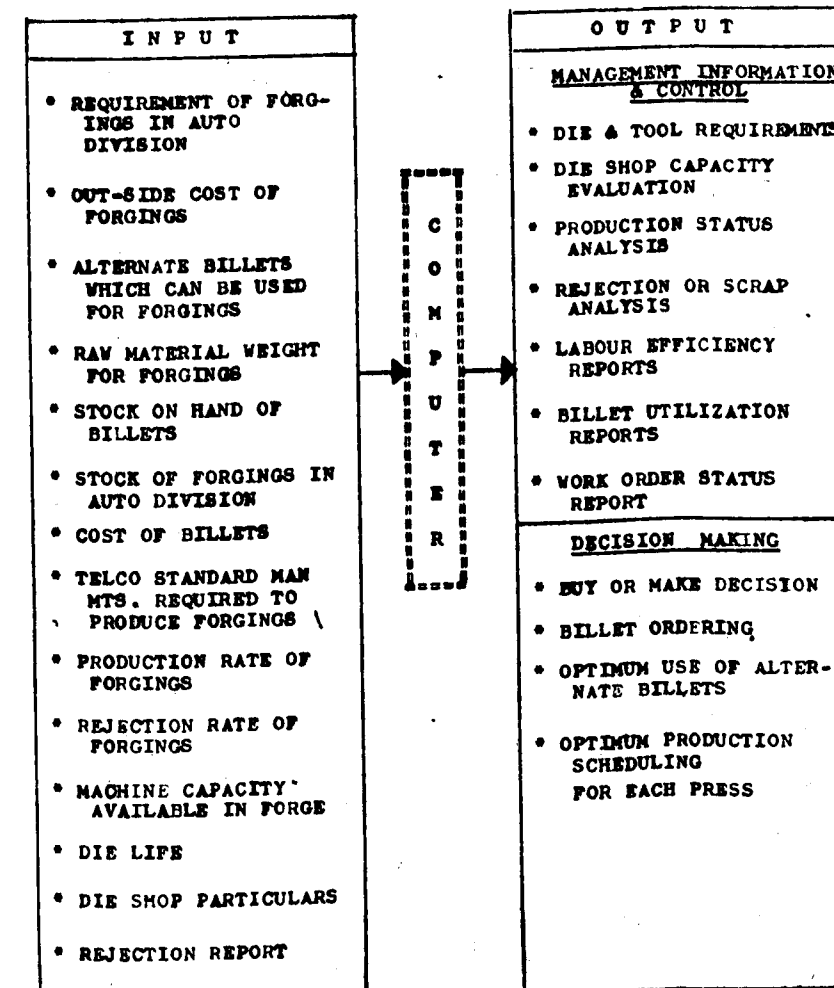
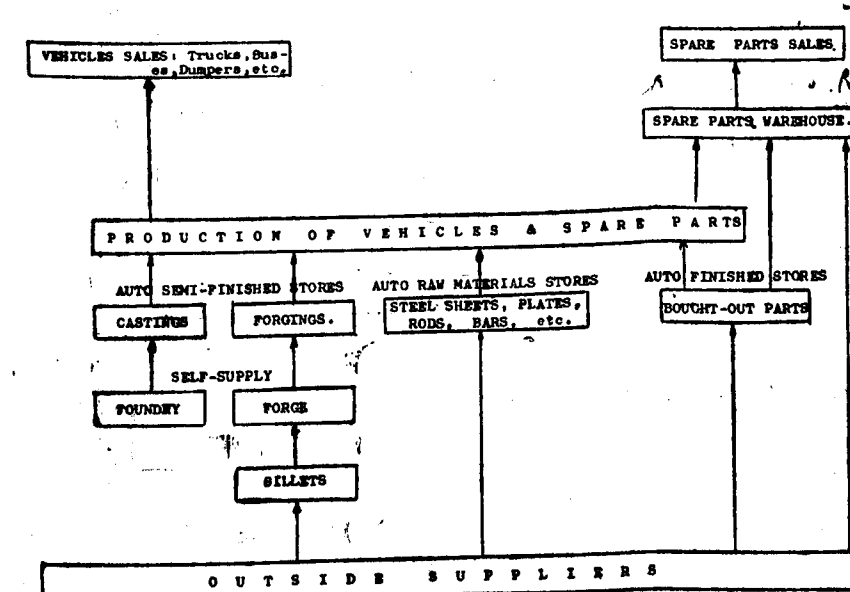


CHART V: FLOW OF MATERIALS



the dates of requirement, and then scheduling further shipments on a weekly, fortnightly, monthly or 2-monthly basis depending on which inter-shipment time was chosen.

A very important control report is the critical items list which gives an early warning of expected stock-outs.

$$S_t + S_h \leq T_{av} + 2\sigma_T \quad (11)$$

where

S_t = stock-in-transit in consumption days

S_h = stock on hand in consumption days

T_{av} = average transit time in days

σ_T = standard deviation of transit time in days.

Reduction in inventory has been achieved mainly by recalculating delivery schedules within 24 hours for thousands of items from hundreds of suppliers whenever there was a change in production schedule, or variances between actual and scheduled production or supplier performance was different from expectations. Similarly, the critical items list helped in reducing stock-outs and thus improving the inventory to production ratio.

CONTROL OF SEMI-FINISHED FORGINGS

With items bought from outside suppliers the objective is to minimise inventories subject to not running out of stock. However, for forgings from TELCO's own Forge, this would lead to suboptimisation, since minimising inventories in the Auto Division would considerably increase production costs in the Forge.

The Off-loading Problem: The first step is to decide what should be made in the Forge and what should be off-loaded. This was done by ranking in descending order, for every forging, the ratio of outside cost per piece and the machine time per piece required within the Forge Division. Those forgings were loaded on the Forge which had the highest ratios, working down the list till the Forge capacity was used up. Then the remaining items were off-loaded.

Analysis for Economic Batch Runs: Given the forgings to be made on each press, their production rates, their cost after forging, their daily consumption by the Auto Division, their die-lives and set-up times, what should be the optimum production plan such that

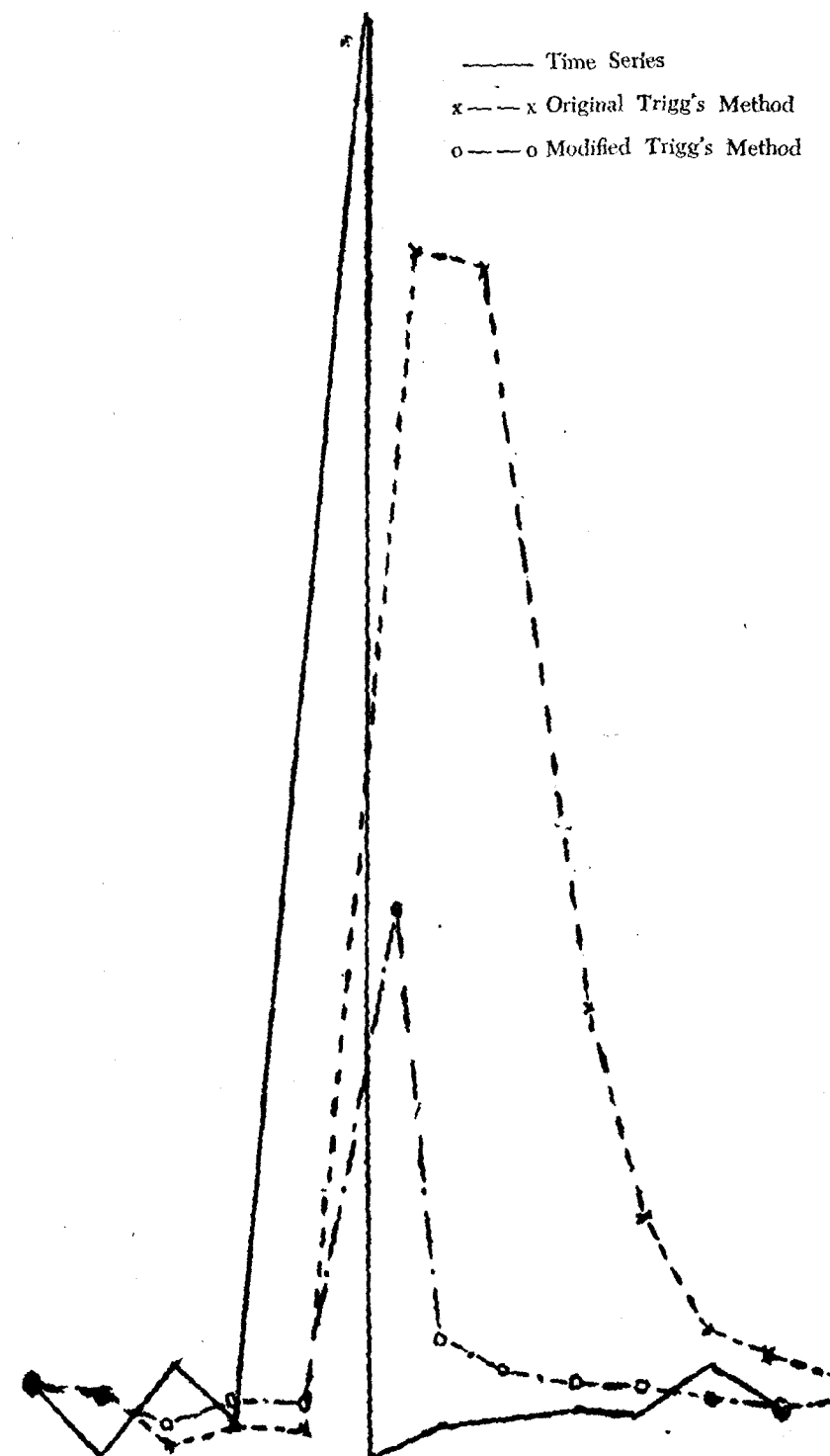
(a) No stock-outs occur in the Auto Division.

CHART VI: COMPARISON OF IMPULSE RESPONSE

(a) Original Trigg's Method

(b) Modified Trigg's Method

— Time Series
 x — Original Trigg's Method
 o — Modified Trigg's Method



(b) The total cost of inventories of semifinished forgings in the Auto Division and set-up costs in the Forge are minimised.

Let

R = No of pieces per production run
 D = Die Life (in pieces)

P_i = Production rate/day for forging i

U_i = Consumption rate/day for forging i

C_s = Cost per Set-up

C_i = Cost per piece of forging i

C_h = Inventory carrying cost per piece per year.

Then

N = No of set-ups during run R = Integer $\left\lceil \frac{R}{D} + 1 \right\rceil$

if $\frac{R}{D} \neq \text{integer}$

or $N = \frac{R}{D}$ if $\frac{R}{D} = \text{Integer}$ (12)

$\therefore$ Set-up cost/cycle = NC_s (13)

The inventory build up per day = $P_i - U_i$ (14)

If $P =$ Production run in days = $\frac{R}{P_i}$

then

inventory build up during the run = $(P_i - U_i)P$ (15)

However, if there are intermediate set-ups, then during the set-up time there is consumption but not production.

Let

Q = No of intermediate set-ups = $N - 1$

If set-up time = t days

then maximum inventory build up (at the end of the production run) is

$I_{\text{Max}} = (P_i - U_i) P - U_i Q t$ (16)

and $I_{\text{av}} = 1/2 I_{\text{Max}}$ (17)

$\therefore$ Inventory Cost/Year = $C_h C_i I_{\text{av}}$ (18)

$\therefore$ Total Cost/Year = $XNC_s + C_h C_i I_{\text{av}}$ (19)

where $X =$ No of Cycles/Year

To take into account several products, we merely sum the preceding expression for all products after substituting the relevant values of P_i , U_i , D_i and C_i .

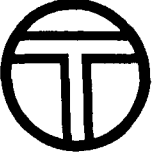
If C_s is known, the expression can be evaluated for different values of X and the optimum value is the one which gives the least total cost.

However, it is very difficult to determine C_s in reality, and quite often it is not necessary. Graphs were drawn as follows for each press.

(a) No of set-ups against inventory carrying cost for different number of cycles per year.

(b) Total cost against setting cost for different number of cycles per year.

These graphs indicated the optimal policy for each press for a wide range of set-up costs, and in most cases, the optimal solution was clear as it was insensitive to variations in set-up cost within the range which most probably contained the true set-up cost. However, it is felt that there is no such thing as a static set-up cost. Therefore a graph of

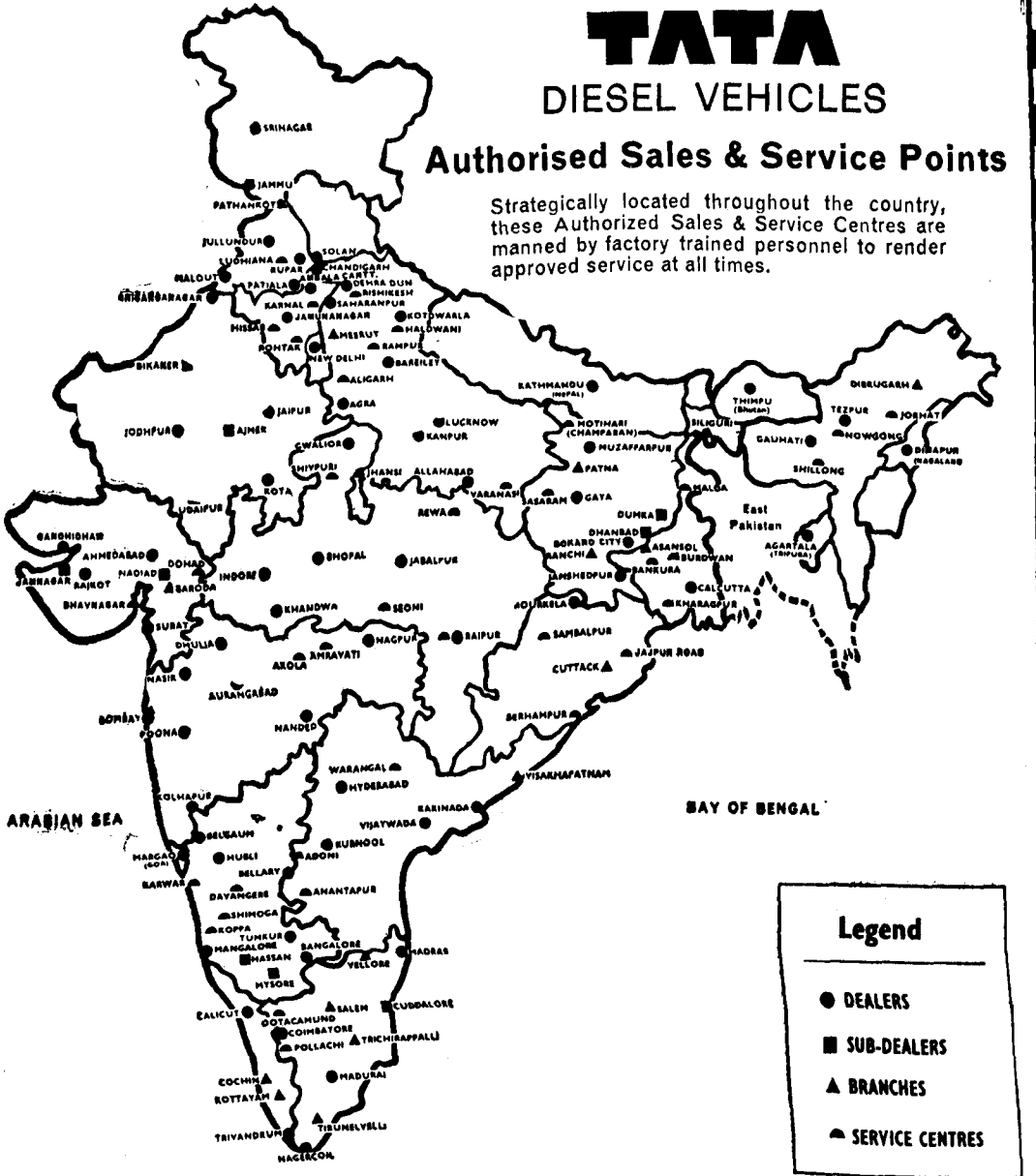


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Alembic does not rest on its laurels—its endeavours are continuous. In its up-to-date, well-equipped, well-manned research division it carries out fundamental and applied research in Organic Chemistry, Biochemistry, Pharmacology, Chemotherapy, Microbiology, Immunology...to discover more potent weapons against disease, to find new ways to promote health and growth, and to set ever higher standards for further achievements.

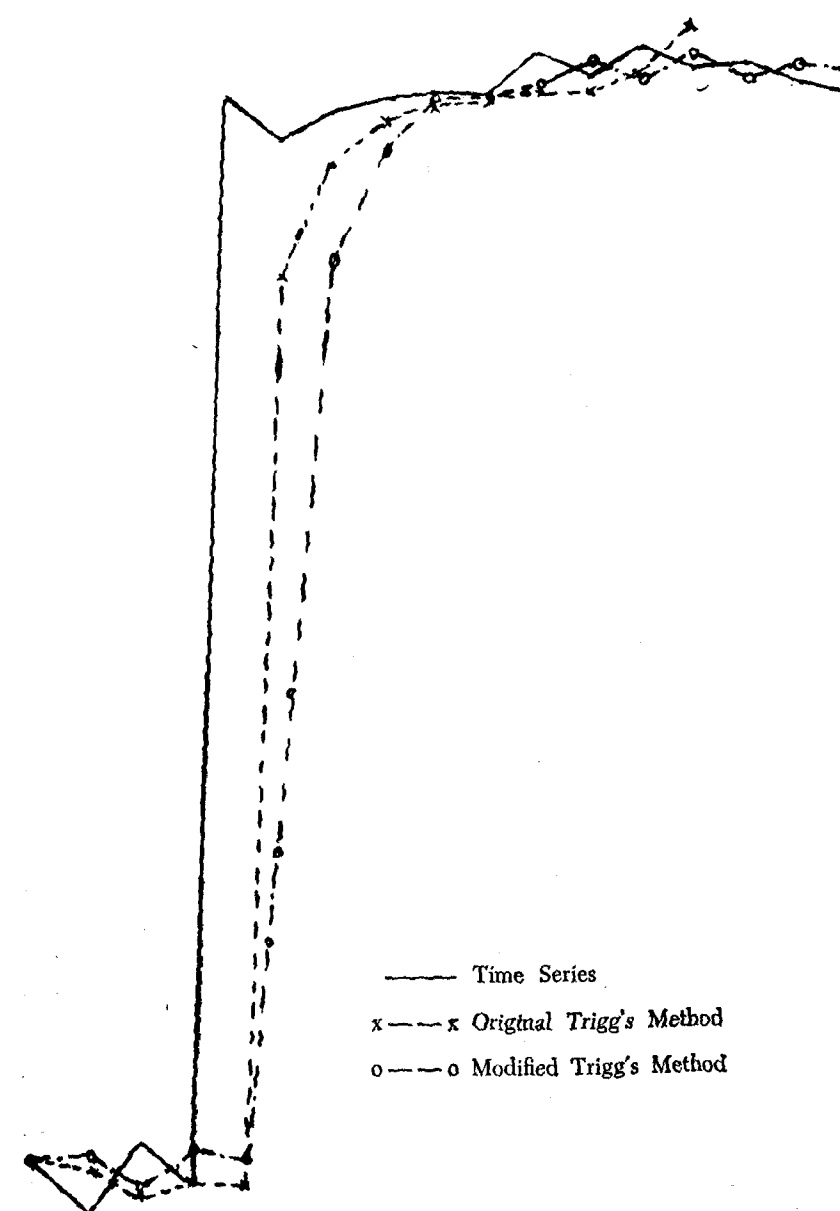
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CHART VII: COMPARISON OF STEP RESPONSE

- (a) Original Trigg's Method
(b) Modified Trigg's Method



— Time Series
x — Original Trigg's Method
o — Modified Trigg's Method

the Optimal Policy Curve was also drawn for the whole Forge Division (i.e. total inventory cost against No of set-ups). This curve gives the true opportunity cost of each set-up at every point and this becomes a meaningful measure of set-up costs.

OPTIMAL ALLOCATION AND ORDERING OF FORGING BILLETS

Different forgings can be made from the same billet, and similarly a forging can be made out of alternative billets. Over the years, due to various reasons, more than 200 types of billets had accumulated in the Stores, and it was decided to rationalise this to not more than

about 70. However, existing stock of billets was to be used up, and future ordering should be such that the total cost of inventory and bills payable is minimised.

Notation:

Let X_{ij} = No of pieces of forging i to be made from billet j .

a_{ij} = Raw weight (kg) of billet j to make one piece of forging i

r_i = requirement of forging i (pieces)

S_j = available stock (kg) of billet j

b_j = quantity (kg) of billet j to be ordered.

C_j = cost per kg of billet j

Forging Constraints:

$$\sum X_{ij} = r_i \text{ for all } i \quad (20)$$

[for applicable j]

This equation means that the sum of forgings to be made from each alternative billet should equal the total requirement for that forging. Thus there is one such equation for each forging. Naturally, only technologically feasible billets are considered.

Billet Constraints:

$$\sum a_{ij} X_{ij} - S_j = b_j \text{ for all } j \quad (21)$$

[for applicable i]

This equation states the quantity of each billet to be ordered (b_j) must equal future requirements ($\sum a_{ij} X_{ij}$) less available stock.

Thus there is one such equation for each billet. However, there is a small problem here. All variables in a linear programming formulation are restricted to having non-negative values. It may happen that the requirement for a particular billet may be less than the available stock. In such a case the left hand side of eqn (21) will be negative, and thus the variable b_j will be negative.

In order to get over this difficulty we make the following substitution in eqn (21).

$$b_j = Y_{1j} - Y_{2j} \text{ for all } j \quad (22)$$

$$\sum a_{ij} X_{ij} - S_j = Y_{1j} - Y_{2j} \text{ for all } j \quad (23)$$

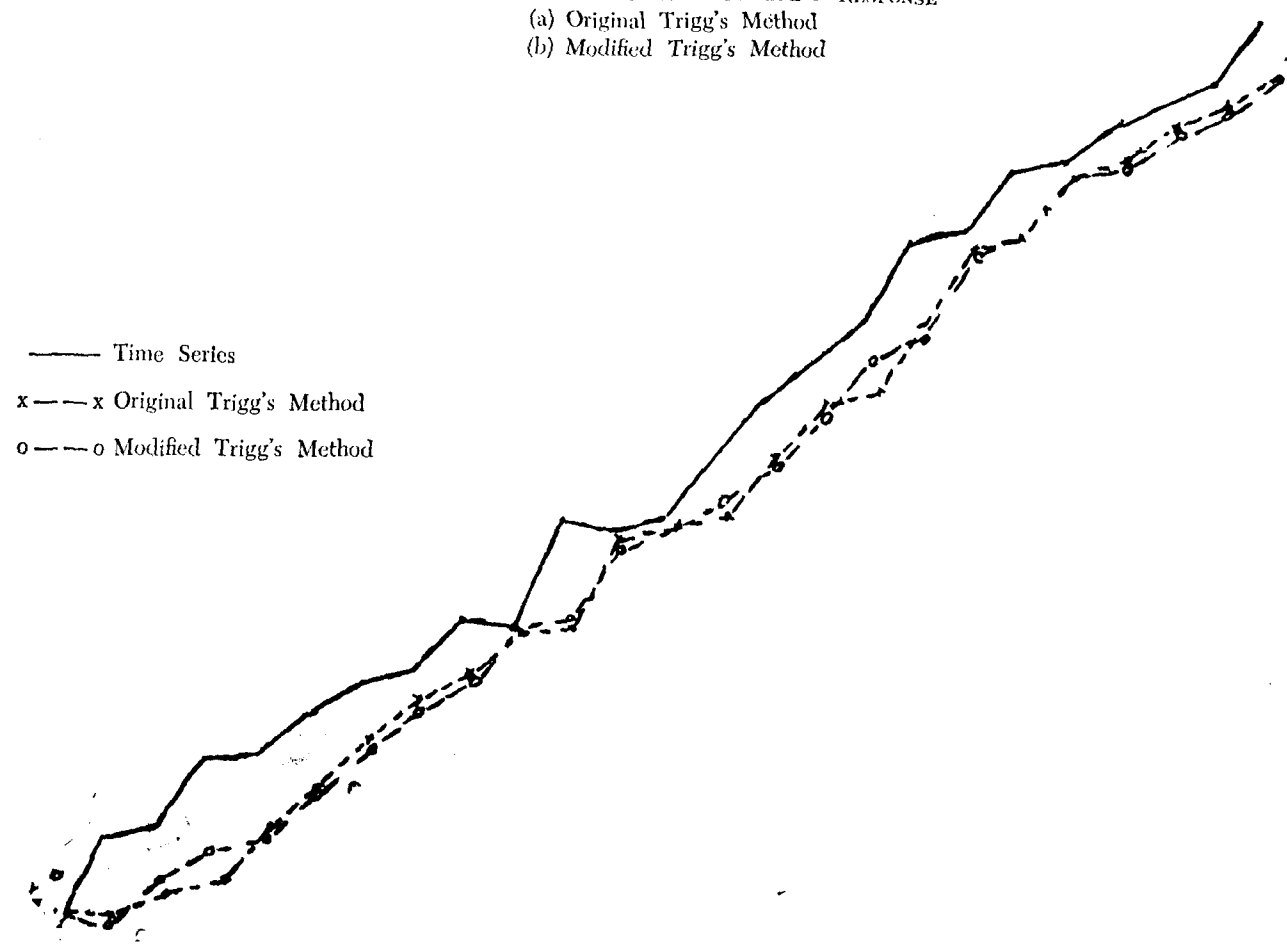
Now Y_{1j} and Y_{2j} are restricted to having positive (or zero) values and b_j does not appear in the linear programming formulation.

If requirements are less than stock, then in the optimal solution Y_{2j} will be equal to the difference between stock and requirements and Y_{1j} will be zero.

Thus Y_{2j} is the surplus stock. Of course, if requirements are greater than stock, then Y_{1j} will equal the difference — which has to be ordered — and Y_{2j} will be zero. Thus we see how the variables Y_{1j} and Y_{2j} can be interpreted.

Constraints for Non-Standardised Billets: The substitution of two non-negative variables (Y_{1j} , Y_{2j}) for one free variable (b_j) is also very convenient for making sure that further orders are not

CHART VIII: COMPARISON OF TREND RESPONSE
(a) Original Trigg's Method
(b) Modified Trigg's Method



placed for non-standard billets. Since Y_{1j} is the quantity to be ordered, we simply add a further constraint

$$Y_{1j} = 0 \quad (24)$$

for all billets j which are not standard.

The objective function: Our objective is to use available billet stock as far as possible, and only order the minimum value of further billets required for producing the requisite number of forgings. The inventory leftover is given by Y_{2j} for all j . The billets ordered is given by Y_{1j} — for all j . If cost/kg of billet j is C_j , we want to minimise

$$\sum C_j (Y_{1j} + Y_{2j}) \quad (25)$$

Thus we are minimising inventory of available stocks leftover (which is the same as maximally using up available stock), together with minimising our future orders of billets, and yet meeting all our requirements as given by constraints 20, 23, and 24.

To summarise, the linear programming formulation may be stated as:

Minimise $\sum C_j (Y_{1j} + Y_{2j})$
subject to $\sum X_{ij} = r_i$ for all forgings i .
Applicable j

$$\begin{aligned} \sum a_{ij} X_{ij} - S_j &= Y_{1j} - Y_{2j} \text{ for all billets } j \\ Y_{1j} &= 0 \text{ for all non-standard billets } j. \\ X_{ij} &\geq 0 \text{ for all } i, \text{ applicable } j \\ Y_{1j} &\geq 0 \text{ for all } j \\ Y_{2j} &\geq 0 \text{ for all } j \end{aligned}$$

Conclusion

Operational Research models of the type described have proved extremely useful for optimal decision making. However, OR is necessary but not sufficient if results have to be achieved in practice. OR needs the support of computers both for providing up-to-date information on the variables used and for carrying out extensive computations. Given a first rate computerised information system of which the OR Models form the decision making subroutines, it is possible under Indian conditions to achieve substantial benefits as has been illustrated in the foregoing TELCO case study.

What has been described above is a beginning. Already work has started on production planning and material control in the Foundry, in a manner similar to that in the Forge. It will also have been noticed that production planning for vehicles and spare parts was treated as a black-box in this paper. Systems design for the same has been initiated and it is hoped that this will enable tighter control of stock and work-in-progress inventories.

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Worker-Management Relationships in Japan

Koichi Niitsu

The set-up in Japanese organisations is said to be quite different from that in Indian or Western organisations. The difference is not as mysterious as it is often made out to be.

The essential difference lies in the primacy of particular role factors. The two basic principles in a Japanese organisation are (i) particularistic identification by group members with the group and (ii) diffuse and affective role expectation, of both workers and managers, within the organisation. The two between them generally connote a life-time's and total personal commitment to the organisation.

Consequently, the emphasis is on commitment, promotion is by seniority, and, since the organisation is an organic whole in which the interests of each member are identified with the interests of the whole, employees tend to put up their best performance.

THE Japanese organisation is often said to be quite different from its counterpart in India and in the Western countries. The Japanese system has been considered by some Western scholars to have a traditional and irrational pattern of social structure. Though this idea has been taken up by journalists and scholars, it is not evident in fact in such a simple way. The main difference seems to consist in the primacy, or proportion, of the role factors of the interacting personnel.

A functional approach towards society suggests that, human behaviour, based on more or less similar role factors, is similar — in spite of the conditional and situational differences of each culture. The essential difference, therefore, arises from the primacy or proportionate importance of particular role factors.

MAIN FUNCTIONAL CHARACTERISTICS

In Japan, the main functional characteristics of an organisational structure may be described with reference to two basic principles:

- (i) particularistic identification by group members with the group;
- (ii) diffuse and affective role expectation, from both workers and management, within the organisation.

The first characteristic typically connotes a 'life-time employment commitment to a single company', and the second connotes 'total personal commitment to the company'. The two principles are closely related and encompass the unique features of a Japanese organisation. They are, moreover, based on the two premises:

- (i) the longer the contact, the more trustful the person is likely to be;
- (ii) the closer the personal contact, the more trustworthy are persons likely to become in relation to the group.

In Japan, when an individual is employed, he will in all probability serve that organisation throughout his life. His orientation in a work situation is

rather towards the particular organisation than towards the job itself. An informal confirmation of this is seen in the fact that, when people inquire about one's profession, they invariably ask, "which company do you serve?", or in the fact that, when you ask a child, "what does your father do?", the response will be in terms of a company rather than of an occupation or job.

PARTICULARISTIC ATTITUDE

This particularistic attitude towards an organisation in a person is thought to suggest that the person is reliable and trustworthy. It is considered that, an organisation needs such a person rather than one who is only professionally promising. Particularly in the non-technical occupations, the concept of a professional job does not make much sense in Japan. The task of the personnel in an organisation is believed to be related specifically to the particular organisation's situations and conditions. Training, therefore, has to be through in-company training programmes. This management attitude affects the selection of workers, which is therefore based not on the professional knowledge of the candidates but on their general intelligence, their consistency, and their adaptability to a co-operative work situation. Each company is thought to have its particular climate or *shofu*, and the managements are interested in only those candidates who are flexible enough to adjust to the particular organisational situation. This attitude is also prevalent in relation to other institutions of Japanese society, such as the family which has its climate or *kofu* and the school which too has its climate or *kofu*.

The institutionalised features of this particularistic value are apparent in the system of wage and promotion. In Japan, wage and promotion are normally based on length of service, seniority of age, and education. Education determines the class to which one 'belongs' when hired, while length of ser-

vice determines status and wage within the class. Given the custom of life-time employment, promotion from within has been the general practice.

Advertisements in the newspapers are almost non-existent for positions of general manager, assistant director, and other officer levels, except when given by foreign business companies. For a Japanese officer to apply for a vacancy in another organisation amounts to treacherous behaviour. A management position would never be filled up from outside, without eager persuasion by personal invitation from a chairman or a director. Recruitment from outside the organisation for senior posts is not conceived in even the big traditional organisations. For the elite employees of private firms, the ladder of promotion could lead to top management positions, a directorship, or even the presidency. By the logic of that same system, career employees will rarely move to other firms in the hope of getting ahead more rapidly.

According to a representative of an American agency in Japan, "If a foreign businessman wants to hire and retain excellent Japanese workers today, especially white-collar office employees, he must be ready to offer them bright prospects for promotion within the organisation".

The particularistic nature of organisation inevitably leads to in-group cohesiveness, on the one hand, and to unfamiliar attitudes or politely avoiding attitudes towards members of other organisations, on the other. This in-group integration tends, furthermore, to create diffuse interrelationships within an organisation.

EVEN IN THE FAMILY

This emphasis on the particularistic-diffuse values rather than on the ascriptive value is traditional in Japan. It is true even of the family system. The family, which in Japan is called *ie*, is one more social organisation which has always emphasised its continuity

and prosperity. For maintaining that continuity and keeping up family traditions, even the adoption of son or daughter is not uncommon if the family's own sons are unsuited to becoming the patriarchal leader of the family or if there is no child in the family. It is believed that, those who have been connected with a particular family for a long time have inculcated the family culture and climate to a great extent, and that their performance through service to the family can therefore be great; the ascribed sons are also not competitive as the adoption is with the purpose of obtaining leader for the family and most probably was of an important relative. Since a family has a particular culture and climate, the leader is perceived as a protector of *kafu* (or family climate) and as an opinion leader. The functional requisite of *iye* is to keep the family culture intact and to develop it, rather than to retain only the blood ties.

ADOPTED TO BUSINESS ORGANISATION

This same idea has been adopted to business organisations. What happened was that, to cope with the highly competitive nature of the organisation, from the early stage of industrialisation in Japan, most ascriptive leaders in managements in the big leading companies were chosen such that they were particularistic and competent leaders — though the paternalistic management system and the diffuse expectations both from managements and workers were preserved. The ideal pattern of worker-management relationship was considered to consist of maximum service and 'total person' commitment to company by the workers and of paternalistic and diffuse consideration to all by the management.

Takezawa of Rikkyo University conducted a cross-cultural study of workers' attitudes to their company — in the US and in Japan. An item from his questionnaire may illustrate the point that has just been made.

RESPONSES TO QUESTIONS RELATING TO IDENTIFICATION WITH ORGANISATION

	US	Japan
I think of my company as:		
(1) the central concern of my life and of greater importance than my personal life	1	9
(2) a part of my life, at least equal in importance to my personal life	23	57
(3) a place for me to		

work with management, during working hours, to accomplish mutual goals 54 26

(4) strictly a place to work, and entirely separate from my personal life 23 6

It has been paradoxically claimed that, one of the important reasons for the economic development of Japan is the managements' inability to discharge workers even in times of difficulties or on account of technological change. Since workers were like community members, management could hardly discharge them; instead, management started to look out for business for them within the company — thus leading to diverse activity.

DIFFUSE HUMAN RELATIONSHIP

In this family-type organisation, where members are much more emotionally attached to one another, 'tension management' and activities to maintain relationships become necessary. The company thus encourages 'welcome parties' for new employees, end-of-the-year parties, etc. and offers recreational arrangements and other such qualitative fringe benefits. Work is thought of as a diffuse human relationship in the work place, which is rather different from the Western idea. This type of group-setting fosters interdependence and mutual consultation among the group members. For the worker, the working place is not just a place to work; it is a place where he also enjoys human interactions. If the workers can get involved in intimate relationships with others at work, their involvement in the work place is naturally more. Work would be gratifying both from the point of view of human contact as well as of job assignments.

This diffuse and informal contact within an organisation creates various semi-formal and informal associations within the organisation — such as flower arrangement associations, 'mah-jong' clubs, hiking groups, various sports clubs, etc. The informal and diffuse climate also creates intimate friendships among men and women workers, which in many cases leads to marriage.

The diffuse climate, along with the particularistic loyalty to a single organisation, tends to build up as a corollary relative unfamiliarity and even antagonism in relation to outside groups. This holds also between personnel in similar positions in different organisations. In other words, emotional attachment or social interactions are not constructed

according to similarity of position or nature of work, but according to the company to which persons belong. An officer's attitude to other officers in other organisations would be impersonal and indifferent compared to his attitude toward watchmen or manual workers in his own organisation. This is obvious in the fact that only a very small number of craft unions exist. A trade union is usually based on a plant union, which covers all personnel and workers — irrespective of their class.

SHARP CONTRAST TO INDIA

These principles of organisation stand in sharp contrast to those in India. In India, persons in similar positions in different organisations, feel emotional familiarity, so that they find it possible to exchange ideas based on common interests. Moreover, in India, the division of labour is very sharp and job descriptions are therefore elaborately listed. In Japan, however, this is relatively loose. Similarly, rankings of workers and of personnel in Japan are not so clear as they are in India. Such general tendencies often help to soften the so-called 'class-conflict' between workers and managements in Japan.

The modern history of management in Western countries has consisted mainly of steps towards a rational and work-centred management structure — though the recent trend has been toward greater reconsideration of the human factors in industries. Studies on 'leadership style' by the Michigan Group or by the Ohio Group, reveal the importance of the human orientation as much as of the performance or work orientation.

In Japan, the tendency of the situation has been in the opposite direction. Human considerations are in the process of reorganisation and the balance between rational management and 'emotional maintenance' are being carefully studied. Many conditional changes in Japan's economy are making it difficult to maintain the 'community type of organisations'. Shortage of labour makes workers move from one company to another — especially in technical jobs — and life-long loyalty is fading. Also, the wage system is moving from payment according to seniority of age to payment by performance-cum-seniority. What will be the new organisational pattern in Japanese industry in times to come remains to be seen. But it will very likely be a subtle combination of the traditional Japanese managerial style and of the Western rationalistic management system.

R and D and India's Industrial Future

Ward Morehouse

The rapid growth of modern science and technology since Independence suggests that India is on the 'threshold' between 'colonial' science and 'independent' science. The opportunities and challenges lie within industry itself — particularly with top-level management which must demonstrate its capacity for vision and innovation if it is to seize the growth prospects offered by modern science and technology.

The challenge is also to policy-makers in Government, more so because public policy impinges so heavily on industry's own decision-making. At present there is considerable conflict in policies related to technological change in Indian industry.

Tax incentives for R and D expenditure, the existence of machinery to regulate foreign collaboration within Indian industry, and the creation of a chain of government-supported industrial research laboratories, are the major government initiatives to encourage industrial growth through technological change. Effects of these are often offset, however, by certain other factors, such as reservation of certain sectors of industrial activity for public undertakings in what amounts to quasi-monopolistic conditions, limitation of production through industrial licensing which creates a 'sellers' market', limitation of concentration of ownership in industry, and an industrial relations policy which, in seeking to protect rights of labour, frequently has the net effect of inhibiting management in choosing significant technological innovations.

The central question is of priorities which political leadership has to determine. In fact, political leadership will have to decide just how high modern science and technology need to be placed in the hierarchy of national goals.

[This essay is adapted from a paper presented to the Seminar on Corporate Strategy and Long Range Planning, held at the Administrative Staff College of India, Hyderabad, in July 1970. The staff College plans to issue the proceedings of that Seminar shortly. Much of the statistical data which we have on research and development in India, including expenditures on R and D personnel, reflect estimates rather than hard figures. Interpretations based on these data necessarily exhibit some of the qualities of the data on which they are based.]

INDIAN science and technology stand at an exciting threshold. According to George Basalla's "three-stage model" about the introduction of modern science and technology into non-European nations, India has already clearly passed the first stage and hopefully is in the process of moving from the second to the third stage of development. In this analytical framework of scientific growth, the first of three stages pertains to the non-scientific or pre-scientific society. This is followed by a period of 'colonial' or dependent science, and this in turn is followed by the attainment of an independent or self-generating scientific tradition or culture.¹ The rapid growth of modern science and technology since Independence suggests that India is on the threshold between 'colonial' science and 'independent' science.

Jawaharlal Nehru, who dominated the national political life for almost the first two decades after Independence, recognised the critical importance of modern science and technology to socio-economic progress and to nation-building. "I do not see any way out of our vicious circle of poverty", he once wrote, "except by utilising the new sources of power science has placed at our disposal".² One consequence of Nehru's vision of the potential role of science and technology in India's fu-

ture development was the rapid growth of a complex organisational structure for science and technology, financed largely out of public resources, as Table 1 and the Chart reveal.

Similarly, the personnel engaged in research and development have grown exponentially over the past two decades, as has the total stock of scientifically and technologically trained personnel who are essential for broad-scale technological innovation in India's future (see Tables 2 and 3). Without this human resource base and the organisational infrastructure, many of the scientific and technological options now available would not have been accessible.

Yet, substantial though the growth has been in the past two decades, it still stands low on the international scale of such effort. Table 4 demonstrates that India is well down in the international scale of 'investment in research and development in relation to gross national product'. We understand only very imperfectly the relationship between investment in scientific and technological research and development on the one hand and economic and social growth on the other, but it is clear that there is a correlation between the two, though it may not be an exact one. Since that casual relationship does exist, India will have to do much more if she is to achieve rates of growth that will

enable her to close the widening gap between the rich and the poor among nations.

R AND D IN INDIAN INDUSTRY

The discussion thus far reveals two important facts about R and D in Indian industry. The first is that, R and D in Indian industry is a very small part of the total national R and D effort. The second is that, if the figures we have for recent years are any guide (these are estimates only, not hard statistical data), R and D in the industrial sector is growing very rapidly. In fact, the figures which we have from the Cabinet Committee on Science and Technology in Table 1 indicate a growth rate which is close to tripling every three years. If this growth rate is maintained over the coming decade, R and D effort in Indian industry will be more than four times greater than the present national investment (Rs 136 crores) in scientific research and development.

While the present base of industrial R and D is quite limited projections into the future based on existing growth rates may prove an unreliable exercise. It is worth remembering that, even though comparisons with other countries have limited significance because of varying national economic conditions and because available figures for India

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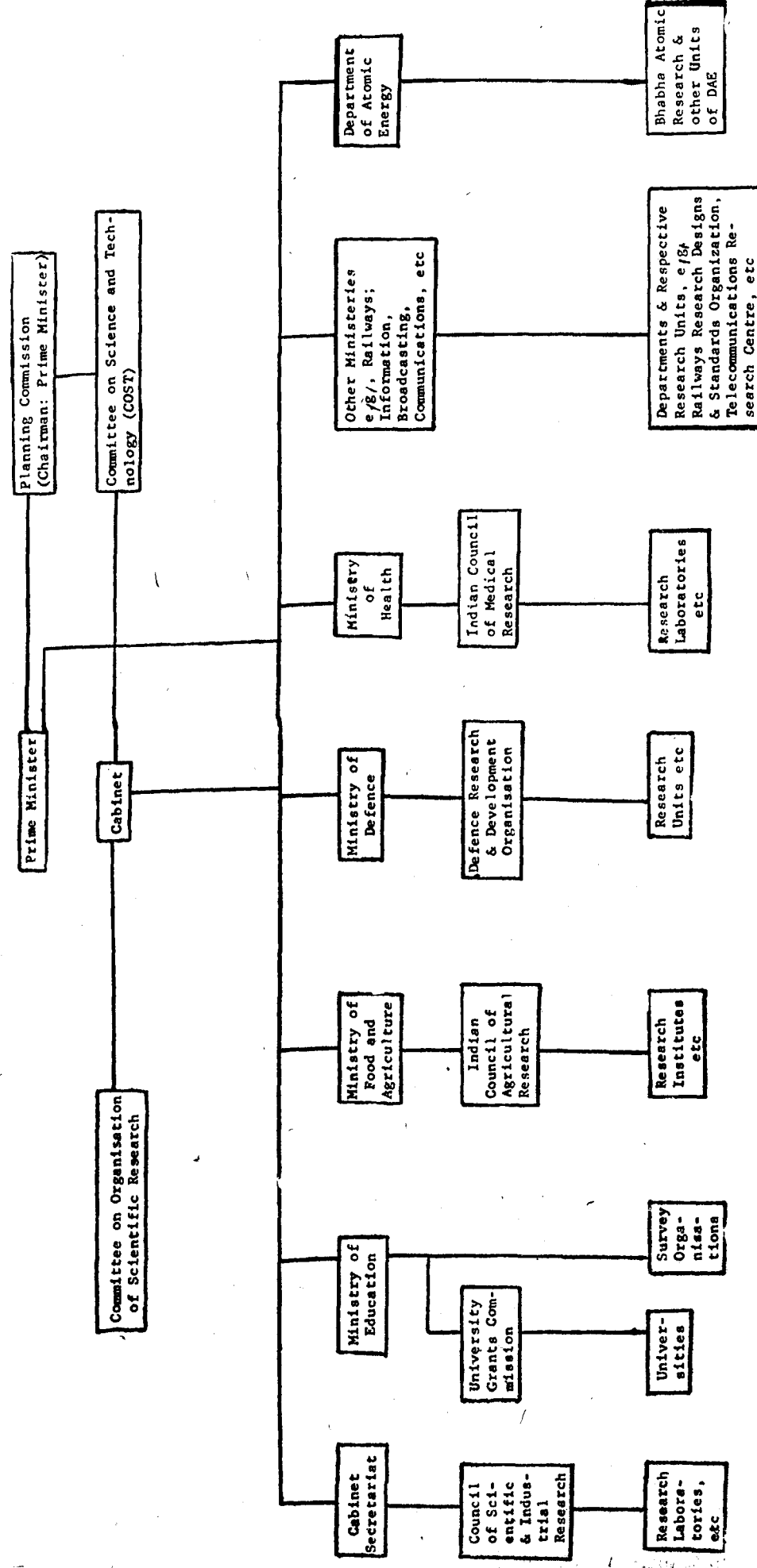
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CHART

Organisation of Scientific and Technical Research and Development in Government of India



Source: Ward Morehouse 'Science in India: Institution Building and the Organisational System for Research and Development', Administrative Staff College of India, Occasional Papers, Science and Technology Series No 1, Bombay: Popular Prakashan, 1970.

are imprecise, it is evident that few Indian industries are investing in R and D at anything approaching the proportionate level of R and D expenditure in the technologically more advanced countries. There should, therefore, be great scope for expansion. One wonders, for example, how many Indian companies are spending as much as 8.5 per cent of their net sales on R and D activities — the figure which the National Science Foundation has indicated as the expenditure in 1967 undertaken by the electrical equipment and communications industries in the United States.³

R AND D AND COMPARATIVE ECONOMIC ADVANTAGE

An attempt to gauge the likely future patterns of research and development in Indian industry naturally leads to consideration of the concept of 'vacated areas' in the world economy and their impact on Indian industry. With rising labour costs in the technologically more advanced societies, such as the United States and Japan, India may find that there are growing opportunities for high-technology, labour-intensive industries which have a potentially large international market and in which India could exploit some of its comparative cost advantages with respect to the various factors of production. Here are two illustrations.

One is R and D activity itself. While multi-national corporations, who have established R and D facilities in Western Europe in the belief that R and D would cost less there than in North America, have not always found their assumption to be true (for various reasons discussed by Harold Gershinowitz in 'National Differences in Styles of the Research Management'), the difference in salary costs may be so great, between either Western Europe or the United States on the one hand and India on the other, that India may find that it has a real comparative economic advantage in R and D activity.

Already, this appears to be the case when Indian engineering firms bid for assignments abroad in competition with engineering concerns from other parts of the world. The cost of maintaining an Indian engineer, whether in India or 'on location' abroad, is generally far less than that of maintaining his North American or European counterpart. The expectation of lower R and D cost has apparently been one factor (among others) in the establishment of R and D units in India by companies with international connections such as Hindustan

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Lever and Ciba.

But it must be remembered that the quality of the resulting effort, not the cost, is what matters most in R and D. If Indian industry is engaged in R and D for world markets, the 'hard culture'

of international competition will have to be substituted for the 'soft culture' of import substitution. Gershinowitz concludes from his examination of comparative styles of industrial research and relative costs in the United States and

TABLE 1: ESTIMATED EXPENDITURES ON SCIENTIFIC AND TECHNOLOGICAL R AND D (Rs in crores)

	1948-49	1952-53	1955-56	1958-59	1965-66	1968-69	1969-70
Central Government	3.70	8.38	16.61	26.05	74.89	105.74	118.99
State Governments*	NA	NC	NC	1.00	3.51	6.90	8.60
Private Sector**	NA	NA	NA	0.15	2.43	7.07	8.13
Total	3.70	12.19	20.48	27.20	80.83	119.71	135.72

* As far as the State Government sector is concerned, no reliable data on R and D expenditure are available. In the 103rd Report of the Estimates Committee on the Ministry of Education (1965-66), Rs 1.73 crores, Rs 1.93 crores and Rs 2.25 crores have been indicated as the R and D expenditure for 1961-62, 1962-63, and 1963-64, respectively, in this sector. Expansion during this period is on an average about 15 per cent. However, the expenditure for 1965-66, 1966-67, 1967-68, 1968-69 and 1969-70 has been projected at the rate of 25 per cent per year, which can be reasonably assumed to be the maximum average attainable. The corresponding figure for 1958-59 has been worked out at the rate of 15 per cent expansion.

** Data for the private sector are incomplete. Figures up to 1968-69 are based on the data received in the COST Secretariat. The figure for 1969-70 has been projected, assuming 15 per cent increase over that for 1968-69.

Note: NA = Not available. NC = Not comparable with figures for later years.

Source: Ward Morehouse, 'Science in India: Institution-Building and the Organisational System for Research and Development', Administrative Staff College of India Occasional Papers (Science and Technology Series No 1), Bombay, Popular Prakashan, 1970. (Table adapted from A Rahman, A Ghosal, N Sen, N R Rajagopal, S Das Gupta, S H M Hussaini, and A K Roy, 'A Study of Government Expenditure on Scientific Research', *Journal of Scientific and Industrial Research*, 1963, Volume 22, No 12, for 1948-49 to 1955-56 figures; Government of India, Cabinet Secretariat, Committee on Science and Technology, Report on Science and Technology, 1969, New Delhi, Government of India Press, 1969, for 1958-59 to 1969-70 figures.

TABLE 2: ESTIMATED NUMBER OF SCIENTIFIC AND TECHNICAL PERSONNEL ENGAGED IN R AND D

	1958-59	1968-69
Major Organisations under Central Government		
Council of Scientific and Industrial Research	3,512	8,848
Department of Atomic Energy	1,067	7,209
Defence Research and Development Organisation	1,500	4,747
Indian Council of Agricultural Research	1,500	7,820
Indian Council of Medical Research	1,001	1,221
Total Major Organisations	8,580	29,845
Other Central Ministries	5,663	15,593
Total Central Government	14,243	45,438
Universities	2,600	7,778
State Governments	1,000	6,900
Private Sector	200	2,333
Grand Total	18,043	62,349

Notes:

- 1) Data relate to information so far received in COST Secretariat; in some cases the figures are complete.
- 2) The manpower for 1968-69 under universities, has been computed from UGC data on the assumption that entire number of university professors and readers teachers and 5 per cent of the lecturers in the affiliated colleges are engaged in the R and D work. The manpower for 1958-59 has been computed, assuming the same rate of growth approximately, as under the Central sector.
- 3) Manpower under the State Governments has been estimated at an annual expenditure of Rs 10,000 per R and D worker, on an *ad hoc* basis.

Source: Government of India, Cabinet Secretariat, Committee on Science and Technology, Report on Science and Technology, 1969, New Delhi, Government of India Press, 1969.

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TABLE 3: ESTIMATED TOTAL STRENGTH OF SCIENTIFIC AND TECHNOLOGICAL PERSONNEL

	(in thousands)					
	Graduate Level		Post-Graduate Level		Total	
	1958	1968	1958	1968	1958	1968
Natural Sciences	140	349	40	114	180	463
Agricultural and Veterinary Sciences	16	58	3	10	19	68
Engineering and Technology	62	192	52	156	114	348
Medicine	35	27	36	79	71	106
Total	253	626	131	359	384	985

Notes: 1) The figures for engineering and technology and for medicine in the graduate level columns indicate diploma holders and in the post-graduate columns, first degree graduates. Although the length of the courses of study is roughly the equivalent for first degree graduates in natural and agricultural sciences and for diploma holders in engineering and medicine (three years after school-leaving), and the same is true for post-graduates in the natural and agricultural sciences and for graduates in engineering and medicine (five years after school-leaving), there are many other differences in the courses of study and the levels of preparation which these different labels reflect. Consequently no assumption is made that they are necessarily comparable, and the different categories are listed together here simply for tabular convenience.

2) Figures for 1958 have been computed on the basis of figures for 1955 and 1960, by arithmetical interpolation.

Source: Council of Scientific and Industrial Research, Division for Scientific and Technical Personnel, *Bulletin on Technical Manpower*, April 1969.

Europe that "there are many good reasons why one should do research in Europe, but to save money isn't one of them".⁵ It would be a test of the mettle of Indian scientists and technologists in the future to establish that there are many good reasons for doing research in India, and saving money is one of them.

The other illustration is from the electronics industry. Table 6 suggests the possible shape of this rapidly growing industry in the future. The projections for industrial R and D expenditure (as in Table 5) may turn out to be modest, if R and D expenditure in electronics alone (including government expenditure which has been excluded from Table 5) reaches Rs 300 crores in 1980 (as the Chief of the Calcutta Bureau of *The Economic Times* thinks it will). Even in terms of total employment, the electronics industry would become a sizeable factor in the total spectrum of Indian industry within another decade with over 13 lakhs of employees (in 1966, by contrast, total factory employment in India was only 47 lakhs or about 3.5 times as much).

Electronics, engineering services, and industrial R and D activity in general, are examples of labour-intensive, high-technology forms of economic activity, in which over the coming decade India

may find that it enjoys an increasing comparative advantage on a world scale — provided that, the necessary leadership and vision in industry and government is brought to bear in setting the objectives high enough and in organising the essential resources, of which human resources are by far the most critical.

These, then, are some of the opportunities in modern science and technology before India as it begins a new decade. The opportunities, as well as the challenges, lie within industry itself — particularly with top-level management which must demonstrate its capacity for vision and innovation if it is to respond to the challenges and to seize the opportunities offered by modern science and technology.

Modern science and technology also offer challenges and opportunities to policy-makers in Government — more so in the Indian context, because public policy impinges so heavily on the process of decision-making in industry. At present, there is considerable conflict in government policies related to technological change in Indian industry. Tax incentives for R and D expenditure, the existence of machinery to regulate foreign collaboration within Indian industry, and the creation of a chain of government-supported indus-

TABLE 4: RESEARCH RATIO IN SELECTED COUNTRIES, 1967

Country	Percentage of GNP Spent on R and D
USA	3.1
USSR	2.74
UK	2.32
Netherlands	2.26
France	2.17
Switzerland	1.92
Federal Republic of Germany	1.91
Canada	1.5
Japan	1.5
Sweden	1.37
Belgium	0.93
Denmark	0.78
Italy	0.67
Austria	0.5
India	0.4

Notes: For the US the figures are estimated or provisional. For USSR, the expenditure is on 'science' and is based on a UNESCO estimate for GNP. It also includes data for humanities. For the UK the figures pertain to 1966. Data for the Netherlands, Sweden and Italy do not include expenditure for the social sciences. Figures for Austria are partially estimated. For India, the estimate is for 1968-69.

Source: Ward Morehouse, 'Science in India: Institution-Building and the Organisational System for Research and Development', Administrative Staff College of India, Occasional Papers (Science and Technology Series No 1), Bombay: Popular Prakashan, 1970.

TABLE 5: PROJECTED GROWTH OF INDUSTRIAL RESEARCH AND DEVELOPMENT IN INDIA

Year	Rupees in Crores
Estimated	
1965-66	2.43
1968-69	7.07
Projected	
1971-72	21.21
1974-75	63.63
1977-78	190.89
1980-81	572.67

Note: Estimated figures for 1965-66 and 1968-69 are taken from the Cabinet Committee on Science and Technology, Report cited in Table 1.

TABLE 6: PROJECTED GROWTH OF THE ELECTRONICS INDUSTRY

<i>Research and Development</i>		
	(Rs crores)	
Estimated		
1969		6
Projected		
1975		85
1980		300
<i>Total Production and Personnel</i>		
	Annual Production	Total Personnel
	(Rs crores)	
Estimated		
1965	26	30,000
Projected		
1980	1,200	1,330,000

Source: Government of India, Electronics Committee, Report of the Electronics Committee, Bombay, February 1966; O. P. Arya, 'Critique of the Electronics Committee Report', *Lok Udyog*, June 1970. (1975 projections are taken from the Electronics Committee Report. 1980 projections are taken from Arya, who considers the Electronics Committee projections in general to be too low, on the basis of re-examination of the situation four years after the Electronics Committee Report. Projections of total growth of the electronics industry are made proportionately with projected growth in R and D.)

trial research laboratories, are the major existing government initiatives to encourage industrial growth through technological change. These are often offset in their effect by certain other factors such as the reservation of certain sectors of industrial activity for public undertakings in what amount to quasi-monopolistic conditions, limitation of production through industrial licensing which creates a 'seller's market', limitation of concentration of ownership of industry, and an industrial relations policy which, in seeking to protect rights of labour, frequently also has the net effect of inhibiting management in choosing significant technological innovations.⁶ These policies are all directed toward important social, economic, and political objectives. The central question is of priorities which political leadership in Indian society has to determine.

In fact, political leadership will have to decide just how high modern science and technology need to be placed in the hierarchy of national goals. The future alone will tell whether that leadership is wise enough to choose the right options for India's continued development. But they would do well to ponder Nehru's

determination that, modern science and technology must be developed, if India is to develop: "... in every direction and in every department of life, science has revolutionised the world... This march of science is continuing even now, and it seems to rush on faster than ever... The future belongs to science and to those who make friends of science".⁷

Notes

- 1 George Basalla, 'Spread of Western Science', *Science*, May 5, 1967, p 617.
- 2 Jawaharlal Nehru, 'The Tragic Paradox of Our Age', *New York Times Magazine*, September 7, 1958, p 101.
- 3 Probably no company of any size in India spends that much on R and D. Even in ferrous metals, where the US figure is much lower (0.7

per cent), Tata Iron and Steel, for example, spends only 0.25 per cent on research and development or about a third of the US average for the same industry.

- 4 Harold Gershinowitz, 'National Differences in Styles of Research Management', *Research Management*, May 1969, pp 205-218.
- 5 *Ibid*, p 217.
- 6 I have dwelt at greater length with the conflicting nature of public policy toward technological change in Indian industry in another paper, 'Down the Up Staircase: A Perverse View of the Introduction of Technological Change in Industry' (Paper for National Seminar on Technological Change and Industry, sponsored by the Sri Ram Centre for Industrial Relations and the Administrative Staff College of India, Hyderabad, June 2-6, 1970).

- 7 As quoted in Nehru Commemoration Number, *Science Reporter*, July-August 1964, pp 1 and 47.

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Foreign Collaboration, Indigenous Research and Development of Indian Consultancy Services

S S Tarapore

This paper is concerned with the question of building up a base of technological skills within India and with the crucial role of consultancy services in incorporating foreign technology within the country.

In particular, the paper spells out some suggestions which could enable consultancy services in fulfilling this role.

Another question to which the paper focuses attention is the need to foster inter-company transfers of technology.

IN recent years there has been a growing literature on the subject of transmission of technology to developing countries.¹ While it is recognised that import of technology by developing countries is essential there are a number of practical problems which arise in the actual transmission of technology. First, there is an industrial gap between the developed and developing countries. Secondly, there is an engineering gap between the transmitting and recipient firms. Thirdly, import restrictions necessitate a restructuring of the technology. Thus, the problem is one of gearing down the scale of production and sophistication of technology to lower levels and to make suitable improvisations to meet the dearth of maintenance and support facilities. The role of the most exotic technology is limited since it invariably cannot be transferred. It is, therefore, necessary to distinguish between technology which can be transferred directly and that which needs adaptation. The technology which is appropriate for a developing economy may not always be the one which is on the frontiers of knowledge.

In view of the need for process and products modification, stress is often laid on the need for building up a stock of indigenous technical knowhow. However, it cannot be presumed that research and development expenditure will automatically contribute to an accretion to the stock of technological capital since the inventions used for introducing new technology account for only a part of total research and development expenditure. The smaller a country's technological base and the faster the rate of accretion of international technological capital, the more economical it will be to stress assimilation of proven technology rather than undertaking basic research. While a developing country cannot totally ignore the need to build up a nucleus of basic research, the crucial problem is one of undertaking reverse research

and development, to create imitative equivalents of innovative products.² The capacity of a developing economy to incorporate advanced technology into its own operations would depend on its ability to meet the initial costs, particularly in foreign exchange, of adapting the imported technology and restructuring operations to enable assimilation of technology.

This paper is concerned with the question of building up a base of technological skills within India and with the crucial role of consultancy services in incorporating foreign technology within the country.

In particular, the paper spells out some suggestions which could enable consultancy services in fulfilling this role.

Another question to which the paper focuses attention is the need to foster inter-company transfers of technology.

Indigenous Research and Development

The proportion of gross national product spent on research and development (R and D) by the USA, is around 3.5 per cent; in contrast the ratio in the case of the EEC countries is 1.3 per cent, Canada 1.1 per cent and Japan 1.4 per cent.³ India's expenditure on R and D is a meagre 0.3 per cent. While there is no imperative necessity that the proportionate share of R and D in India should be as high as that of other developed countries, the fact does remain that the Indian proportion is rather low. While India need not concentrate on basic research there is need for at least increased expenditure on adaptive and environmental research to enable assimilation of foreign technology. The cost of such research would no doubt be small in relation to its immediate and long-term return. The Indian expenditure on indigenous R and D is approximately three times the Indian expenditure on imported technology. Further, most of the R and D expenditure in India is on fundamental

research and in particular on atomic energy. In Japan, for instance, indigenous expenditure on R and D is about six times the expenditure on imported technology; further, in Japan, the indigenous expenditure on R and D is high precisely in sectors where expenditure on imported technology is high. The *prima facie* conclusion is that in India, the borrowing of foreign technology has not been matched by an adequate base support of indigenous R and D to adapt and assimilate foreign technology.⁴

The expenditure on R and D in India has increased from Rs 27 crores in 1958-59 to about Rs 136 crores in 1969-70 or from about 0.21 per cent to 0.32 per cent of national income. While this indicates a substantial step-up in R and D expenditure, there appears to be a mal-distribution of this expenditure between basic research, applied research and development expenditure.⁵ Although details of the distribution of R and D expenditure in India are not available, the presumption is that the bulk of this expenditure in India is on basic research, while the more relevant expenditure on applied research as well as development at the individual firm level is insignificant. The bulk of R and D expenditure in most countries is government sponsored. For instance, in the US, two-thirds of all R and D expenditure is financed by the federal government.⁶ Even though the bulk of expenditure is government sponsored, there are considerable spin-off effects generating development expenditure at the level of the individual firm.

In India, the government has, in recent years, provided adequate incentive to firms to invest in R and D expenditure. The Mudaliar Committee had recommended that double the expenditure on R and D should be granted as a relief to firms.⁷ While the government did not accept the Committee's recommendation *in toto* it has provided fairly liberal assistance to R and D activity by firms. All revenue expenditure in-

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curred on scientific research related to the business is admissible in full as a deduction in computing taxable business profits. Capital expenditure on scientific research which was previously allowed to be amortised over a period of five years, is now allowed in full as a deduction in the year in which such expenditure is incurred. In addition, new machinery or plant installed after March 31, 1967 for the purposes of scientific research is eligible for development rebate at a rate of 35 per cent as against a rate hitherto of 20 per cent. Thus, the total deduction in respect of expenditure on new plant and machinery used for purposes of scientific research amounts to 135 per cent of such expenditure. In effect, this results in a sizeable government subsidy by way of tax saving, e.g. in the case of a widely held company the implicit subsidy comes to 75 per cent of such capital expenditure.⁸

While the amount of money spent on scientific research in India is not insignificant, the results in terms of utilisation of the results by industry are poor. The main reason for this is that there is insufficient attention on carrying forward the process from the pilot plant stage to the stage of commercial production.

Foreign collaboration provides a process or product which has been commercially successful, provides tried designs and capital equipment and above all a famous brand name. The Indian producer would opt for indigenous knowhow only if foreign collaboration approval by government cannot be obtained or domestic consultancy services are sufficiently developed to offer comparable services. Since the successful utilisation of indigenous knowhow is dependent to a considerable extent on consultancy services, the rest of this paper deals with the structure of these services in India, their role in assimilating and adapting foreign knowhow, and the judicious use of foreign and indigenous knowhow. In conclusion an attempt is made to spell out certain fiscal and other measures for developing consultancy services in India.

Structure of Consultancy Services

The number of consultancy firms in India is estimated at around 120. The range of services provided by these firms varies quite widely and a number of firms masquerading as consultants are in effect agents for the suppliers of machinery (and in effect commission agents) or part of the engineering divisions of the larger manufacturing units.⁹

While the former can hardly be called consultants, the latter function in some respects as consultants but lack independence which is vital in consultancy work. Consultancy companies which are of varying and diverse complexions, can be classified ownership-wise into four groups: (i) Firms with foreign capital participation of not more than 49 per cent. (ii) Foreign subsidiaries with foreign capital participation of 51 per cent or more. (iii) Foreign branches operating in India. (iv) Purely Indian consultancy firms without any foreign capital participation. The subsidiaries and branches are in a pre-eminent position to secure consultancy contracts virtually as a spin-off from their close contacts with foreign collaborators. Further, the minority foreign capital participation consultancy units are effectively controlled by the foreign participants. Units offering consultancy services especially for specific projects find it easier to set up as a branch rather than as a rupee company. Although the number of purely Indian companies is sizeable, they form a very small segment of the companies effectively operating in the field of consultancy services.

While the foreign controlled consultancy services do meet a basic requirement in the economy, the corollary of dependence on foreign controlled consultancy units is the continued dependence on imported knowhow even in certain areas where indigenous knowhow is being gradually developed. As an extension of infant industry protection, there is perhaps a case for fostering the development of Indian consultancy services and thereby encouraging the use of indigenous knowhow. The Rao Committee recommended that foreign consultancy firms should be allowed only in specific fields where Indian consultancy firms do not exist. Operations of branches of foreign companies should be scrutinised more closely before being permitted to undertake work in India. Further, to encourage Indian consultancy units to offer services comparable to foreign units, Indian firms should be given liberal facilities to employ foreign personnel especially in the nascent stages of their operations, and these firms should be encouraged to use designs based on indigenous equipment.¹⁰

More recently, the Venkataraman Committee¹¹ has put forth a number of suggestions for fostering the development of indigenous consultancy units. The Committee has recommended, *inter alia*, that in all foreign collaboration agreements there should be a clause

to the effect that Indian consultancy units would be associated with the planning of projects. Where foreign consultants are appointed it should be made conditional that as far as possible designs would be developed on the basis of indigenously available equipment. To the extent that there is import of knowhow, this should be channelled through Indian consultancy units to avoid repetitive imports of technology. The Committee has noted that consultancy charges are sometimes a covert element in the price of imported equipment and that this element should be clearly spelt out. While recommending that imported knowhow should be as far as possible channelled through Indian consultancy units, the Committee has recognised the need for product/equipment manufacturers acquiring foreign knowhow on a continuing but non-exclusive basis. In the view of the Committee there is a need for an all-India institution which would lay down a code of conduct. The financial incentives recommended by the Committee are (i) concessional credit from banks, (ii) lower rates of income tax and calculation of tax on the basis of the average of the past three years, (iii) the creation of special reserve funds from earnings, (iv) tax rebates on fees received by indigenous consultancy units for transmission of knowhow.

As regards the guidelines for foreign collaboration in consultancy services, the Committee has recommended (i) collaboration between Indian and foreign consultancy units should be encouraged for specific projects rather than the opening of foreign branches in India, (ii) the setting up of new foreign consultancy units should by and large not be encouraged, (iii) feasibility studies should, invariably, not involve foreign exchange expenditure.

Inter Company Transfers of Knowhow

An interesting feature of technology transfers in India is that virtually the entire inter-company transfers are between foreign collaborators and Indian companies; similar transfers among Indian companies are practically unheard of even though they could play a vital role in the development of indigenous technology.

The inter-firm transmission of technology under foreign collaboration agreements is invariably on an exclusive basis, i.e. the Indian party is precluded from transmitting knowhow to other companies. The rationale for this is the foreign collaborator's patented and

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unpatented knowhow is protected while the Indian party has the assurance that other Indian parties are unable to utilise the knowhow. This results in the multiplicity of agreements for the import of knowhow for the same process/product. With a view to facilitating the transfer of knowhow among Indian firms and to reduce the multiplicity of agreements, the government has of recent insisted on incorporating a 'no secrecy clause' in some agreements and stipulating that the Indian firm should be free to sub-licence the technical knowhow/product design/engineering design under the agreement to another party; the terms of sub-licensing would, however, be mutually agreed to by all the parties and subject to government approval.

The fund of technological knowledge is not evenly distributed among Indian companies and to the extent that there are different levels of technological attainments there is scope for the flow of technology between Indian firms. To the extent that Indian companies have link-up arrangements with foreign collaborators, this acts as an inhibitory factor in the transfer of knowhow to other Indian companies because of the secrecy clause in agreements. However, with a perceptible tightening in renewal of agreements and the deleting of secrecy clauses where such agreements are entered into or renewed, there is scope for a substantial increase in inter-company transfers of knowhow among Indian companies.

The freer flow of technology among Indian firms is unlikely to impair the competitive position of the licensor firms for two reasons. First, the licensor firm is likely to have a head start and advance its own technology and therefore, be willing to transmit technology to firms that need such assistance. Secondly, among firms of equal technological strength a healthy system of cross-licensing could develop.

With a view to boosting such inter-company transfers of knowhow, the Finance Act of 1969 allows Indian companies a deduction of 40 per cent of income if such income is received by way of royalties, technical service fees or for providing technical knowhow or rendering technical services to any person carrying on business in India. To be eligible, the agreement should be entered into after April 1, 1969 and approved by the Government.¹² Consultancy services can play an effective role in such transfers of knowhow and such units should, therefore, be specially

tailored for purchase and sale of knowhow.

Exports and Consultancy Services

If India is to achieve a major breakthrough in the field of export of capital goods and components, consultancy services in India should be able to provide package services to the foreign importer in terms of designs, specifications, technical knowhow and other technical services. The Venkataraman Committee has recommended the conducting of pre-investment surveys and preparation of pre-feasibility reports. Insofar as Indian units operate abroad there may be some advantage in joint consultancy ventures so as to obtain at least sub-contracts from international firms. Some Indian consultancy firms, however, have the capacity to undertake turn-key projects.

Indian companies are exempted from tax on their income arising from the sale of knowhow to foreign companies.¹³ A further concession in this respect would be extremely helpful to the development of Indian consultancy services. Indian consultancy units should be given special facilities to freely buy and sell knowhow from abroad so long as the purchase of knowhow is met out of their foreign exchange earnings from the sale of knowhow.¹⁴ The best incentive for the export of knowhow is, however, a strong base at home. Thus, apart from financial incentives for exports of knowhow there should be positive encouragement to increase exchange of knowhow within the country.

Role of Consultancy Services in Standardisation

Every foreign collaboration brings in its wake the company standards of the overseas principal which in turn are based on foreign national standards. With the multiplicity of foreign collaboration agreements there is a proliferation of standards. If problems of standardisation arising out of foreign collaboration are to be avoided it is necessary to check the specifications and designs of the collaborators with those of the Indian Standards Institute. In fact a converted design¹⁵ is the secret of successful collaboration. If Indian consultancy units are associated with the import of foreign technology, they can adapt the designs, specifications, etc. to Indian standards and thereby contribute to the growth of a well integrated and cohesive industrial structure.

Some Further Suggestions

The use of indigenous R and D and imported technology have to attain a proper balance to ensure adequate use of indigenous knowhow and at the same time keep Indian technology open to the impact of more advanced technology. It is sometimes erroneously believed that the use of imported process knowhow involves securing design engineering from abroad.¹⁶ Indian consultancy units can, in many cases, be used for design engineering, supervision of construction and erection as well as procuring plant and machinery. The purchase of foreign knowhow, where necessary, is best effected through Indian consultancy units. Again, consultancy units should work in close liaison with indigenous R and D organisations and assist in the initial undertaking of production.¹⁶

Probably the most important measure required for fostering the development of Indian consultancy units is the need for protection to Indian companies and the earmarking of specific spheres for their operations. While consultancy companies with minority foreign capital participation are, ostensibly, Indian companies it is necessary to use a wider concept of foreign control while providing special incentives to Indian consultancy companies, i.e. such incentives should be provided only to companies with less than 25 per cent foreign capital participation. For instance, the incentive for inter-company transfer of knowhow could be given at enhanced rates for companies with less than 25 per cent foreign capital. Further, companies with less than 25 per cent foreign capital could be given a free hand to use their earnings from sales of knowhow abroad to acquire additional knowhow.

The use of the extent of foreign capital participation as the criterion for distinguishing between indigenous and foreign consultancy units can be sometimes arbitrary as the paid-up capital of consultancy companies is inherently small and foreign participants may have means other than foreign capital participation to effectively operate their control. For instance, a consultancy company may have in its terms the transmutation of a sizeable proportion of its earnings of fees to the foreign principal by way of 'fees in lieu of services provided abroad'. Thus, the obvious safeguard is that the Government should screen intensively, on a case by case approach, before deciding to enlist companies eligible for special fiscal and other benefits.

Again, a number of consultancy units have mushroomed in India in recent years and much could be gained by enabling some consultancy units to merge their operations. Apart from the obvious economies of scale that would accrue to these units through a more efficient utilisation of the pool of available technical knowhow and personnel, there would be the added advantage that the merged units would conceivably be independent units as they would not be exclusively attached to any single group of companies.

The Reconstituted Committee on Consultancy Services (headed by R Venkataraman) has suggested the constitution of a Panel to expedite the setting up of an all-India institutional framework under the aegis of which the consultancy units could operate. It would be useful if the Panel could also examine the need for reorganising, and if feasible amalgamating consultancy units so that effective units are limited to a few in each field. This would enable a better supervision by the proposed all-India body and also assist in the maintenance of high standards.

Indian consultancy units are fairly well established in fields like iron and steel, oil refining, cement, paper, sugar, textiles and ore handling. However, in electronics, nuclear power plants, aerospace and a few other industries foreign consultancy units may still be required for some time. The main gap in the structure of Indian consultancy units is in process knowhow. Thus, for a more viable structure closer ties should be established with indigenous R and D units.

Some Indian consultancy companies have already acquired international repute, yet others which are technically competent have found it difficult to break through the preconceptions that Indian consultancy units are not upto international standards. One of the ways in which Indian technical personnel could break into the highly lucrative international market for such services would be to convince an institution like the International Finance Corporation (IFC) to help foster the further development of consultancy units in India. For instance, some of the more efficient Indian consultancy units could be merged and the IFC could be requested to come in as a minority foreign participant. Further, other institutions like the United Nations Industrial Development Organisation (UNIDO) could help in providing the services of highly skilled consultants for a few

years. This would enable Indian consultancy units to enter the international market in a big way. As the joint venture consultancy unit gains experience it could enable the IFC and the UNIDO to effect a phased withdrawal from the venture. While it may be possible for Indian consultancy units to enter into direct joint ventures with foreign consultancy units of repute, there is the possibility that the Indian wings of these joint ventures may, for all practical purposes, remain dormant and any withdrawal by the foreign participant would not only be commercially not feasible if the venture is a success, but also result in the venture being in limbo once the foreign participant withdraws.

The possibility of international financial institutions being interested in the fostering of consultancy services is not remote. For instance, it is understood that the IBRD has indicated its interest in financing Indian farm consultancy services. Thus, similar help from the World Bank Group for industrial consultancy units could perhaps be arranged.

To sum up briefly, the stress in the Indian context should not be at reducing the dependence on foreign collaboration through further government restriction of such approvals but of fostering the development of Indian consultancy services by providing conditions favourable to the growth of these services. It would not be an exaggeration to say that well organised consultancy services hold the key to effective utilisation of the pool of indigenous research and development.

Notes

- 1 The locus classicus on this subject is the UN Report on "The Role of Patents in the Transmission of Technology to Underdeveloped Countries", New York, 1964.
- 2 T Levitt, "Innovative Imitation", *Harvard Business Review*, September-October, 1966, p 70.
- 3 "Gaps in Technology", OECD, 1968, p 12.
- 4 M M Suri, "Impact of Foreign Collaboration on Indian Research and Development", Text of the Address to the Association of Scientific Workers of India, 1968.
- 5 R Venkataraman, Member, Planning Commission, Convocation Address, Indian Institute of Technology, Bombay, August 1970.
- 6 A H Cahn and Ashok Parthasarathi, "The Impact of a Government Sponsored University Research Laboratory on the Local R and D", Occasional Papers, Research Seminar, MIT, January 1967, p 6.
- 7 Report of the Committee on Foreign Collaboration, May 1967.

- 8 "India, Pocket Book of Economic Information", 1969, Government of India, Ministry of Finance, Department of Economic Affairs, pp 289-290.
- 9 M M Bilaney, "Independent Consulting Services in India and Their Role in the Country's Industrial Progress", Indian Engineering Association, Symposium on Self-Sufficiency in Consultancy Services, February 6-8, 1969, New Delhi, pp 129-133.
- 10 Report of the Committee on Consultancy Engineering, 1969.
- 11 Report of the Reconstituted Committee on Technical Consultancy Services, September 1970.
- 12 Memorandum Explaining the Provisions in the Finance Bill, 1969, p 22.
- 13 Memorandum Explaining the Provisions in the Finance Bill, 1968, p 12.
- 14 S V Bhende, "Some Views on Consultancy Services", IEA Symposium, *op cit*, pp 116-118.
- 15 R Yogeshwar and R S Ber, "Conversion — The Link between Collaboration and Standardisation", Overseas Collaboration and Standardisation in India, Ninth Indian Standards Convention, ISI, December 1965.
- 16 M N Dastur, Text of Summing Up Speech, IEA Symposium, *op cit*, pp 163-169.

Universal Cables

UNIVERSAL Cables's results for the year ended March 1970 reflect a distinct improvement in demand for cables that occurred following intensification of the rural electrification programme by various State Governments. Sales increased from Rs 580 lakhs to Rs 623 lakhs and, with increase in margins, gross profit expanded from Rs 41 lakhs to Rs 74 lakhs. Net profit was Rs 38 lakhs (Rs 4 lakhs), to cover the 10 per cent distribution over 3.6 times. Net return on the total funds employed in business came to 8.7 per cent. The directors have decided to issue rights shares at par on a one-for-five basis. The properzi continuous casting mill could work only partially because of the over-capacity in the rod rolling industry. Machinery and equipment was installed for the manufacture of high-voltage thermoplastic cables, as well as cables for quarry, mining, flexible trailing and for special uses. The works at Satna, in Madhya Pradesh, experienced a strike for three weeks due to "inter-union rivalries". There was also staff unrest in the Calcutta office. The company is seeking approval of the Calcutta High Court to change the registered office from Calcutta to Satna.

Development Strategy for Electronics Industry

Ensuring Success of Technological Innovation

A Parthasarathi

In an industry like electronics where technological changes are rapid, the demand of strategic self-sufficiency great and the current dependence on imported manufacturing technology acute, we just must devise ways and means of ensuring that the resources committed to domestic design and development pay off commercially.

If we are to have any chance at all of achieving this goal, it is imperative that we accept the need for a fundamental change in the conceptual framework, the institutional forms and the executive procedures within which we have been attempting to pursue research and development in electronics.

Such a change must arise primarily from the recognition that neither the performance of design and development work nor the mere setting up of manufacturing activities using imported technology are sufficient conditions for success. The focus has to shift to conceptualising, institutionalising and implementing technological innovation in electronics as a total process.

The need to produce 'technological innovation' poses a basic challenge to our electronics industry — that of learning the behavioural, institutional, technical, economic and managerial intricacies of this process and applying the understanding so acquired in the policy-making and executive arenas or giving up altogether the resolve to develop an autonomous industry.

THE Bhabha Committee covered, in its path-breaking Report, a number of aspects of the development of a balanced electronics industry. These ranged from the volume and pattern of expected demand, to the magnitude and time phasing of investment in productive capacity needed to meet such a demand, to the strategy for developing in the shortest possible time a self-reliant base of manufacturing knowhow, to the manner in which production at various tiers of the industry should be organised, and the manpower needs for research, design development and manufacture. However, without doubt, pride of place has been given to the need for freeing the industry from its acute dependence on foreign sources of technology. The means for achieving this goal was repeatedly emphasised in myriad different ways throughout the Report, viz, a major commitment of resources to the generation of manufacturing knowhow through indigenous design and development (D&D), both within and outside production plants. The Committee had a very convincing rationale for according such priority to indigenous D & D, as the following extracts taken from different sections of the Report indicate:

"The process of manufacturing equipment under licence, has built into it a natural tendency towards obsolescence. Licences are normally sought to be obtained only for equipment which has been well tried out in use, and which has therefore been in production for at least some years. Another two years lapse after the licence has been obtained before indigenous production starts. In the fast moving field of electronics this automatically means that the equipment which will be produced in the

country will be at least five years out of date."

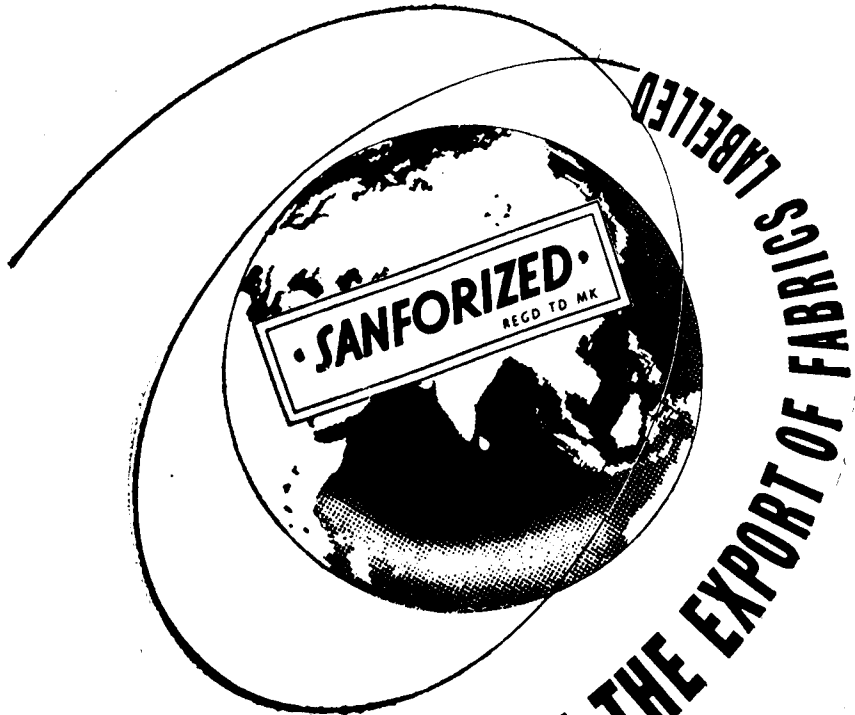
"Moreover, foreign collaborators often change their models, with the result that the components required for production of equipment under licence become difficult to obtain when their production in the country of origin is discontinued. Consequently, the indigenous industry will often be forced to stock large quantities of components to maintain the production of equipment under licence and for repairs."

"A serious and undesirable feature of the present situation is that foreign collaborators often dictate the sources of procurement [of components] themselves. This is accepted as the Indian manufacturer does not possess enough design expertise, even after paying for knowhow, to be able to adapt equipment designs to use components available indigenously or in the world market at competitive prices. This largely annuls whatever reductions in cost and in foreign dependence are apparently achieved by going in for foreign collaborations."

Taking its cue from the Bhabha Committee, the Electronics Committee has concentrated its attention, during the three and a half years of its existence, on placing contracts on laboratories, universities and companies for developing, what I shall for the moment call, 'knowhow'. As of today the Committee has placed some 18 such contracts. The outlay on these contracts during the first year of actual funding, viz, 1969, has been around Rs 33 lakhs while that in the coming year is about Rs 1 crore. However, before the Electronics Committee came on the scene, and indeed even after, government agencies with major interests in electronics such as the Department of Atomic Energy (DAE), the Defence Research and Development Organisation (DRDO)

and the Council of Scientific and Industrial Research (CSIR) had undertaken a number of D & D projects with their own funds oriented towards agency-specific goals. Unfortunately, no data is available on the total number of D & D projects under way in the country as a whole, the problems they are tackling and the resources that have been utilised by them.¹ It is however possible to make a 'guesstimate' that during 1969 the total national outlay on electronics D & D was of the order of about Rs 6 crores and that the number of scientists and engineers (but not supporting staff) engaged on it, again on an optimistic basis, was of the order of 7,000. These figures may be compared, in order to get some perspective, with the Rs 3 crores and 6,334 scientists and engineers, assessed as being engaged in electronics R & D in 1966.²

The question arises: have any of these projects reached the stage where even pilot plant or prototype production, utilising the knowhow generated by them, have been established? It is a matter of regret that, as far as those supported by the Electronics Committee are concerned, none except two can make such a claim to what is often used as a criterion of 'successful' D & D. The corresponding figures for projects undertaken as a result of decision taken at the agency level are unfortunately not known. It is, however, possible to secure an overall national estimate from a consideration of the proportion of electronics output, other than of radio receivers, which is based on locally developed knowhow. I have computed this to be 40 per cent for the year 1966 (about Rs 6 crores in absolute value)



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and 22 per cent for the year 1968.³

'Improvement' at such a pace in the aspect of the electronics industry to which the Bhabha Committee attached pride of place can hardly be taken as satisfactory. We are therefore forced to examine the fundamental reasons for such a failure.

As might be expected, there is much disagreement as to what these reasons are. According to one school, the basic cause, of such a low 'success rate' for indigenous D & D is the abysmally low *absolute* level of national expenditure on the activity. This school points out, in support of its contention, that had the growth pattern of D & D resources outlay recommended by the Bhabha Committee been really followed, the country should today be spending about Rs 17 crores⁴ on such activity instead of the Rs 6 crores mentioned earlier. This school subscribes, if unconsciously, to the Freeman thesis⁵ that D & D, whether at the level of the 'laboratory, the company or the nation, is a 'threshold level phenomenon', with the result that unless 'an absolute minimum' amount of resources are invested in the effort, no results whatever will result. Of course, they are unable to indicate what this 'minimum' should be or, more importantly,

what criteria should be applied to determine its magnitude. Consequently, there is a tendency to argue that whatever the minimum might be, our present outlays are so far below it that, for the time being at least, the 'sky is the limit' for increases in D & D outlays on electronics.

The second school argues that the pace of change in electronics is so great and the technology with which we started our effort at planned development of the industry in 1966 so far behind that in the industrialised countries, that we should cease to be concerned about the adequacy or otherwise of our domestic D & D effort. We should instead, it is argued, "follow the Japanese road" and rely overwhelmingly on transfusions of manufacturing technology from abroad. Persons belonging to this school cite in support of their argument the very fact that so much of our present electronics production is based on technology imported from abroad and so little utilises that generated locally.

NEED FOR TECHNOLOGICAL INNOVATION AS A TOTAL PROCESS

How is this debate to be resolved? To me the path we need to follow appears clear enough though how rough

the going will be few of us may be able to foresee. The Bhabha Committee has shown, through its excellent case studies of electronics production based on imported technology, that such programmes have built into them not only high technological obsolescence but, as indicated at the beginning of this paper through quotations from the Committee's report, also a high cost structure and continuing dependence on imported components and materials. This conclusion has, in my view, also been amply validated by our experience in developing electronics during the last four years. Therefore, in an industry where technological change is rapid, the demands of strategic self-sufficiency great and the current dependence on imported manufacturing technology acute, we do not really have a choice — we just must devise ways and means of ensuring that the resources committed to domestic D & D pay off commercially.

If we are to have any chance at all to achieve this goal it is imperative that we accept the need for a fundamental change in the conceptual framework, the institutional forms and the executive procedures within which we have been attempting to pursue R & D in electronics. Such a change must

TABLE 1: TECHNICAL PROGRESS CHART RESEARCH, THROUGH DEVELOPMENT TO USE

Phase	Description	Part and description
1	Scientific principle, invention or discovery of a new phenomenon	A Pure research without industrial motive
2	Preliminary measurement and analysis	
3	Basic research necessary to get an understanding of the phenomenon	
4	Construction of first workable model with application in mind	B Applied research where scientific staff trained in A are required
5	Development of prototype for demonstration	
6	Demonstration and evaluation to assess value for production	
7	Engineering design of production models	C Development by engineers with production in mind
8	Tooling and manufacture	
9	Inspection, quality control, and testing	
10	Marketing and acceptance by the public buyer	D Manufacture, marketing and use

This is the area where close attention by policy management first appears

Improvements and modifications

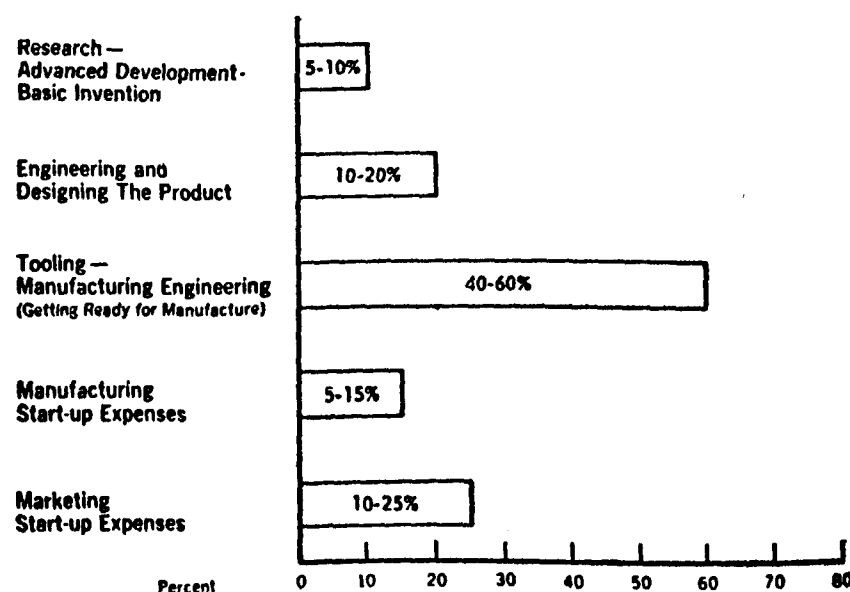
arise primarily from the recognition that, in fact, the arguments of both these schools really miss the central issue, *viz.*, that neither the mere performance of what we have been terming D & D nor the mere setting up of manufacturing activity using imported technology is a sufficient condition for success. The focus has to shift to conceptualising, institutionalising and implementing technological innovation in electronics as a total process.

THE INNOVATION CHAIN

Technological innovation may be defined as the process by which knowledge on how to produce a product not available in a given market, or how to improve the performance of an existing product, reduce its production cost or market and distribute it more efficiently, is made a reality. It is only during the last five years or so that even the industrialised countries have come to understand in operational terms, how technological innovation occurs. The process can be visualised conceptually in terms of a simple model of a chain made up of a number of links. This is shown in Table 1. It will be seen that there are some 10 links in the chain, each of which constitutes a specific type of activity. Such a model brings home to us immediately that what the Bhabha Committee has called D & D is not a self-contained and self-sufficient activity but only one part of the innovation process. It therefore follows that even 'successful' D & D — and I shall come later to how 'success' in D & D might be assessed — will be of absolutely no value in an economic sense, unless it is both preceded and followed up by a number of other steps, closely interrelated with it.

Let us now examine the model shown in Table 1 a little more carefully. I would, however, like to preface such an examination with a word of caution, *viz.*, that the model has been borrowed from an industrialised country and so it may not be completely appropriate to the conditions prevailing here. It will be seen that the model has been so structured as to enable each activity in the chain to be associated with the kinds of manpower needed to undertake it, the goals such manpower is working towards and the institutional setting in which the work is to be carried out. Part A covers basic research, undertaken usually in academic institutions and, to some extent, in government laboratories, by scientific staff who are leaders in some specialised field, and aimed not at

TABLE 2: TYPICAL DISTRIBUTION OF COSTS IN SUCCESSFUL PRODUCT INNOVATIONS



making any particular invention but at the advancement of basic scientific knowledge. Part B spans the gap between basic research and engineering design, which we often call Development. The kind of personnel required here are largely those with scientific backgrounds acquired from participating in Part A activity, but also include some engineers. The activity undertaken is often as complex as that tackled in Part A but is more directed at producing a new product or process in the short term. Part C is a stage manned almost completely by engineers whose sole aim is to get products and processes 'ready' for production. The final part D deals with the (supposedly) well understood activity of industrial production, marketing, sales and after-sales service.

IMPLICATIONS FOR POLICY MAKING

We can now draw several important deductions from the innovation chain delineated above, which are relevant to policy making. These are:

- (1) Innovation is inextricably concerned with interfaces — technical, economic, institutional and behavioural — and it is on the identification of such interfaces and on ensuring smooth and effective flow of information and action across each of them, that successful innovation largely depends.
- (2) The fact that administrative control over each section in the chain frequently lies in different hands makes such interfaces often 'no-man's lands'. This requires that, at least in the early stages of the development of an indus-

try like electronics, the innovation process as a whole must be conceived, planned and executed by a single overriding managerial authority.

- (3) The activities in the chain are by and large sequential in occurrence but overlap considerably on all the three counts mentioned in (1) as well as in regard to time. This provides some scope for undertaking activities in parallel also, thereby shortening total innovation lead time.

- (4) Each activity will take a certain minimum amount of time, no matter how large an investment in men and money is made on it.

- (5) The time-phasing of the various activities in the chain plays a crucial role in ensuring that the innovation is successful.

- (6) There is a 'Resource Threshold' in terms of annual outlay on men, equipment and materials for each segment of the chain which must be crossed if the project is to move to the next segment in any finite time interval.

- (7) The magnitude of such threshold level resources required to complete each activity is far from uniform across the chain, but will generally increase as one moves towards the final stages of the chain.

- (8) While the ratio between resource requirements for various stages in the chain will vary from product to product, studies have shown that in a majority of cases the distribution of costs across the chain is typically as shown in Table 2.

- (9) The kinds of training and aptitudes that the manpower deployed in

ECONOMIC AND POLITICAL WEEKLY

each of these stages must have varied considerably, particularly in regard to specialisation. The development of manpower must therefore be undertaken keeping in mind the nature of the activity which each type of professional is to be deployed on.

CAUSES FOR OUR FAILURE

Once we have accepted the concept of the innovation chain, recognised its inherent characteristics and perceived their implications for technological policy, it is relatively easy to see why the resources the Electronics Committee and the departments with interest in electronics have been committing to research, design and development have not succeeded in giving us a broader and deeper base of manufacturing knowhow.

First, while the innovation chain concept is known to policy makers in a theoretical way, no attempt has been made to use it in real life decision making. Moreover, at the so-called operational level of managers in industry and project leaders in D & D laboratories, there is often a lack of awareness of even the existence of such a chain. As a consequence, the fact that interface problems are bound to come up at some stage in the development of what starts off as a D & D project in a laboratory has, time and again, been recognised only when the laboratory claims it has completed its task but no manufacturing unit is willing to undertake commercial production, or the user denies that his needs have been met.

Secondly, the features of the institutional structure available to us in this country for producing technological innovation, *viz.*, physical separation of institutions responsible for various stages in the chain, lack of the most rudimentary information system on needs, production programmes underway, development projects in progress, etc, militate strongly against essential prerequisites for successful innovation.

Thirdly, much of the success of technological innovation and, more narrowly, of goal-directed D & D, depends critically on our having the ability to make demand forecasts with increasing accuracy. I might stress that by this I do not mean such assessments as the money value of the requirements of computers over the decade 1970-80! Demand forecasts in such terms are useless operationally. To provide an important input to promoting technological innovation, demand assessments will have to be reduced to product-specific terms. Such demand

forecasting is difficult, and calls for the use of sophisticated statistical techniques. But the fact that for at least 60 per cent of the electronics needed over the coming decade, government will be the sole purchaser, should make things much easier. It must be emphasised, however, that equally important as having such a forecast at all is its availability sufficiently far in advance of the time when the product is first needed, to enable not merely D & D but also the remaining stages in the chain to have adequate lead time. Far too often in the development of electronics during the last four years has the demand forecasting effort started, or the demand made available to the Electronics Committee by the concerned government user, only when an offer for import of technology has been received from a foreign company or, worse still, when clearances for the import of the product itself are being sought. Thus development of use-directed domestic technology is repeatedly pre-empted.

Fourthly, both industrial units and laboratories in electronics are extremely weak in production engineering capacity, and indeed persons trained in the design, development and engineering of production machinery, jigs, tools and fixtures are extremely small in number. This has proved to be a major bottle-neck in ensuring that process knowhow or product design, once proven on the laboratory scale, i.e., brought upto stage 6 in the innovation chain, can be carried forward to the next two stages, *viz.*, engineering of production prototypes and designing and fabricating of equipment enabling volume production. A typical example is provided by the case of silicon, where the monocrystalline silicon pilot plants at both SSPL and Electronics Corporation of India Limited (ECIL) are being equipped almost completely with imported production machinery.

Fifthly, the very fact that the overwhelming bulk of our electronics output today is based on foreign technical collaboration has prevented manufacturers from having to face the difficulties of true technological innovation. Under a collaboration agreement the foreign company usually provides the following inputs:

- (a) full complement of production equipment;
- (b) detailed plant layout and either written instructions or its own personnel for installing and commissioning production machinery;
- (c) details of production process,

with blue-prints, production drawings, testing and approving procedures;

- (d) bill of materials for product;
- (e) training at their plant of our staff who are to supervise production and the testing and control of quality, volume, etc;
- (f) training of workers for various operations through the deputation of one of their foremen or equivalent production operatives to this country; and,
- (g) consultancy services to overcome teething troubles.

These inputs correspond to a considerable transfer of resources, but only those related to stages 8, 9 and 10 of the innovation chain. This does not mean, of course, that the collaborator did not himself go through earlier stages in the chain, particularly from 4 onwards. But that experience is never communicated in the transfer process, even implicitly. Consequently, when presented with Indian technology which has only come as far as stages 5 or 6 the manufacturer is reluctant to commit the men, money and intellectual and managerial resources needed for him to learn how these stages are performed. This is particularly so when he is sure that he can continue to rely on 'packaged' technology from abroad on a continuing basis.

ESSENTIAL ELEMENTS IN A NEW STRATEGY

How then should one proceed if the electronics industry is to move out of this unsatisfactory state of affairs in regard to technological innovation? To be sure there is no unique formula, as different detailed strategies will have to be evolved and applied to products ranging from computers to microwave communication systems and electronic materials. It is possible, however, to identify in the light of our experience hitherto a set of initiatives which an apex body like the Electronics Committee or a proposed National Electronics Development Board can take immediately to set things right.

First and foremost, such an apex body and, within their delegated spheres of responsibility, the government agencies, must see themselves as very much more than disbursers of funds for D & D. The apex body, in particular, should assume the global role of 'manager of technological innovation' in electronics.

To fix our ideas let us consider the case of a Sophisticated Electronic Test Instrument on which a D & D labora-

tory wishes to work and for which it approaches the national apex body for support. Here the paramount factor shaping the product chosen — its technical specifications, the process involved in its production and its end use — is the amount of information available to the D & D group (on both technical and commercial aspects) and the group's technical competence and interest. Were the D & D activity a self-contained one, the provision of such inputs might be deemed adequate for evaluatory decision making. But given the innovation chain, they are not. The apex body would therefore have to pose and secure answers to a whole range of wider questions, such as:

- (a) what is the market for the product and how is it likely to develop in the future?
- (b) what are the criteria by which the technical success of the project will be assessed and by whom?
- (c) does the terminal stage of the project as defined by these criteria constitute an institutional interface in the chain?
- (d) assuming success, what forward action should the apex body or others take to prepare for smooth

transfer of technology across such an interface?

- (e) specifically, how much would the resources in men, money and time be to ensure that such transfer is supported at above the threshold level and is therefore likely to 'succeed'?
- (f) what would be the exact operational nature of the responsibilities of the two institutions of either side of the interface, e.g. a research laboratory and a pilot plant to be set up in a manufacturing unit?

However, even the issues covered by these questions will, in many cases, not take one far enough. Particularly, in situations of the kind which face us in this country, *viz.*, where a large part of the need for development-intensive electronics products is meant for government users, the apex body will have to go further down the chain than even the manufacturer and establish direct links with the user. There will then be a need to manage the transfer of technology (now as embodied in a product) across the producer-user interface. The questions to be posed will be different in substance but similar in character to those listed earlier. User

acceptance will then have to be formalised appropriately. Only when all this has been done, can the 'innovation management authority' evaluate the adequacy or otherwise of the D & D project proposal which is all that it has in front of it to begin with. I think it is fair to say that such conceptual clarity, care and industry by a team of persons with a mix of technical, economic, legal and managerial skills has yet to be committed in the development and exploitation of indigenous electronics technology, whether by the Electronics Committee or indeed by any of the agencies. Thus, seeing that all existing projects are subjected to such an examination is a matter of the highest priority.

Secondly, a detailed review of professional electronics needs during the 70s and a forecast of the expected growth in consumer electronics products over the same period must be undertaken, at whatever cost in terms of men and money. Then, working in consultation with the professional electronics users, the apex body must draw up a list of priority products, the need for which must be met through indigenous technological innovation. Ranking these products in terms of their importance

as judged by such criteria as strategic need, volume of requirements, and attainable technological sophistication, the apex body should make the specifications of the products, the time phasing of their need and the design concepts to be used, known to both D & D laboratories and manufacturing companies. It should take the further initiative to establish, formalise and make mutually intelligible the responsibilities of these two institutions and of the users, in a multilateral co-operative endeavour not just of knowhow generation, production or use, but of innovation. In this way the D & D institution, the manufacturing unit and the user will all be held accountable.

Thirdly, a major effort of analysis, decision making and, above all, working in the field with manufacturing units in the engineering and machine-tool industry must be launched, to ensure that at least the plant and equipment required to produce the electronic components and materials needed for the industry during the 70s is fabricated and instrumented domestically. Unless this is done and done fast, more and more of our effort at earlier stages in the innovation chain will come to nought and the now familiar situation of process technology being imported even in cases where it has been successfully proven to the user, because the overseas companies supplying the plant and machinery required make the import of the process technology itself a condition for the supply of plant, will continue.

Fourthly, the apex body and the government agencies with major responsibilities in electronics have to build up on a most urgent basis 'technological innovation teams' whose full-time responsibility would be to structure, promote and manage the innovation chain in electronics. The members of these teams should be trained in a wide range of analytical skills ranging from demand and technological forecasting, to cost-benefit analysis, PERT, and other elements of programme planning and management. Their most important requirement however is to be able to work in the field, locating the interfaces and matching the activities straddling them.

As emphasised earlier, it is practically impossible to design a successful strategy for technological innovation on a global basis, particularly when, as in an industry like electronics, we have to deal with products ranging from specialised materials to large integrated systems. The five inputs discussed ear-

lier must, therefore, be regarded as necessary but not always sufficient conditions for success. The range of factors to be included in any particular instance can only be decided through carrying out, at both the national and the agency levels, a series of real life case studies on technological transfer and innovation.

It is in pursuance of this conviction that the Electronics Board of the Department of Atomic Energy has been undertaking such a case study during the last six months. The experiment involves a set of Microwave Test Instruments 'developed' by the Tata Institute of Fundamental Research. These Instruments had been brought to the stage of pilot plant production at the Institute by the time the matter of their commercialisation came to the attention of the apex body in this case, *viz.*, the Electronics Board. The task before the Board was, therefore, to successfully carry out all the remaining activities in the chain. The experiment is still in progress and therefore no conclusive results can be given at this stage. However, many useful insights have been acquired and particularly difficult interface problems identified.

CONCLUSION

The need to 'produce' technological innovation poses a fundamental challenge for the development of our electronics industry, *viz.*, to learn the behavioural, institutional, technical, eco-

nomical and managerial intricacies of this process and apply the understanding so acquired in the policy making and executive arenas, or give up the resolve to develop an autonomous industry altogether.

Notes

- 1 However, see Brigadier K K Mehta's panel statement at the National Conference on Electronics held in Bombay in March 1970 (NCE-6) in which he has given a figure of Rs 3.11 crores as the R & D outlay during 1969 on the 4 electronics laboratories in the DRDO.
- 2 "R & D Activities in Electronics" in "Electronics Information Potential in India", INSDOC, New Delhi, 1967.
- 3 See my panel statement at the National Conference on Electronics (NCE-7).
- 4 This figure is computed on the basis that
 - (a) the national D & D outlay in 1964 was Rs 4 crores;
 - (b) that starting from such a base level, attainment of an annual outlay of Rs 75 crores on D & D (excluding long range basic research) requires a compound growth rate of 34 per cent; and
 - (c) that at such a growth rate the outlay anticipated should be Rs 17.4 crores in 1969.
- 5 C Freeman: "Research and Development in Electronic Capital Goods". *National Institute Economic Review*, London, April 1965.

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ended December 1969, total turnover was Rs 27.39 crores, profit after depreciation Rs 5.25 crores and net profit after tax Rs 4.66 crores. The second half of this year holds out promise of a "significant" improvement in the financial results for two reasons. First, productivity at Hirakud has been restored and, secondly, output at Belgaum has been rising with all production facilities of the smelter now in operation. The company is awaiting Government's decision on future prices of aluminium products, which will be based on the recommendations of the working group of Bureau of Industrial Costs and Prices formed after statutory price control was imposed on March 20 last, fixing prices at ex-factory level (less excise duty absorbed by producers) as on February 28.

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Authorised Biography

B L Maheshwari

Jana Sangh: A Biography of an Indian Political Party by Craig Baxter; University of Pennsylvania Press, 1969; pp 352; \$ 12.50.

SINCE political parties occupy a pivotal place in a democratic set up, study of the development of political parties — their organisation, ideology, internal conflicts and external competition — is important for the understanding of political development. India, with a multi-party system, provides excellent opportunities for many such studies but it is surprising that most of such works have been produced by foreign scholars, particularly Americans. Baxter's biography of Jan Sangh [commonly used spelling] is the latest addition to the growing range of similar studies of other Indian political parties.

ADMIRER

Craig Baxter, a member of the US Foreign Service, spent several years in India and had opportunities to observe the Indian political scene at close range. Moreover, the author's admiration for his subject is clear in the first paragraph of the first chapter of the book. Thus, one gets in this book a competent narrative of an important party. But the book is more than a biography of Jan Sangh; rather it is a narrative of political happenings in India with Jan Sangh as the focus of attention. It is also a history of a set of ideas. Thus, two chapters of the book (pp 6-53) are devoted to the Hindu Mahasabha and the RSS, the two political and ideological ancestors of the Jan Sangh. Whereas, the Mahasabha provided the leadership during the earlier years of the Jan Sangh, the RSS has provided much of the ideology and strong organisational support to it. All through the book, the author reinforces the well known fact that the RSS has been the dominant factor in the life of the Jan Sangh.

He has brought out the similarities between the ideology, the organisation and the constitution of the RSS and the Jan Sangh. With about a million members, the RSS provides a strong base for the Jan Sangh and the latter has transformed the Hindu nationalism of the RSS into the Bharatiya nationalism.

The book describes how the Jan Sangh resulted from a combination of a partyless leader, Shyama Prasad Mookerjee, and a leaderless party, the

RSS. The organisation of the book closely follows the chronological character of historical narrative and chapters are arranged in such a way as to enhance the effectiveness of the narrative. There is little new information but the book contains lots of details about individuals and events. Those looking for a fine narrative will be rewarded but the ones looking for a critical analysis of the development of the Jan Sangh and its role in Indian politics will be disappointed.

Much of the ground covered by Baxter is well known and still remembered current history but he also provides interesting details on some of the episodes which are now forgotten but which reflect the character of the Jan Sangh. One such episode was the resignation of Mauli Chandra Sharma from the Jan Sangh presidency and his expulsion from the party in 1954. This clearly brings out the internal conflict between the RSS and the non-RSS elements in the party and testifies to the dominance of the RSS over the Jan Sangh.

FIRST TASTE OF POWER

The narrative part in this book ends at the close of the year 1967. In the last chapter, the author describes the Jan Sangh's first ministerial experience after the 1967 elections — after fifteen years of opposition. This was not unique because most non-Congress parties were enabled to taste governmental power after 1967. The experience of governing was, however, new for the Jan Sangh as it was for other non-Congress parties and this pushed some of the issues of internal conflict to the foreground.

In the concluding pages (pp 309-316) the author poses five important questions concerning the nature and scope of Jan Sangh in Indian politics. The author's discussion is sketchy and his analysis extremely poor but the questions are vital.

The first question is perhaps the most controversial. He asks: Is the Jan Sangh a communal organisation in the Indian context? The Jan Sangh calls itself "national" with emphasis on "Bharatiya

Sanskriti", but its opponents consider it communal. Baxter acknowledges that the Jan Sangh "is considered a communal party in the usual meaning of the term in the subcontinent" because it is almost exclusively Hindu in membership, control and support and many of its tenets are anathema to non-Hindus, especially the Muslims in India. However, he suggests that the Jan Sangh is less communal than the Hindu Mahasabha, the Akali Dal or the Muslim League.

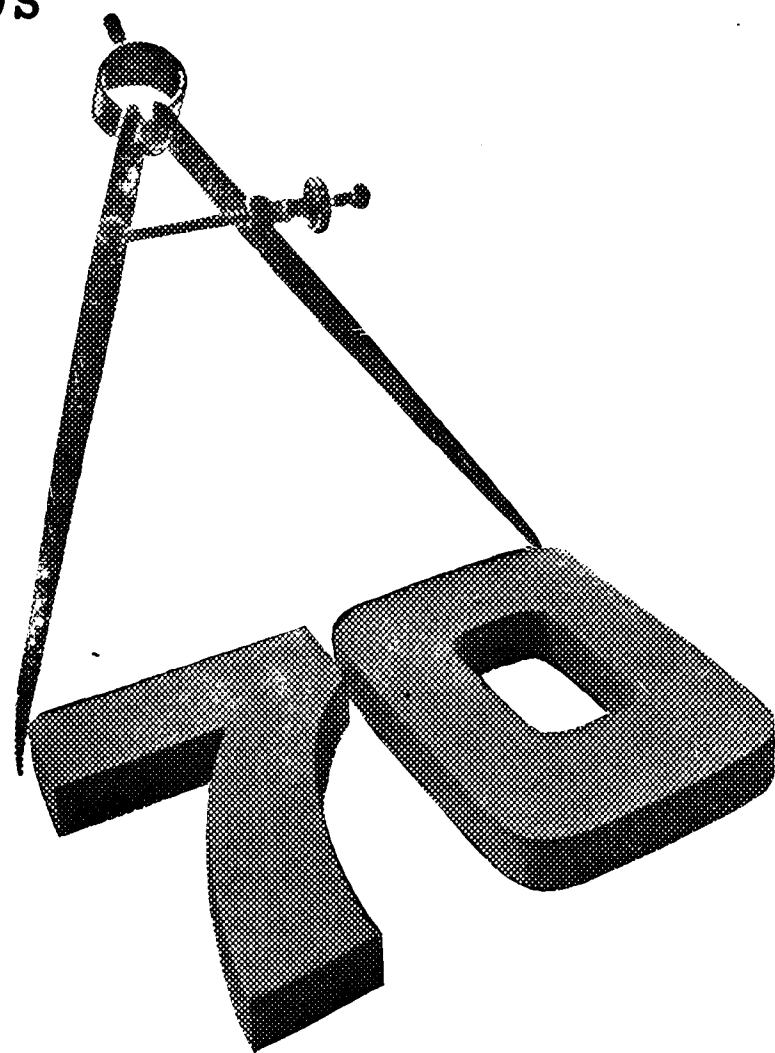
ELEMENTS OF CONFLICT

Second, what is the position of the Jan Sangh in the traditional conflict between the Aryans and the Dravidians? The author asserts that the Jan Sangh is on the Aryan side because of its solid support for Hindi and Hindu social system. He identifies language, caste structure and cow slaughter as the three important elements of this conflict. Third, is the Jan Sangh opposed to "modernisation"? The author vaguely hints that it is so because of its emphasis on the ancient Indian values but he confuses Westernisation with modernisation. The Jan Sangh wants Western technology but is not enthusiastic about Western culture, particularly those elements of it which are not in harmony with the traditional values of the Indian culture.

Fourth, will the Jan Sangh be an alternative to communism in India? This is a typical American question. The author does not express his own views but seems to implicitly accept the Jan Sangh's assertion that it alone has the tenacity to resist the communists. Finally, what are the changes of expansion of the Jan Sangh? The author suggests that for this, the party will have to modify its positions and enter into alliances with like-minded parties. However, he asserts that "it would not appear likely that any major concessions will be made on either issue but that the "go-it alone" policy will predominate" (p 316). It is difficult to predict whether the past experience will continue as the guide for future actions but recent developments suggest that although the Jan Sangh will not enter into coalition governments with the communists, it will be more than willing to join a non-communist coalition such as the one in UP.

On the whole, this book is a welcome addition to the growing literature on Indian politics, in spite of many serious deficiencies. Descriptive narrative

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is the main strength of the book. Its analysis is unimpressive. The author refers to the assistance provided by prominent members of the Jan Sangh and the backfiles of the *Organiser* provided most of the source material. It seems

that respect for the subject has deterred the author from conducting a penetrating analysis of some of the vital issues. One wonders if Baxter can be regarded as the Jan Sangh's authorised biographer.

Business and Industry in Nineteenth Century India

Thomas A Timberg

Rise of Business Corporations in India, 1851-1900 by Radhe Shyam Rungta; Cambridge South Asian Studies No 8, Cambridge University Press, Cambridge, 1970; pp xviii+332; \$ 16.

THOUGH its title would indicate that Rungta's book is merely a history of the corporate form in late nineteenth century India, it is in fact the most comprehensive available study of Indian business and industry in that period in all its facets. Its mastery over detail, its voluminous bibliography, its relation of major debates among economic historians and economists to its theme and the general economic history of India — guarantee Rungta's study a place as a basic reference in the field of Indian economic history. A recent outburst of interest in the commercial aspects of this history promises that this book will not be isolated; that others will build on its work. This interest is manifest in forms as diverse as Amalendu Guha's recent contribution to this journal, a panel on "Entrepreneurship in Bengal" at the 1969 Bengal Studies Conference in Illinois, and a proposal submitted by a consortium from some major Indian business schools for an "Inter-institutional Entrepreneurial Research Project".¹ Studies have appeared on Indian business history within the last decade in Russian, German and Japanese — as well as in several Indian languages.²

SYSTEMATIC HISTORY

Unlike a great deal of earlier literature, Rungta is not satisfied with vague generalisations, retailed from government sources or the work of other historians and digs deep into primary sources, particularly newspapers and government statistical publications. Probably because most of the work for this book seems to have been done in London, there is little use of non-English language sources — newspapers and business records — and even, as the author himself regrets (p xii), of English language corporate records. These records would have, in any case, contributed more to his general back-

ground sections, for example, on the stock market, than to the sections on company formation and growth. Once or twice this limitation in source material becomes apparent as in his expressions of ignorance about the organisation of the stock market in Calcutta in the late nineteenth century. There must be individuals whose memory extends that far back, who could have been consulted. But work with these other sources can confidently be expected as others turn to the field of commercial history in India. We should be thankful to Rungta for the time-consuming gleaning of materials which his book represents.

Along with what may seem relatively dry sections for some readers, on the progress of joint stock organisation of industry, Rungta gives a systematic history of the commerce of late nineteenth century India — at least insofar as it impinged on the corporate sector. We have lucid accounts of some of the more important speculative episodes — such as the Bombay cotton boom of 1861-1865, the Bengal Gold Craze of the 1890s, and the earlier South Indian gold craze on the London market. We also have treatments of the "Morris David Morris" debate on whether there were in fact difficulties in securing a labour force for the early Bombay cotton mills, concluding judiciously that there was indeed a shortage of skilled but not of unskilled labour; and an exploration of the origins of the managing agency system (pp 223ff). The exploration of the origins of managing agencies concludes with a discussion of Blair Kling's article on the subject (pp 253-255) which challenges Kling's assignment of priority to Dwarkanath Tagore in the use of the managing agency device.³ Rungta's questioning of Dwarkanath Tagore's dominant role in Carr Tagore will have

to wait for further empirical work on that firm to be published before it can be answered definitively. Researchers will find the appendices, especially No 15 on the shipping industry for its consideration of the decline of the shipping industry in India in the early nineteenth century, of particular value.

Rungta considers the opportunity structure for industrial development in India in the nineteenth century and the extent to which shortages of capital and attitudinal and organisational inhibitions prevented the taking up of those opportunities. While his final conclusion about these inhibitions and their role is fairly decided — "...potential opportunities were realised to the extent possible without government support" (p 268 and end of Chapter 7) —, at points the subjective attitudes and time preferences of Indian businessmen are seen as crucially important limitations.

CAPITAL, ORGANISATION, ATTITUDES

Indian businessmen, who had capital and commercial skills, are alleged to have lacked the correct mentality for industry.⁴ Other classes in society, however, were not inclined to put their capital in industry either (pp 53-55) — or did not have much to invest. On page 56 we are told: "The vision of a merchant is . . . limited by the discipline of his class . . . the criteria he uses for investment are essentially different from those used by an industrialist, who must cast his glances long into the future and expect his capital to be sunk for a number of years and profits to increase only slowly . . . Industries which presented technical or other problems were pursued by a very few and the support they received from the mercantile community can at best be described as half-hearted." Pages 163-167 are devoted to the question of the supposed deficiency in Indian industrial entrepreneurship, particularly in Calcutta and especially among the Marwaris who became the dominant commercial factors there in the late nineteenth century. On page 167, in particular, we are told that Marwaris avoided industrial investment because they lacked "technical knowledge" and "patience to wait for profits arising long after initial investment". Since the first lack — of technical knowledge — was still present when the Marwaris entered industry after World War I, we must presume that the second criterion, a purely subjective one, was critical.

Later in the same paragraph, Rungta shifts to a structural approach, explain-

ing that the Marwaris were especially concentrated in the jute trade and that, because of limited demand, opportunities were not as plentiful for opening new jute mills as for other sorts of ventures in the period 1882-1900. The difficulty here is that Marwaris were also prominent in the cotton cloth trade — and might have been expected to undertake some industrial enterprise in the cotton textile field in Calcutta, since Rungta points out that demand for cotton cloth was not as constrained as that for jute during the period under consideration.

Finally, we have some argument to the effect that Marwaris disliked the elaborate forms of organisation required by joint stock companies. This last question suggests an article by Blair Kling, which was probably not accessible to the author at the time he composed his otherwise exhaustive work.⁵ Kling suggests that the difficulty in operating these cumbersome, high overhead forms of organisation was a contributing factor in driving Bengali traders out of the Calcutta commercial world, whereas the Marwari willingness to stick to their traditional business organisation stood them in good competitive stead; it enabled them to stay in the commercial world.

NO CONTRADICTION

No contradiction is necessarily implied in Rungta's double emphasis on subjective-structural and then government policy inhibitions on industrial growth. The inhibition of growth may well have been "over-determined" by both subjective and policy constraints. Alternatively, the horizons of the "possible" in Rungta's view may be constricted within the limits posed by the subjective attitudes of "candidate entrepreneurs". But to say the least, the "policy" emphasis in the conclusion undercuts some of the force of the attack on the mercantile mentality. If the British government, or the demand structure, or some other nexus of factors made further industrialisation unprofitable and doomed it to failure — then the failure of Indian businessmen to undertake that industrialisation seems not a result of a short time horizon, or "mercantile" attitudes, but of commonsense. The tension between the "objective" and "subjective" causation of successful industrial enterprise in India and elsewhere, is not resolved in this book — despite the brave statement in the conclusion — and is perhaps incapable of resolution in a completely satisfactory way.

In the case of Marwaris, whom Rungta considers at such length, the only demonstrable fact is that they did enter industry in a big way after World War I and that entry can certainly be attributed in large measure to the profits they had made during the War, and the policy of selective encouragement of some Indian industries adopted by the Government of India as the result of its wartime experiences. I would argue that the entry into industry, certainly in some important cases like that of the Birla's, can partially be traced to the rising nationalist consciousness in the Marwari community — manifest in Calcutta even before the War. This consciousness received its first concrete expression in the widespread support which the Non-Co-operation Movement of 1920 received from segments of the Marwari community. The fact that these three factors — a plentiful supply of capital, a partially supportive government, and a nationalist consciousness enabled Marwaris to enter industry would suggest that their lack in the pre-War period restrained Marwari entry into industry.⁶

Despite the imperfect resolution of the question as to which forces restrained Indian industrialisation, several generations of researchers are likely to find themselves referring to Rungta's analyses and data as they proceed to explore the reality of nineteenth century Indian commerce.

NOTES

- 1 Amalendu Guha, "Parsi Seths as Entrepreneurs, 1750-1850", *Economic and Political Weekly*, Review of Management, August 1970. "Entrepreneurship in Bengal" *Proceedings of Bengal Studies Conference* (I haven't seen the final publication so can't be sure of exact title), May 1969 at University of Illinois, University of Illinois Press, Champaign-Urbana, to be published in 1970: papers include "Mahisya Entrepreneurs in Howrah, West Bengal" by Raymond Owens, "Entrepreneurs in East Bengal" by Hanna Papanek, "The Rise of Marwari Industrialists" by Thomas Timberg and a study of early Calcutta shipowners by Subyasachi Bhattacharya. Another study of Subarnabanik and Gandhabanik entrepreneurs in Bengal, with which Subyasachi Bhattacharya and Surajit Sinha have been associated, is awaiting publication in Calcutta. Kenneth Gillion, "Ahmedabad: A Study in Indian Urban History", University of California Press, Berkeley, California, 1969 and Howard Spodek, "The Manchesterisation of Ahmedabad", *The Economic Weekly*, XVII, 11, pp 483-490, March 13, 1965 and "Traditional

Culture and Entrepreneurship", *Economic and Political Weekly*, IV, No 8, February 22, 1969, pp M-27-M-31, ought also to be noted.

- 2 The Russian writings include those of V I Pavlov, whose "The Indian Capitalist Class" was published by the People's Publishing House in New Delhi in 1964 and S Levin with two articles whose titles translate as "Muslim Trading Castes" in S G Kotovsky, (ed) *Kasty v Indii* (Caste in India), Moscow, 1965 and "A Reform Movement in the Indian Trading Community of Khoja Ismailis in the Years 1829-1866" in *Ucheniya Zapiski Instituta Vostokovedeniya* in some number in the early 1960s which my notes do not enable me to specify. The Japanese work is Shoichi Ito's on Chettiers, and the German, Eckehard Kuleke's *Die Parsen*, now being published in German. An English translation of Kuleke's Introduction was published by the Parsi Panchayat in Bombay in 1968. Blair B Kling, "The Origin of the Managing Agency System in India", *Journal of Asian Studies*, XXVI, November 1966, pp 37-48.
- 3 This differentiation between industrial and mercantile skills has a long history in the literature, stretching back to the seminal work of Weber and Sombart. For a recent review see, Alexander Gerschenkron, "The Modernisation of Entrepreneurship", in "Modernisation", (ed) Myron Weiner, NY 1966, pp 246-257.
- 4 Blair B Kling, "Entrepreneurship and Regional Identity in Bengal" delivered at the Bengal Studies Conference, April 17, 1968 and published in its proceedings by the Michigan State University Press, East Lansing, Michigan, 1970.
- 5 See Thomas A Timberg, "Industrial Entrepreneurship among the Trading Communities of India: How the Pattern Differs", *Economic Development Report* No 136, July 1969, Development Advisory Service, Harvard University, Cambridge, Mass, or papers in panel on "Entrepreneurship in Bengal" referred to in note 1. In former paper see esp pp 41-48.

Books Received

- Atchutan, M: Fact Book on Wages: People's Publishing House, 1970; pp 52; Rs 2.
- Bhagwat S P (ed): *Perspectives; Popular Prakashan*, 1970; pp xi+220; Rs 36.
- Desai, A R and S Devadas Pillai (ed): *Slum and Urbanisation; Popular Prakashan*, 1970; pp xv+356; Rs 45.
- King, Timothy: *Mexico — Industrialisation and Trade Policies since 1940; Oxford University Press*, 1970; pp x+160; 15 s.
- National Council of Applied Economic Research: *Incidence of Taxation in Gujarat; NCAER*, 1970; pp ix+118; Rs 18.

Industrial Growth in Gujarat

An Appraisal

Mahesh Bhatt

V K Chavada

It is commonly believed that, since its formation into a separate State a decade ago, Gujarat's industry has made striking progress.

An attempt is made in this article to test this belief. It is found, by the various acknowledged criteria of industrial growth, that the State is by no means in the forefront of industrial development.

This slow growth of the industrial economy of Gujarat is attributed to the inadequacy of the infrastructure including power, water, roads and communications, and to the concentration of entrepreneurship in the hands of a few castes.

IT is widely held in official and non-official circles that, "since the formation of the separate State in May, 1960, Gujarat has made striking progress in its industrial economy".¹ We propose to examine this popular belief.

The acknowledged indicators of industrial growth in any area are, (i) the contribution of the manufacturing sector to the State income; (ii) the number of registered factories; (iii) the growth of industrial employment; (iv) the gross value of output of the manufacturing sector; and (v) the value added in the State income which originates from the manufacturing sector.

In a developing economy, over a period, there is going to be some increase in the absolute terms in the above indicators. For a proper appraisal of the growth of a particular State, it is necessary to think in relative terms, i.e., the relative growth of the different States as well as the growth of the State in relation to the growth of the whole economy.

Let us first begin with the growth in the State income. As is seen in Table I, the State income which was Rs 756 crores in 1961-62 increased to Rs 791 crores in 1965-66 (at 1960-61 constant prices). It thus registered an increase of 4.6 per cent during this period. Compared with this, the national income (All-India) increased from Rs 13,797 crores to Rs 15,039 crores indicating an increase of 8.9 per cent over the same period. This indicates that, the growth in the State income was slower as compared with that of the country as a whole. Leaving aside 1965-66, which was a year of drought in Gujarat, the State income registered an increase of

10.58 per cent for the first four years of the Third Plan, while there was a 16 per cent increase in the national income over the same period. So, here again, we find slower growth in the State income as compared with that in national income.

A similar comparison holds for the per capita income. The per capita State income, at 1960-61 constant prices, which was Rs 362 in 1961-62 declined to Rs 340 in 1965-66 and was Rs 365 in 1967-68. Thus, as compared with 1961-62, there was an increase of Rs 3 only in the per capita State income. Against this, in the country as a whole, per capita income registered an increase of Rs 12 in 1967-68 over 1961-62. In other words the average rate of increase in

TABLE 1 : STATE INCOME AND PER CAPITA INCOME IN GUJARAT.
(at constant prices of 1960-61)

Year	State Income (Rs in crores)	Per Capita Income (Rupees)
1955-56	572	313
1956-57	625	334
1957-58	611	319
1958-59	712	364
1959-60	670	335
1960-61	694	339
1961-62	756	362
1962-63	754	351
1963-64	776	353
1964-65	836	369
1965-66	791	340
1966-67	813	340
1967-68	897	365

Source : Socio-Economic Review, Gujarat State, 1968-69.

TABLE 2 : STATE-WISE DATA OF NATIONAL INCOME (VALUE ADDED) ORIGINATING IN MANUFACTURING SECTOR (ASI CENSUS SECTOR)

States	1959		1965		Percentage Increase in 1965 over 1959
	Rupees in Crores	Rank	Rupees in Crores	Rank	
Maharashtra	202	1	417	1	106.4
West Bengal	176	2	365	2	107.4
Madras	49	5	150	3	205.1
Gujarat	74	3	142	4	91.9
Bihar	63	4	120	5	93.5
Uttar Pradesh	43	6	107	6	148.8
Mysore	25	8	75	7	200.0
Punjab	15	11	60	8	300.0
Andhra Pradesh	18	10	53	9	194.4
Madhya Pradesh	13	12	49	10	276.9
Orissa	8	14	39	11	387.5
Kerala	21	9	33	12	57.1
Delhi	13	13	28	13	115.4
Assam	31	7	22	14	-29.0
Rajasthan	6	15	21	15	250.0
Jammu and Kashmir	11	16	3	16	200.0
Pondicherry	—	—	3	—	—
Himachal Pradesh	1	—	1	—	—
Goa	—	—	—	—	—
Tripura	—	—	—	—	—
Andaman and Nicobar Islands	—	—	—	—	—
All-India	759	—	1,687	—	122.3

(Percentages)

[illegible]

* Data relate to the erstwhile Punjab state for 1959 and 1965 and, as such, are not comparable with those for 1966.
Note : States arranged according to their shares in the value added by manufacture in 1966.

TABLE 5: STRUCTURAL RELATIONSHIPS: STATE-WISE (1966)

States	1959		1965		Percentage Increase in 1965 over 1959
	Rupees in Crores	Rank	Rupees in Crores	Rank	
Maharashtra	669	1	1,516	1	126.6
West Bengal	598	2	1,375	2	129.9
Madrās	168	6	545	3	224.4
Gujarat	237	3	518	4	118.6
Bihar	230	4	439	5	90.9
Uttar Pradesh	209	5	463	6	121.5
Mysore	80	10	229	7	186.3
Andhra Pradesh	95	7	253	9	166.3
Punjab	82	9	249	8	203.7
Madhya Pradesh	56	12	228	10	307.1
Orissa	26	14	141	11	442.3
Kerala	70	11	130	12	85.7
Delhi	54	13	119	13	120.4
Assam	89	8	114	14	28.1
Rajasthan	25	15	80	15	220.0
Jammu and Kashmir	2	16	5	16	150.0
Pondicherry	—	—	10	—	—
Himachal Pradesh	2	—	3	—	50.0
Goa	—	—	2	—	—
Tripura	—	—	1	—	—
Andaman and Nicobar	—	—	—	—	—
All-India	2,691		6,420		138.6

States	Productive Capital Per Factory (Rs lakhs)	Employment Per Factory (Numbers)	Output Per Factory (Rs lakhs)
Maharashtra	53	318	75
West Bengal	73	454	76
Gujarat	40	288	52
Tamil Nadu	61	331	56
Bihar	161	551	129
Uttar Pradesh	77	352	62
Mysore	55	319	51
Punjab	75	233	47
Andhra Pradesh	45	314	42
Madhya Pradesh	106	247	47
Kerala	23	248	26
Orissa	208	350	64
Assam	32	151	27
Haryana	40	265	58
Rajasthan	90	434	57
Jammu and Kashmir	12	223	16
All-India	63	330	60

the per capita national income was 3.87 per cent while in the per capita State income, it was 0.83 per cent. The above analysis deals with the overall growth of Gujarat's economy. To measure industrial growth, it is necessary to examine the contribution of the manufacturing sector in the total State income. The contribution of manufacturing and mining in the total State income, which was 21.6 per cent in 1961-62 (at constant prices of 1960-61), has increased only

to 22.4 per cent in 1967-68.² Thus the contribution of the industrial sector in total State income during the first seven years of the sixties increased by less than one per cent. In the case of the country as a whole the contribution of this sector to total national income increased from 20.2 per cent to 22.4 per cent.

Table 2 provides a clearer picture of the relative positions. The State-wise data of national income (value added) originating in manufacturing

sector (ASI Census Sector) also reveals the relatively slow industrial growth of Gujarat. The percentage increase in 1965 over 1959, in State income originating in manufacturing, was only 91.9, while in the case of all-India this percentage was 122.3. It can be seen from Table 2 that, this percentage increase was much higher in many States than in Gujarat. In percentage terms, the relative share of Gujarat in the total value added (by the manufacturing sector) in the country in 1959 was 9.7. This declined to 8.5 (see Table 3) in 1966.

Growth in employment is another indicator of industrial progress. Here again, though in absolute terms industrial employment increased from 7,84,000 in 1960 to 9,37,000 in 1966, Gujarat's percentage share in the total industrial production of the country, which was 10.3 in 1959, declined to 9.2 in 1960 and further to 8.3 in 1966 (Table 3).

It can be seen from Table 4 that, in 1959, from the viewpoint of gross value of output of manufacturing, Gujarat which ranked third among the States came down to the fourth position in 1965. For the country as a whole, the gross value of output of the manufacturing sector registered a 138.6 per cent increase in 1965 over 1959. In the case of Gujarat, the percentage increase in gross value of output, in 1965 over 1959, was 118.6. If we compare Gujarat's position in this respect with that of the other States, Gujarat occupies 13th position. Considering the relative shares of the States in the total value of output of the manufacturing sector, it is seen that Gujarat's contribution, which was 8.8 per cent in 1959, declined to 8.1 per cent in 1966 (see Table 3).

The rates of increase in per capita income, generated by the manufacturing sector, may be considered as the other criterion of industrial growth. In absolute terms, the per capita income level increased from Rs 44 in 1960 to Rs 62 in 1965 (see Table 6), showing 41 per cent increase. This percentage increase in the per capita income originating in the manufacturing sector was, however, much less than in the other States.

Often, the increase in the number of factories in a State is considered to be an index of industrial growth. It has been maintained that Gujarat has made considerable progress in the industrial field, since the number of working factories which were 3,650 in 1960 increased to 4,668 in 1966.

TABLE 6: PER CAPITA INCOME GENERATION IN MANUFACTURING LEVELS, AND RATES OF INCREASE, 1960 AND 1965 (ASI—CENSUS SECTOR)

States	Per Capita Income Levels		Percentage increase in 1965 over 1960
	1960	1965	
Maharashtra	61	95	56
West Bengal	57	94	65
Gujarat	44	62	41
Assam	22	16	-27
Tamil Nadu	19	42	121
Bihar	13	24	85
Kerala	12	17	42
Mysore	11	29	164
Punjab	9	29	222
Uttar Pradesh	8	13	63
Madhya Pradesh	7	14	100
Andhra Pradesh	6	14	133
Orissa	5	21	320
Rajasthan	5	9	80
Jammu and Kashmir	3	8	167
All-India	23	35	52

Gujarat's share in the total number of reporting factories in the entire country in 1959 and in 1966, was 8.8 per cent and 9.4 per cent respectively (see Table 3). However, it is misleading to measure industrial growth in terms of increase in the number of registered factories as is done in official statistics. Sometimes, the number of registered factories increase because factories which already existed but which had earlier failed to get themselves registered under the Factories Act, get registered for one new reason or another. Particularly when a manufacturer is in need of financial assistance or of some raw material supplies, such registration becomes necessary. It may also happen that, a factory which is registered under one name, may be divided, at least on paper, to assume more than one name in order to obtain some form of assistance as a small unit. Further, effective coverage of the Factories Act could also increase the number of registered factories. Lastly, an increase in the number of registered factories merely on government record, does not mean that they all exist and/or that they are actively engaged in production. For instance, in a recent 'Survey of Small-Scale Industries, Gujarat State', carried out by the Directorate of Industries, it

was found that out of a total of 5,422 units registered at the Directorate office, 99 had not started production, 639 were closed, and 681 were not traceable.³ Again, instead of thinking in terms of the number of factories, it would be more useful to think in terms of the per factory productive capital, employment, output, value added, and per worker productive capital and value added. The State-wise structural relationship for 1966 is given in Table 5. It can be seen that, while productive capital per factory for the country as a whole was Rs 63 lakhs, for Gujarat it was only Rs 40 lakhs. Similarly, employment per factory for the country as a whole was 330 workers, while for Gujarat it was only 288. Output per factory in Gujarat was also low (Rs 52 lakhs) as compared with that in the country as a whole. Thus, with regard to per factory productive capital, employment, and output, Gujarat lags behind not only all-India figures but also much behind many other States.

One of the important factors determining the tempo of industrial development in the State is the licences issued under the Industrial (Development and Regulation) Act, 1951. According to available information, since the formation of the separate

State of Gujarat, the number of applications for licences for new undertakings or for substantial expansion were 2,048 till November 1968. Of these, only 627 (232 for new industrial units and 395 for expansion of existing units) were sanctioned by the Centre. That is, only 30.6 per cent of the total number of applications were sanctioned. What is more, out of the sanctioned licences, only 349 were implemented by November 1968. That is, out of the total applications made, only 17 per cent were successfully implemented. And, out of the sanctioned licences, roughly 50 per cent remained unimplemented.

It is also known that, the industrial structure of Gujarat represents lopsided development and needs urgent diversification with respect to industries as well as regions. The Draft Fourth Five-Year Plan of Gujarat, 1969-74, clearly admits that, very little progress has been made in the diversification of the industrial structure of Gujarat.⁴ The starting of new large-scale industrial undertakings is of great importance to Gujarat's economy from this point of view. The progress made in this direction is not encouraging. Out of the total 1,032 applications to start new large-scale undertakings (since the inception of Gujarat State), only 232 were sanctioned and only 98 were implemented (November 1968). In percentage terms, only 22.4 per cent of the total applications for new undertakings were sanctioned by the Centre and only 9.5 per cent were actually implemented. The obvious and well known reasons for this slow industrial growth of Gujarat are attributed to the inadequacy of the infrastructure like power, water, roads and communications, and concentration of entrepreneurship in the hands of a few castes.

NOTES

- 1 The various articles published in the anniversary supplement of *The Times of India*, February 6, 1970 and the supplement published in various local newspapers at the time of Colloquium of Industrial Development of Gujarat, organised by AIMO at Ahmedabad on December 6-7, 1969.
- 2 Socio-Economic Review, Gujarat State, 1968-69, Bureau of Economics and Statistics, Government of Gujarat.
- 3 'Survey of Small-Scale Industries, Gujarat State', Directorate of Industries, Government of Gujarat, p 6.
- 4 Draft Fourth Five-Year Plan of Gujarat, 1969-74, chapter 5.

The Comprador Role of Parsi Seths, 1750-1850

Amalendu Guha

In an earlier article, "Parsi Seths as Entrepreneurs 1750-1850" (Review of Management, August 1970), the author had traced the growth of the Parsi business community over a period of 100 years. It was also shown that Parsi mercantile capital was ripe for industrial transformation and that an all-round development towards an indigenous navigation and shipbuilding industry was already witnessed in the second quarter of the 19th century. Thereafter this development process was choked off and distorted mainly because of the colonial constraints.

The present article continues the arguments and tries to analyse the behaviour-pattern of the Parsi Seths on their way to limited industrialisation within the bounds of colonial fetters. Their dubash-banian background, together with their mechanical aptitude, appear to have dominated their attitudes all throughout the 19th century.

I

URBANISATION OF THE COMMUNITY

LINKED with the mediaeval trade routes between the northern plains and the Deccan as it was, the sea-board of the Gujarat region offered the most favourable sites for navigation and maritime trade in pre-British India. This partially explains the ascendancy of various Gujarati trading communities in India's entrepreneurial history. But while the Bania, Bhatia, Khoja, Bohra and other Gujarati caste-groups had been traditionally associated with their banking and/or trading occupations, the Parsis were rather late-comers into these fields. In the 17th century, some of them were, of course, engaged in supplying timber and water to anchored ships and in various handicrafts like carpentry, shipbuilding, weaving, brewing and perfumery. But, by and large, theirs was an agricultural community.

Families with an artisan background were increasingly moving towards the townships of Surat, Bombay, Daman and Broach where the European East India Companies had located their early factories and could offer them skilled jobs. Some of them also entered trade and commerce in due course. Thus, by the end of the 18th century they were already economically a viable community in these townships. At the same time, the recurrent famines in Gujarat during the years 1780-1840 forced thousands of Parsi villagers to take refuge in the city of Bombay, where they were provided with relief and job opportunities by the opulent Sheths of their own blood. Thus it appears that already by 1850 about half the Parsi community had become urbanised through a process of pull and push.¹ This denoted a profound structural change in the Parsi society. Their new home, Bombay — an island producing within itself no articles of commerce — was, under British protection, ideally suited for entrepot trade, with an accent on foreign markets. From

trade to industry was but another leap.

II

CHINA TRADE IN OPIUM

The transformation of the Parsi artisans into merchant-entrepreneurs during the first half of the 19th century is interesting in more than one respect. Under colonial constraints, the shipwrights and other artisans could not emerge straight as independent capitalist shipbuilders from their handicraft base — as has been explained earlier.² It was necessary for them to enter the lucrative field of export trade in raw cotton and opium for primitive accumulation under British patronage. Thus, the rapid growth of Parsi mercantile capital, right from the beginning, was tied primarily to their sharing of foreign, particularly Chinese, markets with the British, and secondarily to selling British goods in the home market (Table 1).

When the trade with China was interrupted temporarily by the Opium War of 1839-42, several Parsis of Bombay committed suicide. This shows their stake in China. By 1840, however, this collaboration was already undergoing some strains. Alongside increasing risks in the opium smuggling business due to a hostile Chinese Government, the Parsi opium traders became increasingly dependent on a single monopolistic European Agency House of China, Jardine Matheson and Co. Together with Remington Crawford and Co and Jamsetji Jijibhai and Sons as partners, it had already formed the Malwa Opium Syndicate to control the market. Sir Jamsetji Jijibhai (1783-1859), who had been thus transacting more than £1 million worth of business with China and remitting £150,000 worth of foreign exchange annually to London through this deal, became opulent no doubt. But the smaller traders found themselves cornered, at least during the several crucial years of the Syndicate's existence.

CHINA TRADE IN RAW COTTON

The situation in the export trade in raw cotton from Bombay also had become tighter. For, the number of European firms of Bombay city dealing in cotton had increased from 9 in 1805 to 20 by January 1841. There were 40 European residents there to represent these 20 firms. They were, wrote the Bombay Chamber of Commerce to the local Government, "either agents for or constituent branches of other firms at home, which again are frequently connected with other parts of the world, their transactions with which often influence the orders they transact here".³ China was the biggest purchaser of Indian raw cotton. But Manchester was interested in increasingly directing exports towards Great Britain to build up stocks against exigencies of American cotton supplies. These stocks were used at home when found convenient; when not, they were dumped on the Continent as re-exports. It may be noted here that raw cotton exports to China from the ports of Bengal and Madras used to be subjected to an export duty of 8 annas and 9 annas, respectively, per maund (=0.15 d per lb) until 1859, while those to UK or Europe from any Indian port had to pay no such duty. This discriminatory measure particularly affected the Parsi trading group as they had relatively a stronger position in the China trade. During the period 1833-46, Great Britain received on average only 40 per cent of India's exportable raw cotton surplus, the remaining portion going mainly to China (see Table).

As neither Indian nor British legislation had yet provided for limited liability before 1858, this could only be obtained through the medium of a Crown Charter, granted after a joint stock bank had met the requirements of the Colonial Banking Regulations. These circumstances forced the Oriental Bank Corporation, an Anglo-Parsi joint concern, to shift its head office in 1845 from Bombay to London, much

TABLE
A : AVERAGE ANNUAL RAW COTTON EXPORTS FROM INDIA, 1833-1846

Port from Which Exported	(1)	(2)	Percentage Share in Total Exports
	Total Export (million lbs)	Export to Great Britain (million lbs)	
Bombay	117.3	55.2	(47.0)
Calcutta	19.5	1.3	(6.9)
Madras	13.2	4.0	(30.1)
Tuticorin	3.2	1.1	(34.2)
Grand Total	153.2	61.6	(40.2)*

* Remaining exports were, almost entirely, to China. Export of raw cotton to China became insignificant after 1861.

Note : For some years there were small exports from the port of Cochin as well; but these have not been included here. Figures of export to Great Britain were adjusted downward by Chapman, after a check with available British figures for the period.

Source : As computed by J Chapman, as of April 6, 1848, Report from the Select Committee on the Growth of Cotton in India together with the Minutes of Evidence, Appendix and Index (House of Commons, to be printed July 17, 1848), pp 341-42.

B : INDIA'S FOREIGN TRADE IN SELECT ITEMS BY VALUE, 1849 AND 1850

	1849 (£)	1850 (£)
Exports		
Opium	5,772,526	5,973,395
Raw Cotton	1,775,309	2,201,178
Imports		
Cotton Twist and Yarn	909,016	1,131,586
Cotton Cloth	2,222,089	3,371,618

Note : It is in these fields of foreign trade that the Parsi Seths participated, but the lion's share was in British hands. As the Table suggests, until 1850 it was opium and not cotton which was their mainstay. They shipped their merchandise in their own vessels by and large.

Source : Statistical Abstract Relating to British India from 1840 to 1865 (London, 1867), pp 52-3.

to the detriment of Parsi interests. It was then that it could at least obtain a Charter in 1851. However, the Bank thereby ceased to be subject to the Indian legislation and to its Indian shareholders.

Moreover, the Parsis too could not escape from racial discrimination. The Canton Chamber of Commerce, established in 1834, did not even admit Parsi traders to its membership on the plea that the natives of India were not sufficiently qualified for negotiations with the Chinese! They were represented on the Bombay Chamber of Commerce by one or two members only. Even after the passage of the so-called "Black Act" of 1836 which had abolished racial discrimination in the civil courts throughout India, the European British subjects continued to be tried only by European magistrates and

judges, in all criminal courts. This discrimination in the realm of justice made no exception of the Parsis. Like other Indians, Parsi Seths too were second-class citizens *vis-a-vis* their European commercial rivals.

Thus, Anglo-Parsi collaboration in various fields was not altogether free from conflicts and contradictions. But they were certainly marginal till 1850, in the context of the given attitudes and ambitions of the community at that time. One should also note that other Gujarati trading communities were by now active in raw cotton as well as opium trade and were distributing British textile goods all over India. They, too, were increasingly coming forward for active collaboration with the British. However, their claim to British patronage came under serious consideration only after they had pro-

ved their loyalty in the turmoils of the 1857 uprisings.

III

BUSINESS LEADERSHIP AND CASTE FACTOR

How is it that the Parsis were in advance of other well-knit western-Indian communities who had a much longer experience of trade, insurance and banking and who had equally shared with the former the same advantages and disadvantages of a common habitat and environment? It has often been naively suggested that it was their freedom from the rigidities of a caste-society alone that helped them to seize economic opportunities, as and when they came, for betterment of their lots. Their occupational mobility, unrestricted by caste factors, was no doubt an advantage. But within the rest of the society — Hindu as well as Muslim — too, the scope of occupational mobility had never been so strictly limited by caste as is generally believed. Barring a few occupations like that of brewing or leather-working, all trades and industries had been generally open to members of not only the particular trading castes, but also of other castes. In any period of history, people of diverse castes including Brahmins could be found in such occupations as banking, agriculture and trade. Hence, the ascendancy of the Parsi business community could not be explained in terms of the caste factor alone. Other Gujarati trading castes, as reservoirs of accumulated business acumen for centuries, showed as much zeal as the Parsis in overseas trade. Why then the former lagged behind in industrial orientation in the 19th century remains a difficult question. But this problem need not lend itself too easily to an oversimplified explanation. (It is as tricky as the other question: Why had the Scots, and not the English, dominated our jute industry till recently?)

Had trade and industry been looked down upon as socially low occupations in India, then the Parsi community would have suffered as much in this environment as others. For, they were as much a part of the local society since about the 8th century and were as much exposed to the same prejudices and preferences of the society at large. Even among the Parsis, hardly could an artisan or farmer rise in his own line of activity directly to the position of a bourgeois. He reached that position

usually only through trade. Wadias and Banajis descended from ship-carpenters' families; Sir Jamsetji Jijibhai and Jijibhai Dadabhoy (1786-1849) were sons of a weaver and a master-tailor, respectively. But all of them had to go up the ladder *via* accumulation through overseas trade. Shipping and export-import trade were as much open to the Parsis as to others in western India. Caste considerations did matter for a few occupations like brewing, sale of liquor and shoe-making so far as the Hindus were concerned. But they affected the overall supply of business leaders only marginally in these or other fields. This was so, because the number of eligible castes and communities was quite numerous.

PARSIS AND SANSKRITISATION

Even the Parsis, despite their early British contacts and concomitant involvement in a Westernisation process, were themselves a closed caste-group *vis-a-vis* the outer society. They constituted a rigid endogamous group with a Panchayat at its head as the custodian of a strict Parsi way of life. Any one not obeying the social code could be turned "out of caste". In the practice of child marriage, bigamy and several other superstitious rituals, they had already been aping the more dominant Hindu society, according to the Panchayat's own assessment of the early 19th century situation. Thus, to a limited extent, the Parsis too were exposed to a process of Sanskritisation, while facing a challenge from Westernisation. During our period, they were not partaking of food cooked by non-Parsis, nor did they intermarry or interdine with the latter. But they had already overcome their prejudices against occupations, such as smithy, involving use of "sacred" fire.

The Parsi Panchayat was constituted of leading priests and businessmen. For promoting the community's economic interests, it took advantage of the group-consciousness based on religious and ethnic affinities. For example, it publicly frowned upon the extravagance of wealthy Parsis and, in 1823, recommended a puritan code of social ceremonies. Under this code, community feasts on certain ceremonial occasions were totally prohibited. Besides, attempts were also made to limit the menu and the number of invitees on other such occasions. One of the directives of the Panchayat was:

... they were not to give expensive feasts nor dinners to the whole caste on the performance of any ceremony

for their dead; that any Parsi who chose to invite limited number of guests ... might do so; but their number should not be so great as to consume more than 200 lbs of meat ...; nor should any poultry be used at such feasts. — Rules of 15 December 1823.

However, the Panchayat failed to influence the community in this respect, as it was rapidly losing its authority after 1836.⁵ Austerity or parsimony had never appealed to the Parsis, unlike to the Gujarati-Marwari Bania communities. Hence, neither religion nor puritanism explains the achievement-orientation of the Parsis.

PARSI SUCCESS EXPLAINED

Parsi success has therefore to be largely explained with reference to their greater ability to adjust themselves to European power under changed political circumstances. Others lagged behind to the extent of their political resistance to the new rulers. The strength of the Parsis lay in their relative non-involvement in earlier civil and military administrations — run by Hindus and Muslims — and the concomitant advantages, such as a claim to special favour from the new masters.

To sum up, the Parsi ascendancy in business and industries was caused by a combination of factors. They shared with other Gujarati trading communities the advantages of belonging to the economically most advanced region of India under given geographical and historical circumstances. Secondly, the fact that they had greater occupational mobility than others was also a factor so far as this small community was concerned. For instance, brewing and sale of liquor, against which both Hindus and Muslims were prejudiced, were almost a monopoly of theirs in many localities and contributed considerably to their capital accumulation. Their relative exclusiveness in the Indian society was yet another advantage. As constituent elements of wider communities, the other caste-groups had wide and diverse social commitments, both horizontally and vertically. A Bohra was also a member of the Muslim community and a Bania, of the Hindu community at large. Hence, leadership motivations in these communities were bound to be diverse and complicated. There were too many demands on their emerging leaderships. Parsis were, on the other hand, relatively free from such diverse social commitments. As demands on their leaders were not many-sided, they could devote their entire energies to economic self-help. They could continue to do so at

least until 1850, undisturbed by political and social power struggles. Till then they had no politics, and their public spirit and philanthropy were oriented more to the relief of their own people than of the society at large. And yet, despite their concern for group welfare, their business organisation could effectively accommodate the spirit of individualism, on the one hand, and that of co-operation with other groups, on the other. They were able to integrate their interests particularly with those of the British, without any reservations whatsoever. This largely explains their achievements.

METHODS OF BUSINESS ORGANISATION

In the beginning, business was organised on family basis. Later, two or three members of the same extended family would run a formal partnership for limited purposes. By the early 19th century, such partnerships were no more limited to closed family circles. Partnerships with Europeans, Hindus and Muslims were quite common. Muncherji Jamsetji Wadia (1780-1862) was a partner of J A Pope in one field and of Motichand Aminchand in another field. After the dissolution of the partnership with Pope, he had a Portuguese partner for some time. Sorabji Mancherji Readymoney had Muhammad Ali Bin Muhammad Hussain Rogay, a Konkani Muslim, as a partner for a long time. Sir Jamsetji had his father-in-law as his partner till 1818 and Motichand Aminchand thereafter till around 1835. These are a few examples. When a son came of age, he generally ran business on his own account. That is, he was taken into the family business as a working partner and was, at the same time, free to start new firms in partnership with others.

From 1830s onwards, joint-stock companies (with liability unlimited under the then existing law) in banking and industries began to attract Parsi capital. Joint-stock enterprises of this period, as has been mentioned earlier, were floated as Indo-British joint ventures. In this transition from family firms to corporate firms, Parsi and non-Parsi Gujarati capitalists had, more or less, identical response. But the former's solution of the problem of training of the young members for a new kind of business leadership was significantly unique. A Parsi capitalist normally started his career not in his own family firm, but as an employee of a European firm. This apprenticeship provided him with a training in European business me-

thods which he could make use of, later, in his own independent business career. This innovation made all the difference between Parsi business leaders and those emerging from traditional trading groups. Moreover, amongst the Parsis, there were deliberate attempts to channelise inherited capital into fewer hands.

In the 18th century, Manokji Nowroji Seth (born circa 1688) is said to have tried to introduce primogeniture in his family. Taking advantage of the absence of a written code of Parsi customary law, attempts were kept up till 1837 to interpret Parsi inheritance according to English Law, so that landed property in the Island of Bombay could pass undivided to the eldest son. But consequent upon the mass petition dated November 20, 1835, the Government passed Act No IX of 1837, bringing an end to these attempts and establishing an equalitarian inheritance as was customary. However, by enactment of Wills, Seths often circumvented the customary division of property.⁶ Besides, inbreeding to a fantastic scale as well as the institution of adoption of a near relative as son (in the absence of one) also helped to postpone division of family property.

IV

PHILOSOPHY OF COLLABORATION

Lastly, our study of the Parsi capitalists to 1850 reveals that the entire Parsi community was undergoing profound changes simultaneously in several fields — social, religious and economic. They seized every opportunity to have Western education, general as well as vocational. On the one hand, a socio-religious reformation movement *cum* renaissance stirred them up into self-consciousness; and on the other, they allowed themselves to be Anglicised at other levels. These developments were simultaneous with their search for new avenues of business for money-making and self-assertion.

Other Gujarati trading communities did not undergo such a multi-dimensional process of change. Yet — it is important to note — they did not lag far and long behind the Parsis. Despite a more conservative social outlook and a lack of modern education, they were not very late in following suit and becoming constituents of the Indian industrial bourgeoisie. The Parsi lead in industries was undoubtedly there, but it need not be exaggerated. Nor should the explanation of this lead be sought in terms of social division and caste-

orientation of the Indian capitalist class. Even the first Indian-owned cotton textiles enterprise, founded by C N Davar (1815-1873), a Parsi, was in a way a joint venture of the capitalists of western India. Of the initial share-capital of Rs 0.5 million, nearly one-third was subscribed to by 20 non-Parsi Gujarati merchants. The first list of shareholders even included a lone Maharashtrian, Ramchandra Gopal, who had subscribed Rs 15,000 for three shares.⁷ Meanwhile, it was a Gujarati Nagarbrahman (Ranchhorlal) who was laying the foundations of the Ahmedabad textile industry almost at the same time. D R Gadgil has rightly pointed out that, despite dissimilarity of behaviour patterns, Indian businessmen belonging to different communities were seen to act together or operate as a single pressure-group.⁸

We have shown that they also co-operated closely with each other in the emerging joint-stock organisations in the fields of insurance, banking, trade and industrial enterprises. In western India they were all constituents of an integrated economic pattern with a handful of powerful European Agency Houses in the centre, to skim off the cream to their metropolis. The Parsis prospered most as the latter's closest allies.

What impact this collaboration had on the course of capitalist development in India in the subsequent period is a matter for further inquiries. But it may be suggested that the contradictions, though somewhat sharpened and articulated during the next one hundred years, hardly destroyed the philosophy and reality of collaboration. What the doyen of the community, Jamsetji N Tata, had said in course of a statement in the *Times of India*, April 12, 1894, is significant in understanding the comprador role of the Parsi Seths. He said:

Our small community is, to my thinking, peculiarly suited as interpreters and intermediaries between the rulers and the ruled in this country. Through their peculiar position they have benefited more than any other class by English rule, and I am sure their gratitude to that rule is, as it ought to be, in due proportion to the advantage derived from it... Pure natives of this country, whenever they venture to criticise the actions of individuals in authority, are liable to have their motives questioned; but in the case of Parsees such doubtful motives must be regarded as non-existent.

Things did not change much thereafter, for the bulk of the community till the time of Independence continued to

maintain, by and large, this comprador role,⁹ as spelt out by Tata.

Notes

- 1 The Parsi population of India was 85,397 in 1881. Of them 48,597 (56.9 per cent) were enumerated in Bombay city, 6,227 (7.3 per cent) at Surat and 2,088 (2.4 per cent) at Broach. A few thousands were enumerated in other cities and towns. Thus 70 per cent or so of the community had already been urbanised by 1881.
- 2 See, *Economic and Political Weekly*, Vol V, No 35, August 29, 1970, pp M-107-115.
- 3 Letter dated January 21, 1841, reproduced in Report from the Select Committee on the Growth of Cotton in India together with the Minutes of Evidence, Appendix and Index (House of Commons, to be printed July 17, 1848) pp 509-12.
- 4 Michael Greenberg "British Trade and the Opening of China", Cambridge, 1951, pp 107n, 146, 164, 164n and 192.
- 5 D F Karaka, "History of Parsis", I (London, 1884), pp 218-37. Also, H G Briggs, "The Parsis of Modern Zerdustians: A Sketch" (Edinburgh, 1852), pp 1-146.
- 6 H G Briggs, *op cit*, pp 62 and 108-14.
- 7 S D Mehta, "The Cotton Mills of India 1854 to 1954" (The Textile Association of India, 1954), p 15.
- 8 D R Gadgil, "Origins of the Modern Indian Business Class: An Interim Report" (mimeographed, Institute of Pacific Relations, New York, 1959), p ii.
- 9 See, for a similar comment by a Parsi, P A Wadia, "Parsis Ere the Shadows Thicken" (Bombay, 1949), p 3. It should be noted, however, that after 1850, the growing contradictions between Parsi and British capital in the industrial field did produce nationalist leaders like Dadabhai Naoroji from amongst the Parsi Seths. In fact Parsi industrial magnates were not altogether aloof from the Indian National Congress movement. But then, our National Congress itself was dominated by the concept of home rule till about 1930.

Select Periodical Literature

- 1 J C Bagal, "Rustomjee Cowasji" *Modern Review*, LIV, No 1 (July 1933).
- 2 "Notes on the Rise of Business Communities in India" (mimeographed, Staff of the Gokhale Institute of Politics and Economics, Poona, 1951).
- 3 Helen H Lamb, "Indian Business Communities and the Evolution of an Industrial Class", *Pacific Affairs*, XXVIII, No 2 (June 1955), pp 101-16.
- 4 D P Pandit, "Creative Response in Indian Economy", *The Economic Weekly*, February 23 and March 2, 1957.
- 5 H Acharya, "Creative Response in Indian Economy: A Comment", *ibid*, November 2, 1957.

Martyrs of Our Day!

T V Sathyamurthy

During the last twelve months, the political forces in Latin America which have taken the road of "direct action" have devised a strategy of political struggle novel in modern international affairs. Kidnapping of foreign diplomats and officials and domestic politicians is uniquely Latin American. The development of this new phenomenon has taken place over the last year in interesting stages.

The kidnapping of several persons by the Tupamaros of Uruguay and the differential treatment meted out to them make an interesting case study.

[This article was written in August 1970.]

DURING the last twelve months, the Latin American political forces which have taken the road of "direct action" have devised a strategy of political struggle entirely novel in modern international affairs. In Africa and Asia, mass resentment against the colonial and neo-colonial powers is given symbolic expression by means of flag-burning or glass-smashing at the appropriate embassy; on occasion, as in the case of the British embassy in Jakarta during the initial phase of the Indonesian *confrontasi* of Malaysia, all but the safe room of the premises was reported to have been destroyed. Kidnapping foreign diplomats and officials and domestic politicians is uniquely Latin American. The development of this new phenomenon has taken place over the last year in interesting stages.

US INVOLVEMENT

Understandably, the *penchant* for kidnapping foreign diplomats is strongest in countries in which the regime in power is closely identified with the United States of America and engaged in a policy of systematic repression of popularly based forces of political opposition, often with the aid of the American government. The Rockefeller Report on Latin America, based on an extended tour of America by Nelson Rockefeller often frustrated by the spontaneous and determined opposition of various segments of the population — especially students, workers and the unemployed —, provides the guidelines of American policy for the seventies, after the failure of a decade of Alliance for Progress. This Report blatantly recommends American encouragement of friendly client Latin American regimes which are following a ruthless policy of suppression and extermination of popular forces of political opposition. According to its logic, all Latin American countries — with the exception of Cuba, Peru and Chile — would qualify for extensive American material and moral support. In Bolivia, the

US was directly and blatantly involved in the capture and murder of Che Guevara. In Brazil, the United States is solidly behind a regime which has been excelled only by South Africa in the application of torture. In Guatemala, American involvement is only too well known since the notorious days of 1954. The list can be easily multiplied.

THICK BLACK CLOUD

The impossibility of conducting meaningful opposition with a view to securing social change in the direction of greater equality and better distribution has spread like a thick black cloud over the entire political landscape of South America. The economic growth of most of these countries is taking place at a woefully inadequate rate; in fact it has been so slow that its benefits can hardly reach outside the serried ranks of the tiny elites, after the foreign investors have taken their share of profits. Under these circumstances, it is hardly surprising that the forces of political opposition in Latin America ranging from the Robin Hoods to those inspired by an egalitarian ideology underpinned by practical strategies for securing the necessary structural changes in the society and the economy have been forced to take to the hills in order to achieve their objectives. The new phenomenon of political kidnapping as a facet of domestic politics in several South American countries should be viewed against the background of these political conditions, and not, as they are written up in the Anglo-Saxon newspapers, as meaningless acts of lawlessness by desperate criminals.

The kidnapping of several persons by the Tupamaros of Uruguay and the differential treatment meted out to them make an interesting case study. The Tupamaros are a cohesive band of Uruguayans who have placed themselves outside the pale of conventional politics and have been conducting a sustained campaign of resistance to

the government of which, Pacheco Areco, a former boxing champion, is elected President. The Tupamaros, unlike the guerrillas of most other Latin American countries, are of middle class origin (in fact their leader and father figure is a lawyer in his middle forties, Sendic, who is now under detention and is being interrogated) with university education and intimate knowledge of the power structure and the political habits and preferences of those whom they are fighting. To be sure, the Tupamaros, as has been constantly pointed out by Western correspondents in South America, have no cohesive ideology to which a specific homogeneous label can be attached. But what they fail to point out is the fact that Uruguay is a simple society which was not long ago considered as one of the shop-windows of constitutional democracy; its three million people who were provided with the benefits of social services are now facing imminent economic doom. The city of Montevideo is running to seed and the government is finding itself increasingly unable to meet its obligations to the society.

THE ALTERNATIVES

In the last ten years, Uruguay, faced with the alternatives of root and branch changes conducive to politico-economic development along independent lines, and an acceptance of the position of a client state of the United States in return for the assurance of the continued survival in power of a tiny section of political operators and business adventurers, has deliberately chosen the latter course. The Tupamaros are merely a militant offshoot of the leftist socialist party of Uruguay some of whose leaders were expelled for advocating direct action along a pattern of urban guerrilla insurrection designed to bring the prevailing order to its heel. Thus in the case of Uruguay, the problem is relatively simple and does not require a sophisticated ideology to

which an "ism" needs to be attached. The forces of change are represented by the young students, workers and other radical forces which have consciously, deliberately and with full understanding of the consequences of their action, decided to take the political struggle outside the institutional framework which, in their analysis, lies at the root of the political and social ills of Uruguay. The forces of conservatism and gradual reform, the believers in the magic of aid and the bureaucratic system which has been infected with the ambience of Punte del Este, are those who hold the monopoly of power with the assistance of the USA. These two antagonistic forces have, over the last four years, been locked in combat. The present situation is therefore the culmination of a series of developments which have made clear the line along which the political struggle has shaped itself.

DETERMINED POLITICAL MOVEMENT

The usual picture one gains of the Tupamaros as an amusing spectacle of a sociological mutation resulting in the "opting out" of the privileges and perquisites of bourgeois society by a tiny and idiosyncratic minority which suddenly, over the last three weeks, has turned into a menace, is far from the truth. The Tupamaros, on the contrary, form a determined political movement which seems to have won considerable public sympathy by exposing corruption in high places, placing itself on the side of the workers in their struggle for betterment of their conditions, and in demanding a better system of education. In fact, they seem to have won a number of fellow-travelling companions in government, police and army—especially among the younger elements. It is interesting that a police force of 14,000, presumably combing the city in a block by block search and hunting the Tupamaros in the interior over a period of three weeks, during which the National Assembly suspended individual freedom, have been unable to arrest more than a few well known Tupamaro figures. Montevideo is like an extended village—a large suburbia by modern standards of urban configurations; and Uruguay is as flat as Cambodia without the latter's forests. Unless one were to assume that the Uruguayan police, unlike their counterparts elsewhere in Latin America, are totally inefficient despite the advice and training of the Mitronis of our world, what amounts to a failure of the

police operation against the Tupamaros can only be explained on the basis of the sympathy they have been able to win among the police and the administrators. One must immediately qualify such an analysis by saying that the sympathy does not amount to identification, and if the government were to have the power and determination to punish the sympathisers they may well abandon their sympathies and join the chase.

SOPHISTICATED STRATEGY

The Tupamaro strategy over the last four weeks has been considerably more sophisticated and complicated than that employed by guerrillas and focos elsewhere in South America. In Guatemala, the German Ambassador, known for his anti-Cuban activities during his tenure as West German Ambassador in Havana at the time of the Bay of Pigs invasion, was captured by the guerrillas, tried and "executed". In Argentina, a Peronista militant group avenged the execution of a Peronist General by "executing" his "assassin", the former President Aramburu (regarded by the Argentine workers as the doyen of the "oligarchistas"); and the death of Aramburu would not have become a *cause celebre* were it not for the fact that some of those involved in the kidnap were soon caught trying to rob a bank in Cordoba. (It is interesting to note here that the Government which recently came to power in Argentina after deposing President Onganía, and headed by the former Military Attache of the Argentine Government in Washington, Livingston, has appointed a Peronista as Minister of Labour.) In Colombia again, Londono y Londono, a former Foreign Minister was kidnapped and let off after being given a taste of terror which the regime of which he was a part was adept at administering to its political opponents. In Bolivia, two German technicians were held as hostages for the release of ten political prisoners. In Brazil, several political prisoners were released as a result of kidnapping incidents in which several diplomats have been involved. In all these cases, with the exception of the Bolivian and the Brazilian kidnappings, motives have been mixed. In the case of the Tupamaros, the kidnappings seem to have taken place for purely political motives. A brief account and analysis of the situation will serve as an elucidation of my hypothesis.

The Tupamaros first kidnapped an Uruguayan magistrate, Daniel Pereyra-Manello, who had been involved in sentencing those captured among their number. He was subjected to thorough interrogation over a period of several days during which the Tupamaros captured a Brazilian Consul in Montevideo, Alosio Dias Gomide, an American agricultural adviser, Claudio Fly, and an American security adviser under the auspices of the US AID (Agency for International Development), Dan Mitroni, a policeman from the State of Indiana. The Uruguayan magistrate was released after interrogation and sent back with the message about the capture of the three foreigners.

THE POLICEMAN FROM AID

The interest of the Tupamaros was obviously greatest in the AID Security adviser who has now become a martyr in America and the provider of a street name in Uruguay. He was a living embodiment of the contradictions embedded in the American policy towards Latin America. The AID which is supposed to assist underdeveloped client states of America to develop a better standard of living and a sounder economy is also engaged in buttressing the tyrannies of the world which could be depended upon and bribed to secure American interests within their confines. In South Vietnam, American experts used to go (and still go) by the hundred to teach and advise the South Vietnamese police how to interrogate the communists, an euphemism for torture, as if to suggest that their proteges needed tuition in such an art. For this purpose, lavish contracts were given out to various eager institutions of higher learning in America including at least one University which has since become notorious for its part in the Vietnam war. During the last seven years these outside bodies have become rather shy of such direct involvement in patriotic purposes; and, the onus of teaching other people how to keep their security and power intact has fallen on the shoulders of the government agencies, the AID being one of the most important among them. Thus the whole idea of aid without strings is violated in form as well as in content. No wonder, then, that Dan Mitroni (it is difficult not to be amused by the name which would have made a superb central name of a novel with a Mafia theme!) was singled out

by the Tupamaros for special treatment as a symbol of American penetration of the domestic politics of Latin American countries, and as the personification of almost everything that hampers the development of small countries along lines of indigenous origin. In the eyes of the American establishment and the petrified regimes of South America, Mitroni has been rescued from the obscurity of the police force in his native town and raised to the hallowed position of a hero and martyr.

The Brazilian Consul is second only to Mitroni in the interest he provides for his captors. He is the representative of a regime which has become, over the last six years, notorious throughout the world for its inhuman treatment of political prisoners (in the Sophistry of the Brazilian Minister of Justice as in that of the recent advertisements of the Government of Uruguay in Western newspapers, there are no political prisoners in Brazil and Uruguay; but, in the eyes of the world, including the international jurists to whom the case of the former has been referred, the gaols are full of them), but which is now appealing for his release on the ground that human life ought not to be extinguished! By holding the Brazilian Consul, the Tupamaros are demonstrating that the problem of political repression is not simply confined to a particular country but endemic to the region. His kidnapping also exposes the vulnerable features of these regimes and the extent to which they are prepared to go in order to retrieve their own hostages. Thus Brazil is not interested in the internal dynamics of the Uruguayan situation. It would be satisfied if the Brazilian Consul's release could be secured by whatever means, including the release of the 180 prisoners (the original figure of 120 has since been increased to include the recent arrests) and the meeting of the other conditions imposed by the Tupamaros. With the moral support of the West German Embassy in Brasilia, the Brazilian Government has applied enormous diplomatic pressure and the symbolic threat of accumulating its troops along the border to the Pacheco Areco regime. Having lost the more important of the two Americans in captivity, it would seem that the Americans are less insistent that President Pacheco Areco should abandon his intransigent attitude for the reason that the agri-

cultural adviser is expendable to both sides and therefore, by the law of probability, safe anyway. Judging from the way the Mitroni incident has been handled in the press, one cannot escape the feeling that the US Government cannot have put undue pressure on Pacheco Areco. For, if the US Government had decisively intervened, it would have been scarcely possible for the Uruguayan President released at the cost of setting free 120 prisoners would only have meant for the US Government, having to send many Mitronis to different parts of the world to assist native tyrannies of client states in their oppression of political opposition.

BROAD-BASED ALLIANCE

The Tupamaros have thus demonstrated that in a war of nerves between an adamant administration headed by a pugilistic President and themselves they could hold out more or less indefinitely without losing their cool. They have established that their kidnapping is not out of desperation but out of a deliberate effort to achieve their political aims. They have not budged from their exorbitant demands for the reason that they are willing to test the mettle of President Areco to its final limit. It is a challenge not to be flinched from as far as the Tupamaros are concerned. Whether they have allies in the government or whether they are so skilful in concealing themselves before the penetrating glare of the police that it has not been possible to apprehend them, is of little moment; nor even whether ultimately they triumph or are broken by force. What is of interest in the present situation is the political strategy behind the kidnappings which seems to have been worked out well. In 1969, when the banker, Peligrini, was kidnapped, the Tupamaros had already demonstrated that their action was politically conceived and executed and not randomly directed at a convenient target. On that occasion they chose the psychological moment of a powerful strike as the occasion for kidnapping their victim. And they even won some public support for their action.

One last word about the political vision of the Tupamaros. They are of

course an alliance of differentiated political views about the direction along which domestic politics should be guided—ranging from enthusiasts of land reform to Guevaraists taking a comprehensive view of politico-socio-economic development of an integrated character. But they have been able to achieve homogeneity and cohesion among themselves against the external enemy—the political system of Uruguay buttressed by American support. With an almost Leninist panache they seem to have been able to postpone internal debate about political strategies indefinitely, that is until the enemy without is vanquished. It is highly unlikely that the Uruguayan regime can succeed in breaking the unity of the Tupamaros. This would indicate a struggle of a total kind between the two antagonistic political forces of Uruguay. Needless to emphasise that what happens in Uruguay in the next few months will be of moment to all countries in South America. It may well be that, having given the USA a martyr, the Tupamaros will ultimately emerge as a heroic breed of political force during the seventies.

Shree Vallabh Glass

SHREE Vallabh Glass has produced better results for the year ended March 1970, with increase in sales from Rs 131 lakhs to Rs 171 lakhs and in gross profit from Rs 13 lakhs to Rs 18 lakhs. After depreciation, there was a net profit of Rs 6 lakhs against less than Rs 3 lakhs previously. The accumulated debit balance has been cleared by writing back Rs 24 lakhs from general reserve. But Rs 3 lakhs are yet to be written off on account of preliminary expenses, and Rs 9 lakhs are the balance of expenses on cold repair of furnaces (treated as deferred revenue expenditure to be spread over the next three years). These results are attributed to the general recovery in the glass industry. The company has introduced heat-absorbing coloured figured glass and new patterns of coloured glass, which have good demand. Government has sanctioned modernisation plans for the company's sheet glass plant. Exports have been made to the US, Burma and Mauritius, and future prospects look promising. A representation has been made to Government for allocation of gas for use as fuel in place of furnace oil in order to reduce cost.

Tata Chemicals Limited

Speech of the Chairman, Mr JRD Tata

THE following is the Speech delivered by the Chairman, Mr J R D Tata, at the Thirty-first Annual General Meeting of the Company held at Bombay, on November 19, 1970:

LADIES AND GENTLEMEN,

I am sorry to inflict a speech on you for the second year running instead of reporting to you as I had been doing every year in the form of a Chairman's Statement. I had hoped that by doing so I would be able to include in my remarks heartening news about the three important projects which were on the Company's anvil at the time the Directors' Report was issued to you two months ago. I refer, of course to our Fertiliser Project which has been bouncing around the corridors of Delhi for three years, our Soda Ash Expansion Project and, finally, the exciting new Argentinian Soda Ash Project.

I am very sorry that I am unable, after all, to give you any conclusive report on any of the three Projects. This does not mean that no further progress or development has taken place in any of them during the last two months. There has, in fact, been considerable progress in the Argentinian Project about which I shall give you the latest news in a while.

Let me, however, begin with the two Indian Projects, one of which is now threatening to become a hardy annual. Both the Fertiliser Scheme and the Soda Ash Expansion Project for which letters of intent were duly received some time ago, are now leisurely wending their weary way through the procedural jungle so thoughtfully provided by Government under their latest licensing policies which require that, in addition to all the procedures and formalities to which the organised private sector was previously subjected, it must now overcome the fresh obstacles and delays imposed by the Monopolies and Restrictive Trade Practices Act.

The consequences of this ill-conceived and poorly drafted enactment have become even more serious since the managing agency system's abolition. For most companies like Tata Chemicals, the Managing Agents formed the only link between them and other companies forming part of what, on the basis of the Dutt Committee Report, Govern-

ment and Parliament called the Larger Industrial Houses. With the disappearance of that link, what constitutes a "Larger House" has become a puzzle which Delhi is still in the process of unravelling. In the meantime, in the absence of clear guidelines, the Department of Company Affairs, now no longer a part of the Ministry of Industrial Development responsible for the issue of licences, but given independent status under a Minister of its own, finds it virtually impossible to clear projects in terms of Government's licensing policies and the provisions of the MRTP Act. As a result, hundreds — according to the papers thousands — of applications for licences, including our two Projects, are now bogged down in the Department of Company Affairs.

Apart from this particular aspect of the problem, while, in the case of soda ash, your Company is clearly a dominant undertaking under the Act in view of its preponderant share of the soda ash market, it is obviously not so in the field of fertilisers which it has not yet entered. In the circumstances, we have been legally advised, and have taken the stand, that the MRTP Act is not applicable to our Fertiliser Project.

Apart from insisting on clearance of the Fertiliser Project under the Monopolies Act, Government have since the issue of a letter of intent on the 25th of July, 1970, imposed a further condition which may result in a significant modification of the Project itself. The matter is at this moment under discussion with Government.

In view of these unpredictable procedural and other complications and delays, it is impossible for me to tell you today when we may expect a final decision from Government in respect of these two Projects.

I have in the past referred to the heavy cost to the country of every day's delay, now already over a thousand days, in clearing our Fertiliser Project. In regard to soda ash, India had in recent years achieved and maintained self-sufficiency in this important product. Early last year, however, the signs began to appear that with the end of the industrial recession the demand for soda ash would again rapidly outpace production in the country. Realising this, your Company which had played a significant part in achieving self-sufficiency

for the country, took timely action and applied in May 1969 for the expansion of its capacity by 400 tonnes a day to 1,000 tonnes a day.

Eighteen months have since passed and we still await an industrial licence and clearance from the Department of Company Affairs under the MRTP Act. In the meantime, an acute shortage has developed, resulting in the need to import soda ash once again at heavy cost in foreign exchange and in the emergence of a flourishing black market to the detriment, particularly, of the poorer household consumers.

Had the control machinery of Government been a less cumbersome and quicker moving one and we had been allowed promptly to respond to the country's needs, we would today be within a few months of being in a position to meet the increased demand. Instead, we find the same Government that calls upon the industry for a crash programme of expansion of the country's soda ash producing capacity enforcing interminable delays on those most able and willing to respond to their call. Is it surprising that some of us feel like Alice did in Wonderland?

I am happy to say that, in refreshing contrast to our depressing experience in regard to our two Indian Projects, Government could not have been more helpful and more prompt in regard to our bid for the Argentinian Project which required their approval in connection with many aspects of the scheme, including subscription to the capital of the two Argentinian companies specially created for the purpose and the export, of considerable value, of technical assistance, engineering services, plant and equipment. We are most grateful to both the Ministries of Foreign Trade and External Affairs and to IDBI for their almost instantaneous response to our requests for assistance, advice and clearance of certain aspects of our bid.

The Project itself and the action taken upto the middle of September has been briefly described in the Directors' Report. I had hoped, as hinted in the Report, that the results of the competitive bids submitted to the Argentinian Government would be known by the time we met today. Unfortunately, the announcement of the findings of the high power commission ap-

pointed by that Government to adjudicate between the three bids received by them has been delayed and is not yet known although it is expected any moment.

You will be glad to know, however, that from a study of our competitors' bids and the arguments presented by all three bidders and by the Governments of the three States concerned with the location of the plant under each bid, the Tata bid seems to have the strongest chance of approval.

An unusual and most important feature of the Argentinian Government's call for bids is that the bidders are not merely expected to tender for the supply of a 200,000 tonne per year soda ash plant but also to create the company which will construct, own and operate the plant, and to provide the finance and management for it. For this purpose, as you will have noted from the Directors' Report, we had, in association with some Argentinian friends, to promote two companies: TASUD and ALCAR. We were fortunate in securing the co-operation from the start of a distinguished Argentinian economist, lawyer and industrialist, Dr José Martinez de Hoz, who has extended to us invaluable help and advice and has agreed to serve, at least for the time being, as chairman of both companies. We are grateful to him for his assistance. I also wish to take this opportunity of recording our warm appreciation of the outstanding support we have received from the Government of the Province of Cordoba in which the project is to be located if our bid is successful.

I hope the shareholders will approve of the Company's efforts to promote this large Project which, if it materialises, will equal or exceed in value all the projects, put together, established upto now by Indian companies in foreign countries. It is clearly in the interests both of our Company and of India that the effort should be made. Such a major Project, if undertaken, will not only bring prestige to us and to Indian industry as a whole, but will lay the foundations for further opportunities for fruitful collaboration abroad.

Already our bid in Argentina has aroused considerable interest in that country and others, in the demonstration it provides of the capacity of Indian industry to offer advanced technology and to compete on equal terms with the rest of the world in an especially difficult sector of the Chemical Industry.

I am sure shareholders have a number of questions to ask on the subject

of these three great Projects and I shall, therefore, not take any more of your time in discussing last year's results already adequately explained in the Directors' Report and Annual Accounts before you.

I must, however, point out the fact, of which I am sure most of you are already aware, that, in a period of inflation, rising costs can be absorbed and profits continue to grow only through expansion supported by modernisation and diversification. Your Company has provided a living demonstration of the truth of this axiom by its gratifying performance of the last several years in which each year's results surpassed those of the previous one. In the year under review also, our operating profits were higher by Rs 15½ lakhs than in the previous year, despite increases in our costs of some Rs 30 lakhs beyond our control, and the break down of our carbon dioxide compressors. This reflects great credit on the Management who have demonstrated year after year their ability to overcome difficulties and absorb rising costs through fresh improvements in efficiency. Their heroic efforts could not, however, cope with increases in taxes due to the termination of the tax credits, previously allowed to priority industries, which were responsible for the fall in our net disposable profits for the first time since 1962.

The fact remains, however, that the rising curve of our gross profits must

inevitably flatten out if we cease to grow, modernise and diversify. Modernisation is a matter within our control and we shall certainly continue to modernise our plant, equipment and processes whenever it can result in improved efficiency and cost. Expansion and diversification, however, are subject, as you know, to Government approval, about which I have said enough earlier in connection with our Fertiliser and Soda Ash Expansion Projects.

In the meantime, however, in the face of the spiralling increases in costs due to reasons totally beyond the control of the Company, your Directors are considering the need for some increase in the Company's prices which are today appreciably lower than those of our competitors.

I am aware that some shareholders hold the view, with which I have throughout disagreed, that Tata Chemicals should also take full advantage of the fact that the price of soda ash is no longer controlled. I have no doubt that, apart from the service we have rendered to our consumers, we have gained rather than lost from adopting and maintaining a socially responsible and patriotic policy of safeguarding the country's and the consumers' interests in addition to our own.

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

Indian Rayon

INDIAN Rayon has once again produced disappointing results. Accounts for the 13th year ended June 1970 show a fall in gross profit, from Rs 54 lakhs to Rs 50 lakhs, in spite of rise in sales from Rs 330 lakhs to Rs 355 lakhs. Out of the profit, Rs 27 lakhs have been provided for development rebate and the balance towards depreciation requiring Rs 51 lakhs on the straight-line method. Arrears on this account have mounted to Rs 305 lakhs. Besides, there are arrears of preferential dividends exceeding Rs 66 lakhs. The directors say that the company has not become economically viable because it is "the smallest among rayon units" in the country and that, unlike other units, its activities are not diversified. But the fact is that Indrayon has yet not been able to achieve its licensed capacity, and the year's turnover is only a little more than half the to-

tal capital employed in business (Rs 631 lakhs). Another reason for the un-economic working, according to the directors, is that the company has to supply 55 per cent of its production to actual users and exporters at prices "which are even below its cost of production". The report points out that it may not be possible for the company to continue supply of yarn at these concessional rates in future. The company has made representation to Government for 'greater relief' in excise duty to smaller units to offset a part of such losses. The report carries a morale-booster for shareholders. It says machinery for production of 8.5 tonnes of rayon yarn per day has been installed and orders for most of the equipment required to raise capacity to the licensed level has been placed. The company is also seeking permission to undertake manufacture of 10 tonnes of transparent cellulose film per day.

ECONOMIC INDICATORS

This feature will appear roughly once a month and will seek to present latest available statistics on different aspects of the economy.

ECONOMIC AND POLITICAL WEEKLY

November 28, 1970

Index of Wholesale Prices (1961-62=100)	Latest Week (31.10.70)	Week Ago (24.10.70)	Month Ago (3.10.70)	Year Ago (1.11.69)	1969-70*	1968-69*	1967-68*	1966-67*
All commodities	182.7	182.5	181.1	175.0	175.4	165.1	160.3	158.9
Food articles	209.0	208.9	209.1	192.1	199.3	186.5	194.3	187.9
Foodgrains	204.7	205.7	208.7	204.6	213.0	192.9	206.7	207.7
Edible oils	234.4	233.4	246.6	187.5	220.0	184.0	144.0	206.0
Industrial raw materials	192.4	192.6	195.9	169.0	185.9	171.6	141.4	165.6
Fibres	165.7	166.4	169.6	141.9	161.0	160.0	127.0	129.0
Oilseeds	228.5	228.4	234.4	193.3	218.0	186.0	149.0	209.0
Chemicals	188.2	188.2	188.2	190.1	188.0	177.2	161.8	150.9
Machinery and transport equipment	148.6	148.6	148.6	137.9	140.1	133.2	132.1	130.2
Manufactures	154.0	153.8	154.2	143.5	148.9	138.8	130.3	130.3
Intermediate products	175.6	175.2	175.5	156.7	174.1	149.2	143.9	148.4
Finished products	148.8	148.6	149.0	140.3	142.8	136.2	127.0	125.9
Textiles	149.1	148.6	149.7	140.4	141.0	135.0	123.0	123.0

* Last week of March

Consumer Price Index : Industrial Workers (1960=100)	Latest Month (Aug 70)	Month Ago (July 70)	Year Ago (Aug 69)	1969-70*	1968-69*
All-India	187	186	179	177	174
Ahmedabad	174	175	169	169	165
Bombay	181	183	176	175	167
Calcutta	185	184	173	172	170
Delhi	199	196	187	185	178
Hyderabad	189	188	186	185	173

* Average of months

Consumer Price Index : Urban Non-manual Employees (1960=100)	Latest Month (June 70)	Month Ago (May 70)	Year Ago (June 69)	1969-70*	1968-69*	1967-68*	1966-67*
All India	174	171	166	167	161	159	146
Bombay	170	167	164	162	156	153	142
Delhi	173	171	166	168	162	154	142
Calcutta	170	167	160	162	156	152	139
Madras	167	166	159	161	154	154	147
Hyderabad	174	172	169	167	159	155	147
Ahmedabad	174	171	168	168	162	160	146
Chandigarh	178	175	167	171	164	155	143

* Average of months

Reserve Bank of India		Latest Week (13.11.70)	Week Ago (6.11.70)	Month Ago (16.10.70)	Year Ago (14.11.69)	1969-70*	1968-69*	1967-68*	1966-67*
Notes in circulation	Rs crores	4023	3991	3957	3608	3843	3497	3194	3020
Government of India rupee securities	"	3412	3432	3382	3122	3287	3061	2880	2685
Loans and advances to									
(i) State Governments	"	192	186	214	130	212	152	120	71
(ii) Scheduled commercial banks	"	145	153	173	36	238	106	104	140
(iii) State co-operative banks	"	303	301	290	293	276	247	198	171
Scheduled Commercial Banks									
Aggregate deposits	"	5598	5575	5511	4795	5025	4338	3856	3426
Bank credit	"	4294	4279	4300	3497	3975	3396	3033	2694
Investment in Government securities	"	1346	1328	1302	1242	1168	1055	967	893
Credit-deposit ratio	Per cent	76.71	76.76	78.02	72.93	79.10	78.29	78.66	78.63
Investment-deposit ratio	"	24.05	23.81	23.63	25.89	22.96	24.32	25.08	26.06
Inter-bank call money rate†	"	5.89	5.50	5.60	4.00	4.30	3.75	4.95	5.16

* As on last Friday of March

† Bombay

Money Supply with Public		Latest Month (Aug 70)	Month Ago (July 70)	Year Ago (Aug 69)	1969-70*	1968-69*	1967-68*	1966-67*
Currency	Rs crores	6512	6581	5855	6379	5779	5350	4950
Deposit money	"	3999	4073	3645	4006	3682	3376	3197
Net Bank Credit to Government	"	2513	2509	2211	2373	2097	1974	1753
Net Bank Credit to Private Sector	"	4759	4795	4718	4726	4709	4253	4027
	"	1848	1869	1368	1795	1503	1453	1256

* Last Friday of March

Foreign Trade		Latest Month (Aug 70)	Month Ago (July 70)	Year Ago (Aug 69)	1969-70	1968-69	1967-68	1966-67*
Imports	Rs crores	154.73	132.78	147.13	1567.49	1910.20	1986.38	1704.32
Exports	"	127.00	91.81	126.46	1410.01	1357.78	1198.69	967.44
Balance of trade	"	-27.73	-40.97	-20.67	-157.48	-552.42	-787.69	-736.98

* The rupee was devalued on June 6, 1966. Figures relate to the period June 1966 to March 1967.

Foreign Exchange Reserves		Latest Month (Aug 70)	Month Ago (July 70)	Year Ago (Aug 69)	1969-70*	1968-69*	1967-68*	1966-67*
	Rs crores	814.45	822.48	651.37	821.06	576.70	538.55	478.44

* As on last Friday of March

<i>Index of Industrial Production 1960=100</i>	<i>Apr 70</i>	<i>Mar 70</i>	<i>Feb 70</i>	<i>Jan 70</i>	<i>Dec 69</i>	<i>Nov 69</i>	<i>Apr 69</i>	<i>1968</i>	<i>1967</i>	<i>1966</i>	<i>1965</i>
General index	181.2	174.5	178.8	181.5	177.6	172.8	174.7	161.1	151.4	152.4	153.7
Basic industries*	216.1	224.5	217.4	227.4	230.7	215.3	209.8	194.6	176.5	172.9	164.3
Capital goods industries*	201.5	228.6	207.7	224.4	226.2	213.0	205.0	211.0	205.3	210.1	244.2
Intermediate goods industries*	160.5	160.9	154.8	168.1	167.3	151.4	148.4	148.2	139.7	136.7	140.1
Consumer goods industries*	152.2	153.4	150.9	160.2	160.5	142.7	145.9	131.9	125.7	131.3	127.5

* Derived by Reserve Bank of India.

<i>Railway Wagons Loaded</i>		<i>Latest Month (Aug 70)</i>	<i>Month Ago (July 70)</i>	<i>Year Ago (Aug 69)</i>	<i>1969-70</i>	<i>1968-69</i>	<i>1967-68</i>	<i>1966-67</i>
Broad gauge	'000 wagons	668	690	710	8829	8557	8271	8226
Metre gauge	„	287	295	295	3869	3692	3662	3770

<i>Agricultural Production</i>		1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62
Foodgrains	Mn tonnes	100.00	94.01 (158)	95.05 (159)	74.23 (124)	72.03 (121)	89.36 (151)	80.64 (137)	80.15 (134)	82.71 (140)
Rice	"	42.00	39.76 (157)	37.61 (149)	30.44 (121)	30.66 (122)	39.31 (156)	37.00 (147)	33.22 (133)	35.66 (142)
Wheat	"	20.00	18.65 (259)	16.54 (245)	11.39 (169)	10.42 (154)	12.26 (182)	9.85 (146)	10.78 (160)	12.07 (179)
Other cereals	"	28.00*	25.18 (132)	28.80 (153)	24.05 (127)	21.15 (112)	25.37 (134)	23.72 (125)	24.62 (130)	23.22 (124)
Pulses	"	10.00*	10.42 (102)	12.10 (124)	8.35 (85)	9.80 (98)	12.42 (126)	10.07 (103)	11.53 (118)	11.76 (122)
Non-Foodgrains										
Groundnut	"	5.10	6.93 (136)	8.30 (174)	6.43 (134)	6.35 (128)	8.56 (182)	7.13 (156)	7.39 (149)	7.28 (148)
Sugarcane			12.00 (194)	9.79 (158)	9.50 (153)	12.10 (195)	12.49 (201)	10.52 (173)	9.29 (153)	10.56 (174)
Cotton	Mn bales of 180 kgs each	5.23	5.14 (203)	5.45 (210)	4.97 (192)	4.76 (184)	5.68 (219)	5.43 (209)	5.23 (200)	4.58 (175)
Jute	"	6.80†	3.05 (93)	6.32 (191)	5.36 (163)	4.47 (136)	6.01 (184)	6.08 (184)	5.44 (184)	6.36 (165)

Note: Figures in brackets are index numbers with 1949-50 = 100. * Unofficial estimate. † Including mesta.

		1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61
National Income	Rs crores	16943	16586	15123	15021	15917	14845	14045	13763	13294
Index	1960-61=100	127.4	124.8	113.8	113.0	119.8	111.7	105.6	103.5	100.0
Per Capita Income	Rupees	321.4	322.5	301.4	306.8	333.1	318.2	308.3	310.0	306.4
Index	1960-61=100	104.9	105.3	98.4	100.1	108.7	103.9	100.6	101.2	100.0



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**ECONOMIC
AND
POLITICAL**

WEEKLY

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for

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CASTE IN INDIAN POLITICS

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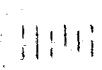
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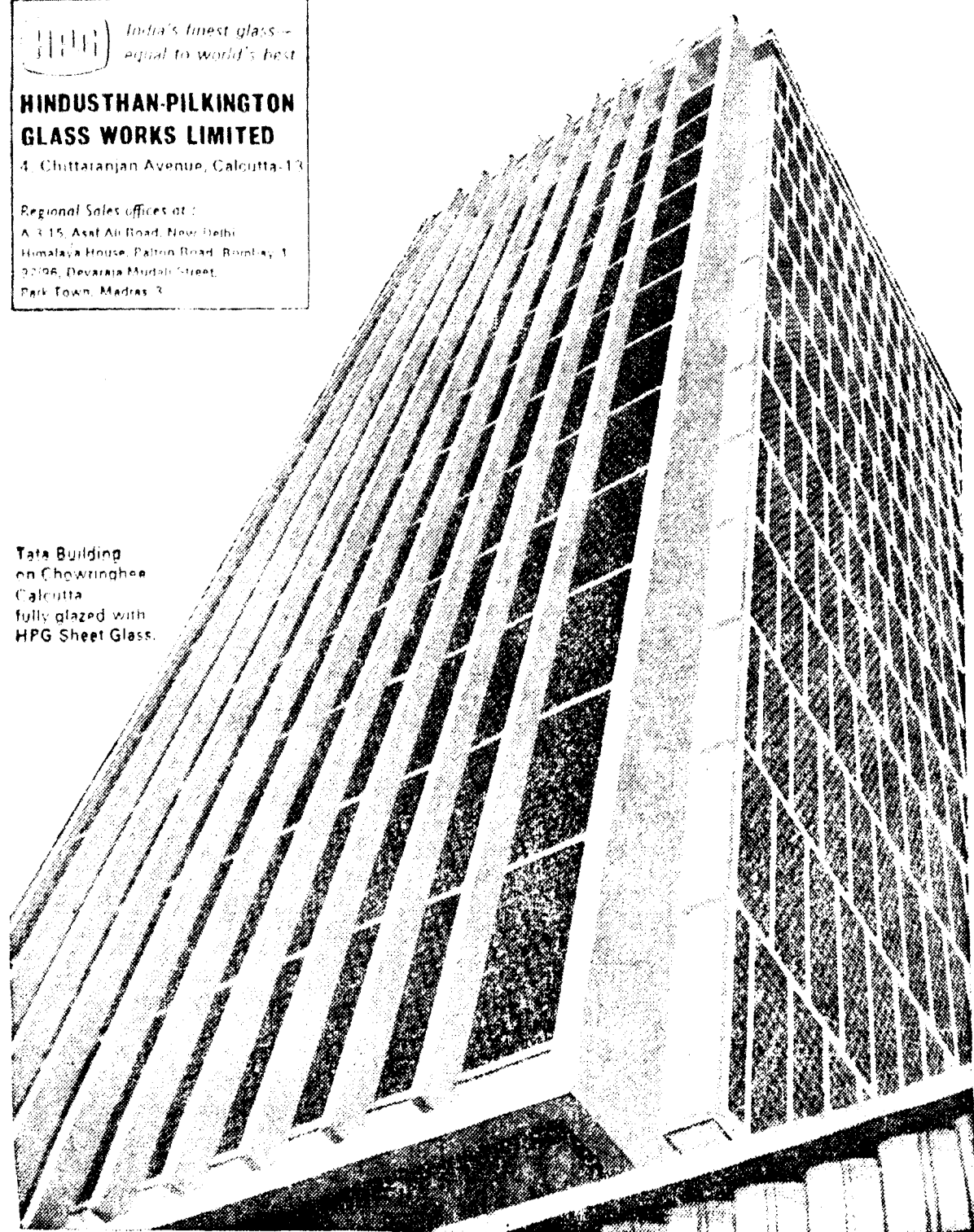
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ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

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Bunglers

THE oft-repeated reasons for continued American involvement in Vietnam, Cambodia and Laos become more unreal every day. In spite of Nixon's military withdrawal plans, his Administration seems to be incapable of grasping the reality that such a withdrawal from Indochina also necessarily implies American political disinvolvement from the affairs of that region. The false hope persists that, somehow, regimes sympathetic to the Americans can be preserved in Saigon, Phnom Penh and Vientiane without much further loss of American life. In the case of Vietnam, the Vietnamisation programme is the corollary to this hope. The American authorities in Saigon continue to indulge in wishful thinking by spewing out reports about the new-found clan and aggressiveness of their allies in the South Vietnamese Army. The pacification programme is said to be succeeding as more areas are now evidently free from the Vietcong who are ostensibly on the run because the number of engagements has fallen quite sharply.

The American Administration is either gullibly swallowing these tell-tale clues or deliberately fostering false illusions of "victory" for home consumption, to keep up Nixon's public opinion ratings and save face during the process of withdrawal. The obvious lacuna in these supposed signs of NLF and North Vietnamese despondency is that the Vietcong and North Vietnamese strategists are very likely to have deliberately chosen to disengage from large-scale military action in order to let the contradictions within the American and their Saigon friends' camp take their own toll. These anomalies are becoming blatantly clear as can be seen in the graphic reports by American and other journalists on the spot. Demoralisation seems to have become a very serious problem among American combat forces. Understandably, very few young men want to die when they have been told that their forces are on the way out. There have been proven cases of unit commanders having to plead with their men to go out on patrol duty, as orders have no effect. While it is true that the South Vietnamese Army's losses have increased, as American casualties have gone down, this is of little significance. The South Vietnamese Army has been put in charge of a larger area than before and so, quite plausibly, its casualty rate has increased without any great effort on its part to engage the enemy. The only example of fighting spirit they have shown is during their forays into Cambodia, where their indisciplined behaviour towards Cambodian civilians only serves to further illustrate to the Cambodian people that the Lon Nol regime in Phnom Penh is dependent on the support of the traditional enemy — the Vietnamese.

On home ground, the South Vietnamese Army continues to have a high rate of desertion — many soldiers are simply war-weary and go off to their villages when the opportunity arises. This war-weariness is taking the form of overt anti-American feeling and is evident even in Saigon, where American soldiers are advised to go out only in groups, as lone Americans are often attacked by Vietnamese who have no connections with the Vietcong. In this sort of climate Thieu's regime in Saigon is nothing more than a house of cards which is likely to collapse as soon as there have been substantial American withdrawals. The possibility of a coup against Thieu by junior and more nationalistic officers in his army cannot be ruled out. There are also ex-army officers, including the former Chief of State of Vietnam, General Duong Van Minh, who have indicated that they are willing to come to some sort of compromise solution — possibly an interim coalition government — with the NLF. The NLF representatives in Paris have clearly stipulated that they are quite ready to include anyone in an interim government, with the exception of the present ruling trio of Thieu, Ky and Khiem.

In the meanwhile the NLF can afford to wait and consolidate its position in the hills of the northern part of South Vietnam. Supplies from North Vietnam continue to come in over the Ho Chi Minh trail leading through south-eastern Laos and eastern Cambodia. This continuing infiltration and consolidation is of much concern to the Americans and it is probably the major reason for the renewed bombing of North Vietnam two weeks back. The use of air power unaccompanied by ground action is often a sign of desperation and the Americans are clearly in a quandary as to how to withdraw without seeming to have suffered a political and military defeat in Indochina. It is possible that Nixon, who is always willing to gamble to save his own political skin, might permit his army officers to launch a large-scale attack into southern Laos to stem the tide of North Vietnamese aid to the South. This sort of military action, just like the one in Cambodia, is unlikely to achieve any permanent result, but being the adventurer that he is, Nixon can always try.

This desire to project the heroic image and to placate American opinion over its concern for American prisoners of war, led to the recent rather Hollywood-style raid on the prison stockade in Son Tay, only twenty miles from Hanoi. This time the political bungling was overshadowed by the military bungling — the prisoners had been moved away by their North Vietnamese captors several weeks before the raid.

Without Comment

“Visakhapatnam, November 30: D Nagabhushanam Patnaik, a top Naxalite leader and three of his close followers involved in a murder case, were sentenced to death by the Second Additional District and Sessions Judge, Mr K L Narasimha Rao, here today. “Chowdary Tejeswararao, Dr M L Narayana Rao and six others were sentenced to life imprisonment. “They were charged with the murder of a landlord in Ankapalli taluka, Mr Puspati Appala Narasimha Raju.”

(Times of India, December 1, 1970.)

“Thanjavur, November 30: The Sessions Judge of Nagapattinam, Mr C Kuppannan, today sentenced eight landlords, including the President of the Paddy Association, Mr B Gopalkrishna Naidu, to ten years rigorous imprisonment each in the Kilavenmani arson case.

“Forty-four harijans were burnt alive in a hut in Kilavenmani village, Thanjavur district, during a kisan-landlord clash in December 1968.”

(Times of India, December 1, 1970.)

Offshore Minerals

D C Kale writes:

EXTRACTION of offshore mineral deposits is definitely gaining importance in the mining world. It is worth reviewing the situation as it stands today, so that the full potential can be appreciated, and India can spot suitable opportunities in this field. The subject is complex, but it is also attractive in the sense that underwater technology is one of the very few frontiers left for the pioneering spirit. Unlike the old prospector armed with a pick, however, this adventure has to be backed by funds and manpower on a very large scale.

Minerals occur in and on the sea-bed, in the sea-water, and on the beaches,

or just offshore. Apart from the minerals described below, relatively conventional mining goes on below the sea for oil, tin, coal, iron ore and sulphur in various parts of the world. This group of activity does not really need ‘marine’ technology.

On the sea-bed itself, the most promising minerals known to occur with certainty are phosphorite and manganese nodules. Lying at depths of 100 metres or more, they have been photographed by TV cameras, sampled and mined. Manganese nodules under the sea are exceptionally uniform and pure; their grade (29 to 49 per cent has been analysed in the Pacific off the Peruvian coast and elsewhere) is certain to attract mining companies in a short while. Phosphorite deposits off the Californian coast are as rich as any on land, containing upto 32 per cent phosphate. It has been calculated that for a sophisticated mining system, the amortisation tonnage of such a deposit would be 5 million tons, or about 40 sq miles of the sea-bed.

Clay deposits on the floor of the oceans contain many valuable substances. Calcareous shells give rise to clays which are as good as limestone used for cement manufacture, while siliceous deposits can yield almost pure silica in the marine ‘oozes’. Diatomaceous earth, which is used as an absorbent in many industries, is also available in such oozes. In some samples, clay on the sea-bed has been found to contain upto 25 per cent alumina and 0.2 per cent copper; these values are within striking range of economic working.

Beaches have been worked for many heavy minerals, such as gold, platinum, ilmenite (titanium), tin, tungsten and zircon, apart from just sand and gravel. Diamonds are also extensively worked in south-west Africa, where the work is concentrated in the area between high- and low-water marks. Travancore Minerals and Indian Rare Earths both in Kerala, are doing very well with beach sands.

Even more tantalising are the riches in sea-water. It is of course to be expected that it will contain all elements, but concentrations of particular substances do occur. The value of magnesium, bromine and salt produced annually from sea-water in the US exceeds \$ 100 mn. Dow Chemicals report that magnesium and bromine contents of a particular layer of the sea is higher than average near Texas. In one part of the Red Sea, hot underwater springs have been found to contain a high proportion of zinc, copper and iron.

What are the handicaps which have prevented the full exploitation of these riches until now? First of all is the strange environment of the sea; man would rather find things on land than elsewhere. Secondly, the costs are obviously higher for a land-based consumer/manufacturer. Thirdly, there have not been enough attempts made for the risks to be recognised and provided for. A recent attempt to dredge tin off the Cornish coast came very close to commercial success; however, after spending £ 148,000 in capital equipment and a considerable amount on operations, the attempt was abandoned because percentage recovery of tin was consistently lower than had been anticipated.

Finally, there have not been, until very recently, sustained attempts to conquer technical problems of underwater mining. As a result, the knowledge was scattered and every new entrant had to start almost from scratch. It is only now that a body of technology is being built up; this is one technology in which India could take a decisive lead, as it did with nuclear technology. About four years ago, the President of the Royal Society proposed marine technology as a field to which Britain should devote consistent efforts in order to achieve undisputed leadership. The recent announcement of an Indian company set up to develop offshore oil and mineral resources is welcome, provided it does not act merely as an

TABLE

Area	Distance Offshore (miles)	Depth (ft)	Oil (mn bbl)	Gas (10 ¹² cft)
Barracuda	16	150	10	1.8
Marlin	32	195	20	3.5
Halibut	45	240	440	?
Kingfish	55	255	1060	?

agency for import of knowhow. If Indian technology is given full scope, Indian industry will benefit considerably from the associated technical and manufacturing ‘fall-out’. (Compare the case of the US industry benefiting from American space programmes.) In any new technology these days, the important thing is to determine who gets all the new data and experience: the snow-balling effect is enormous.

Costs of offshore work are high, but so could be the returns. In fact this factor of the scale of operations is crucial. For example, British Petroleum announced a ‘very exciting’ oil find in October, in the North Sea about 110 miles from Aberdeen. The field may contain 2000 million barrels; on the other hand, BP’s drill-rig cost £ 3.5 mn and a pipeline to the coast may cost about £ 40 mn. Nearer home, in Malaysia, an offshore tin project is estimated to cost £ 120 mn before production starts. An oil venture off the coast of Victoria, Australia, has taken nine years from the time exploration started, to achieve production. The Table on p 1946 summarises the results. There will be undersea pipelines nearly 110 miles long, and surface pipelines 116 miles long. Investment prior to the first oil delivery was \$ A 350 mn.

The problem of legal rights to offshore minerals is, to put it mildly, vexed. There are disputes about international rights, as well as between member-states of a federal country such as the US, Australia, Malaysia or India. This question needs a separate review, but any potential investor will want to ensure that his rights will be protected after he makes his ‘strike’. He will also have to face some more problems, some of them non-existent at the moment, such as disposal of tailings, effect of operations on beaches and coastlines, and possible disturbance of sea-currents.

Geographically and technologically, India is well-placed to go in for offshore and sea-bed mining and oil production, provided a sufficient concentration of technological and financial resources is assured. Half-hearted attempts are foredoomed. Such concentration will need a devoted, full-time, powerful group to mobilise and run things. Whether this can be achieved by a purely systems-management group which will sub-contract all activities is doubtful. (Bokaro Steel for example is supposed to be such a group.) Somebody has to metaphorically bell the cat; no suitable candidate appears to be in sight.

Autonomy to Domination?

MANY issues have been raised in the course of the year-long campaign leading up to Pakistan’s first ever national election based on universal adult franchise next Monday. Inevitably, there have been attempts to pander to national chauvinism by reference to external enemies. One of the more hilarious among such attempts was former President Ayub Khan’s claim that the US CIA had engineered his ouster and that his former Foreign Minister and now the leader of the stridently Leftist People’s Party, Z A Bhutto, was an agent of the CIA. Bhutto, incidentally, has had the privilege of being accused simultaneously of being a Chinese agent as well. But while China and the CIA have got their share of attention, India remains the arch villain and many of the prominent leaders involved in the election fray have been vying with one another to take credit for starting the 1965 war with this country.

But even Kashmir and India are not at the heart of the issues raised in the election campaign; what is, is East Pakistan’s demand for autonomy spelt out in Sheikh Mujibur Rahman’s six-point charter which would reduce the area of competence of the federal government to just foreign affairs and defence. The Sheikh’s party, the Awami League, will in all likelihood sweep the polls in East Pakistan and the National Assembly, which is to draft a new constitution, will find it impossible not to come to terms with the Sheikh’s demands without condemning its own efforts to failure.

For his part President Yahya Khan has already prepared the ground for some kind of a loose federal set-up by reconstituting West Pakistan into four administrative and political units each of which will, later this month, elect a separate provincial assembly. That and his decision to go ahead with the elections at a time when regional feeling in East Pakistan is at its height because of the Central Government’s failure to provide adequate and timely relief to the victims of last month’s cyclone, would seem to indicate that Yahya Khan does not propose to throw his weight against East Pakistan’s demands. This may be no more than realistic acceptance of the practical realities since it is plain enough that at this point East Pakistan’s demands can be thwarted only by perpetuation of army rule and even for the army the task is not going to be easy after a whole year of systematic whipping up of regional sentiments.

Some of the political parties, especially the religion-oriented ones like the Jamaat-e-Islami, are opposed to the whittling down of central authority, though even these parties have reconciled themselves in varying degrees to East Pakistan’s demands. But after the break-up of West Pakistan into four units and given the latent conflicts among them, the rationale of autonomy has become as relevant to them as it is to East Pakistan. In a democratic system based on universal adult franchise, the federal government in Pakistan is bound to be dominated by East Pakistan with a population larger than the combined population of the other four units — even after making allowance for East Pakistan’s other handicaps, like its economic backwardness and its low representation in the administration and the army. From a long-run point of view, therefore, it will be in the interests of the four provincial units of West Pakistan to plump for a system assuring maximum autonomy for themselves and minimum powers for the federal authority. It also follows that Sheikh Mujibur Rahman and his National Awami League have nothing to gain from breaking away from West Pakistan. In the National Assembly one may, therefore, expect to see the Sheikh not so much as the strident and uncompromising advocate of East Pakistani nationalism but as a ‘responsible’ figure striving for a consensus which will enable the country’s transition to popular government. Riding the crest of a wave of popularity just now, he among all the politicians has the most to gain from the transition.

There are also long-term reasons why the Sheikh would not want to cut East Pakistan adrift from the rest of the country. While it is true that just now his position in East Pakistan is unassailable, once the euphoria over autonomy is spent and it is revealed that the beneficiaries of autonomy are mainly the educated middle-classes, who are the people whom the Sheikh really represents, it would not take long before the internal contradictions within East Bengal society surface in organised, and very likely violent, forms. Maulana Abdul Bhashani’s following among the rural poor has been temporarily enthralled by the slogan of autonomy, but when the discontent of these people manifests itself again, a federal authority in the far-off West will come in handy for Sheikh Mujibur Rahman both to lean on for support and to use as a convenient target for popular disaffection.

Best of Both Worlds

THE assurance by the Minister of State for Foreign Trade in Rajya Sabha on November 26 that cotton mills would not be allowed to close down *en bloc* for two spells of 15 days each as demanded by the industry and that the Government would help tide over the shortage of cotton through additional imports appears to have quietened the talk of block closure. Instead, the industry is now talking of a 15 per cent voluntary reduction in cotton consumption by the mills. Of course, the industry knows only too well that most of the mills will evade such a voluntary cut and so we have the strange spectacle of the industry seeking Government intervention to statutorily enforce the proposed cut in consumption on each mill. Simultaneously, the industry has unleashed massive publicity about the alleged cotton scarcity in the country. It is astonishing how those who were confidently expecting a satisfactory cotton crop only a few weeks earlier, have now suddenly revised their estimates downwards although there has been little change in either the agronomical or the meteorological scene in the major cotton growing tracts.

As a matter of fact, the supply and demand situation in cotton for the current year, though not much better than in the past, is by no means alarming — as will be seen from the Table below. Even if the industry's worst fears come true, and cotton production turns out to be no higher than it was last year, the current year will end with a carryover of not less than 16 lakh bales. The carryover might be even larger since

Government has announced its decision to import 13 lakh bales of cotton instead of the 8.5 lakh bales proposed earlier.

Why then the anguished cries from the industry? The truth, it seems, is to be traced to the behaviour of the market for cotton piecegoods. In early November, prices of most varieties of cloth rose by 10 to 15 per cent. Compared to a year ago, current prices of the different varieties are higher by as much as 30 to 35 per cent. The controlled varieties have meanwhile virtually disappeared from the market, since a number of mills producing such varieties have found it advantageous to pay the penalty of 6 paise per square metre for the shortfall in their output of controlled cloth and to go in instead for production of the non-controlled varieties. With the spurt in prices of non-controlled varieties, many mills have already booked large orders for delivery during the next several months. These mills have turned eager buyers of cotton, and their buying has pushed up cotton prices. On an average, cotton prices too are higher by 30 to 35 per cent than they were a year ago. But since the cost of cotton constitutes just half the price of cloth, even at the current high prices of cotton the profits of the mills are decidedly higher. Indeed, the cotton mills have never had it so good in the last several years. Even some of the sick mills have revived this year. The industry's fear now is that a fresh spurt in the cotton price might cut into its present fat manufacturing margins. Hence the relentless clamour for reduc-

tion in cotton consumption and for block closure of mills. The industry would thus have the best of both worlds. On the one hand, raw material costs would be reduced or held in check and, on the other, the loss of production would be more than compensated by a further hike in cloth prices and in the mills' margins.

Widening Non-Ferrous Gap

GEOPHYSICAL exploration to date has shown that, of the non-ferrous metals, India has adequate reserves of only bauxite ore which is used in the manufacture of aluminium. All the other non-ferrous metals—such as copper, zinc and lead—have to be largely imported. Every year, about Rs 100 crores are spent on import of non-ferrous metals. Against an estimated demand for copper of 124,500 tonnes by 1973-74, present indigenous capacity is only 9,600 tonnes; the present capacity in zinc is 38,000 tonnes against the estimated demand of 142,000 tonnes in 1973-74; in lead, the gap is even wider—against the demand estimate of 97,400 tonnes by 1973-74 capacity today is only 5,400 tonnes.

Given their limited reserves, an important element in the policy for non-ferrous metals has been the emphasis on production of aluminium and its substitution for other non-ferrous metals wherever possible.

Of the private producers, Hindustan Aluminium, Indian Aluminium and Madras Aluminium have made rapid progress and are expanding capacity further. By contrast, JK's Aluminium Corporation has missed the growth bus. As Shripati Singhania's latest annual statement to shareholders shows, the Aluminium Corporation has been handicapped by outdated management ideas—on labour relations which are none too good, on the royalty due on bauxite, and on price control. Consequently, the Corporation is making slow progress even on the expansion licence it has at last managed to get.

On the other hand, the public sector which was expected to play a major role in the plans for aluminium has made little contribution. The Korba project, with Russian and Hungarian collaboration, contemplated about the same time as Hindustan Aluminium, has had one of the longest gestation periods. While Hindustan Aluminium has exceeded its capacity of 80,000 tonnes, the Korba project is still a long

way from going into production.

The public sector has exhibited the same slackness in other non-ferrous metals projects. The copper programme for developing deposits in Andhra Pradesh and Bihar has suffered because of bureaucratic bungling and delays. The civil servants responsible for the project have exhibited an unwillingness to give up the comforts of urban life and be stationed in the mining areas. The progress of the Vizag zinc smelter project too has been similarly slowed down. Thus the foreign exchange costs and the constraints on industrial development arising from lack of reserves of non-ferrous metals have been compounded by the failure to exploit such reserves as there are to the best advantage.

Wandering Cement

THE pricing policy for cement is basically irrational. The price control on this 'priority industry' puts it at a disadvantage in competing for, or generating, investment resources. The policy of equalising prices at the rail-heads encourages cross-haulage and stands in the way of a rational location policy within the industry.

The location of cement plants is bound by the availability, mainly, of limestone and of railway transport. But within this overall constraint, there is scope for locational decisions. Limestone deposits, of differential quality and quantity, are located over the country and the role of a rational price policy should be to ensure the most efficient utilisation of this diverse range. Transport too is a real resource and there is no surplus capacity here either. It, therefore, stands to reason that it should be fully charged to the consumer. When a user of long-distance transport pays the same price as a user of short-distance transport, not only is the short-distance consumer in effect subsidising the long-distance consumer but there is no economic inducement to minimise transport use.

There is no economic logic in a single price for cement at all places when cement cost at a given location is actually cement cost plus the transport cost inherent in that location. The Cement Controller should not have been surprised at his discovery that the average freight on cement had gone up because of large long-distance movements to deficit areas. Producers in surplus States, mainly the southern States, are thus insulated from competition from newcomers in the deficit

areas while at the same time producers are being 'exhorted' to set up units in these areas. Also, instead of relying on the economic mechanism to do the job, Government now finds that it has to tighten distribution control to avoid wasteful cross-haulage.

The Government had an opportunity to reinstate the price mechanism in cement when, just a year ago, there were hints of a cement surplus. Had the Government decided then to cut the industry adrift from the various controls, cement makers might have, for the first time, had to compete for markets on the basis of economic efficiency.

Protecting Sugar from Consumer?

NORMALLY, essential commodities are controlled when they are in short supply, to protect vulnerable sections of society from undue price increases or to assure them supplies. But in sugar, Government seems bent on protecting the interests of about 200 millowners and 25 lakh cane growers at the cost of the unorganised consumer.

True, full sugar control, as it had worked out earlier, had brought the country to the verge of a sugar famine. In 1967-68, therefore, partial decontrol was adopted. It paid dividends. Industry reaped substantial profits, and growers received high prices for the cane. Partial decontrol was thus continued for the second year. Sugar production hit a high of 35.60 lakh tonnes and free market prices declined further. Instead of using the occasion to increase the proportion of sugar on the free market, the proportion of controlled sugar to free sugar was increased from 60:40 to 70:30. The third season under partial decontrol made history. Sugar production set a new record at 42.60 lakh tonnes. The country was left with a stock of sugar almost equal to the production of 1966-67.

The sugar policy for the 1970-71 season should have been announced in September. Two months of the season are over, and sugar production by November 15 has been put at 1.42 lakh tonnes. Official and unofficial estimates place production at between 40 and 42 lakh tonnes for the season as a whole. The season commenced with a stock of 20 lakh tonnes and even with the lower estimate of 40 lakh tonnes, total sugar available comes to 60 lakh tonnes. Total consumption is not likely to exceed 37.50 lakh tonnes including 3.50 lakh tonnes of export. Thus the season promises to close with a stock of 23.50 lakh tonnes, i.e., 2.50 lakh tonnes more than at the beginning. In a free market, with such a comfortable supply position prices would have declined rapidly and substantially.

Yet, for the current season, Government has continued the same thoughtless policy. This has not only prevented a fall in sugar prices but has actually enabled industry to artificially push up prices. Sugar prices, which had touched a low level of Rs 165 per bag in June, have since moved up. In addition, Government has succumbed to the industry's pressure and extended facilities by way of liberal credit, extension of despatch period, etc. Government has also helped the industry by cutting the monthly release from 6 lakh tonnes in September to 4 lakh tonnes in October and further to 3.5 lakh tonnes in November. The monthly average price has continued to move up. In October it improved by a rupee to Rs 176. And in November it has improved further by Rs 2 to Rs 178. It is interesting that prices in the spot section in the Bombay market have moved up by Rs 2 only, while prices (ex-duty, ex-mill) have been pushed up by Maharashtra Co-operative Sugar Factories from Rs 118 to Rs 127, even though they sold about 230,000 bags in November i.e., 30,000 bags more than in October.

TABLE: SUPPLY AND DISTRIBUTION OF COTTON

	Indian		Foreign		Total	
	1970-71	1969-70	1970-71	1969-70	1970-71	1969-70
Supply						
Estimated carryover at the beginning of the year (September 1)	13.50	15.00	3.35	2.35	16.85	17.35
Estimated domestic crop	60.00	58.00			60.00	58.00
Imports			8.50	8.20	8.50	8.20
			(proposed)			
Total	73.50	73.00	11.85	10.55	85.35	83.55
Distribution						
Estimated mill consumption	57.00	56.40	9.00	7.20	66.00	63.80
Exports	2.25	2.25			2.25	2.25
Extra-factory consumption	1.00	0.85			1.00	0.85
Total	60.25	59.50	9.00	7.20	69.25	66.70
Estimated carryover at the end of the year (Aug 31)	13.25	13.50	2.85	3.35	16.10	16.85

SUBSCRIPTION RATES

	Inland	Foreign (Surface Mail)		
Six months	Rs 32	Rs 75,	\$ 10.00,	£ 4.25
One year	Rs 60	Rs 140,	\$ 18.75,	£ 7.75
Two years	Rs 110	Rs 205,	\$ 27.50,	£ 11.50
Three years	Rs 160			

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The Shadow of Calcutta

Romesh Thapar

A STRANGE development has taken place in Bengal, and it holds many lessons for the rulers of this complex land. Until only recently, the Naxalite effervescence in Calcutta and its environs was coming up against popular feeling which had begun to express itself against random killings and murders. The police had faced a great deal of provocation and borne the brunt of many savage attacks. The demand was rising for the use of preventive detention powers to break the back of the violent and the disorderly. Those who had earlier opposed the granting of such wide powers to the executive authority were no longer vocal in their opposition.

The powers were granted by Parliament in adequate terms, but even as this significant development took shape, news came of killings which, it was alleged, were reprisals taken by the police on various young men known for their Naxalite activities. The charge is that suspects are collected after wide-ranging searches of homes and *bustees* and shot even before they reached the police stations.

The Government of India has been compelled to order inquiries into these incidents but, in the meantime, reports reaching the Capital clearly indicate that public opinion in Calcutta has again swung against the police. If this is true, months of hard work have been nullified and there will be more trouble on the way when elections are held in that unhappy, miserable State.

Governor Dhavan and his aged 'task force' is, to say the least, a very

decrepit symbol of Central power. How he was recovered from the debris of Allahabad and launched upon vital national tasks causes excitement even among the baffled astrophysicists of the elite and the dry-as-dust story of plain nepotism is dressed up in all manner of subtleties. What astonishes is that this coterie of incompetents can sit unperturbed over the kind of brutalities which have been reported.

Politically, even at this late stage, sanctions can be found for locking up the misguided cadres of the Naxalite movement, but any support expressed for political murders conducted by the servants of the state must be denounced in the strongest terms by those who value democratic functioning. In today's situation, democracy must learn to live with violent upheavals and to find palliatives which are civilised. Or else, hidden violence, more terrible and all-embracing, takes over in the tyranny of the state.

In a sense, Naxalite violence, based as it is on the anger and activity of the most intelligent — and, often, the most affluent — sections of the youth, puts the ruling middle-class elites in the dock, forces these elites to come to terms with this violence. This is what is happening in Calcutta. The apparent refusal of large sections of the middle classes to take positions or to come out against what is going on reflects the division within families and households. One layer of confusion upon another confounds Calcutta — and not without reason.

Here is a city where everything is visibly coming to a standstill — whether it is the rate of industrial

growth, the municipal garbage disposal system, or the simple business of making bills or paying bills. A vast city is being allowed to disintegrate, because no one has the courage or grit to cut a path out of the morass. And yet it will have to be done, whoever comes to power, and not only in Calcutta... All over India, one can see the gathering outlines of the shadow of Calcutta. The urban centres are visibly deteriorating and the anger is visibly growing. If it is not Naxalism, it will be something equally nihilistic and violent.

In all the paraphernalia of government, Central and State, there is not one body organised to dissect this major crisis. The pat reply is that there is no money. Yet, when any set of government employees threaten a stoppage, hundreds of crores are 'manufactured' to salvage the situation. When will we learn that there is such a thing as the last straw on the camel's back? Or will we be satisfied with a near zero growth rate?

Sitting in Delhi, we are reminded by the political leadership every day about social objectives. The newspapers give great play to these clichés of the nineteen thirties. We are expected to be stirred when we know that these so-called social objectives are being destroyed by order of the government every day in the Capital — whether in the All-India Medical Institute, now functioning for two months without medicine, or in the official housing colonies where some 500 houses are illegally occupied, or in the central offices where work, real work, was forgotten long ago. It is an unreal feeling to be covering events from here. We seem so unconcerned, so self-satisfied.

Maybe, that's why an early election is so necessary. And, maybe, the Supreme Court will provide the pro-

vocation in its judgment on the executive order derecognising the princes, soon after these lines appear in print. The elections could be linked closely

to the task of reforming the Constitution. A intriguing thought...

November 30

FROM OUR CORRESPONDENTS

NEW DELHI

Chasing Shadows in Steel

THE series of meetings that the Planning Commission is having with the different Central ministries concerned with the implementation of Fourth Plan programmes and projects do not appear to be yielding any worthwhile results. There is a clear absence of communication between the two sides.

The reason for holding these discussions, prior to the formulation of the Annual Plan for 1971-72, is the feeling in the Planning Commission that work on Plan projects and programmes is behind schedule and that the ministries are more occupied with new schemes and in making modifications in the Plan than in carrying out their obligations under the Plan. That no worthwhile results have been achieved by these discussions was underlined by the meeting on steel last week. As happens in such situations, when there was failure to achieve an accord, a working group was set up to "further examine" the problems that had arisen, in particular the new proposal of the Steel Ministry to expand Bhilai from its present capacity of 2.5 mn tonnes to 4.2 mn tonnes instead of to 3.2 mn tonnes as provided for in the Plan.

The issues raised by the Steel Ministry's new proposals for modifying the steel programme within six months of the finalisation of Plan are, however, far wider than merely that of expansion of Bhilai. The Planning Commission's assumptions about capacity and production of steel at the end of the Fourth Plan and about the programme for the Fifth Plan have been completely upset. This need not have happened if the other components in the Plan programme for steel had been carried out with any degree of success. The fact is that in the matter of construction of additional steel capacity and of utilisation of established capacity large lags have been allowed to appear. This is particularly disconcerting in a situation where steel shortage is becoming a major bottleneck in the functioning of the economy. To look at Plan implementation merely from the point of view of the rate at

which the executive authorities are able to spend Plan funds or make investments in new projects and programmes is to evade the crucial issues in planning. Achieving particular levels of production is far more important and it is in this respect that the steel situation is so disconcerting. While a great deal is said about the revision of the steel programme, about the setting up of three new plants in the south, about uninterrupted construction of Bokaro upto the 4 mn tonne stage and about expansion of Bhilai to 4.2 mn tonne capacity and while there is a flurry of activity around these proposals both in the Steel Ministry and among Hindustan Steel's top management, it is already clear that the Fourth Plan targets of capacity and production will not be achieved. There will be large shortfalls and it is not unnatural to suspect that the revisions in the Plan programme being so vigorously canvassed are really designed to cover up these shortfalls.

The Plan has set a target of 12 mn tonnes of steel capacity and 10.8 mn tonnes of steel ingots and 8.1 mn tonnes of finished steel production by 1973-74, besides 3.8 mn tonnes of pig iron for sale. The achievement of these targets was contingent on very tight assumptions about optimum utilisation of established capacity and commissioning of Bokaro's first 1.7 mn tonne stage. The large allocations for construction made in the steel programme might appear very impressive, but the crucial element in the programme was the comparatively much smaller allocation of Rs 45 crores provided for technological improvements, balancing equipment and diversification of the existing public sector plants so that optimum levels of production could be achieved in these plants. It is significant that in these directions no concrete proposals have been presented by either the Steel Ministry or the HSL. The two have been obviously busy with more grandiose things than attending to their running plants. There is a ready alibi in the difficult labour situation to explain away

shortfalls in the output of these plants. But this stock explanation has ceased to be convincing.

Take, again, the question of Bhilai expansion. The Plan provides for a capacity of 3.2 mn tonnes. With the Steel Ministry taken up with the idea of the third stage expansion going up to 4.2 mn tonnes, there is no question of the expansion work being taken up at all during the present Plan. Besides the longer time span required to implement the Steel Ministry's present ideas for expansion of Bhilai, the change envisaged by the Ministry will also upset the Plan calculations about the production of pig iron for sale. Also thrown out of gear is the proposal to set up a plate mill for which a provision of Rs 75 crores is made in the Plan. The plate mill will have to be attached to a unit specialising in flat products; it was, therefore, decided that it should be located at Rourkela or Bokaro. However, the Steel Ministry's revised programme envisages the location of the plate mill at Bhilai as part of its enlarged expansion programme. The effect of it all is that even Bhilai cannot be expected to yield by way of production more than its present established capacity of 2.5 mn tonnes; in fact any additional production from this plant need not be expected now before the closing stages of the Fifth Plan.

It is in this context of the delays now inevitable in achieving the much-needed steel production that the Planning Commission is advocating setting up of smaller billet producing units. This idea has gained ground after the suggestions made by the Central Fuel Research Institute in regard to the proposed plants in the South in the light of paucity of coking coal. It is proposed that instead of integrated steel plants based on the conventional blast furnace technique in which use of coking coal is unavoidable, new processes for the manufacture of steel based on non-coking coal and electric energy might be adopted with advantage. This approach will have the added advantage of making for fruitful utilisation of the large power generation potential of the country as well as the already existing capacity for manufacture of heavy electrical equipment.

The problem of underutilisation of capacity does not afflict only the steel sector. It extends over a wide area. A study of the fertiliser position is revealing in this context. The installed capacity of the plants producing nitrogenous fertilisers is 1.34 mn tonnes. This capacity has been in operation for a



So many delicate young men —



brilliant... dedicated — but misdirected...



Why don't they take to making CARS

sufficiently long time for it to have got over what is so conveniently called "teething troubles". The generally accepted formula for estimating production from new fertiliser units is somewhat as follows: 50 per cent of installed capacity in the first year after installation, 75 per cent during the second year and 90 to 95 per cent in the third year. In fact, however, production as a proportion of installed capacity, taking both public and private sector plants, was only 53.2 per cent in 1969-70. This was bad enough. But worse, during the first four months of the current year the level of production deteriorated to only 48.6 per cent of capacity.

Several reasons are advanced for this

unsatisfactory state of affairs, but little appears to have been done to overcome them. Taking this situation into account, the Planning Commission has been obliged to point out that in the absence of effective action to achieve optimum production from installed capacity and assuming that the new units under construction too behave in the same way as those in production, "only 50 per cent production from the capacity actually built can be depended upon" in future projections of supply and demand. What this implies is that in such vital fields as steel and fertilisers installed capacity would have to be roughly double the production required to meet the demands of the economy!

WEST BENGAL

Police Run Amuck

THE horror that is West Bengal today has struck the whole country, with the wayside discovery of a string of corpses near Barasat, a suburban town only 12 miles away from Calcutta. Irrespective of the mystery about the perpetrators of this heinous crime, the only striking feature of the Barasat butchery is its scale. Otherwise, corpses on the street—whether victims of political vendetta or a police bullet—have long ceased to be a novelty. Indeed, the violence, the sadistic torture, the trampling upon of human dignity and civilised values, that prevail in the city of Calcutta and large parts of West Bengal today bear a close resemblance to developments in the Germany of the early thirties, though with a difference. The violent clashes among political parties that preceded Hitler's coming to power and the Gestapo tortures that followed have been telescoped in West Bengal today. While the official and establishment news media have been doling out stunning statistics of inter-party and political violence, they have scrupulously avoided any mention of unconventional police methods or actions, except for an odd reference to complaints from residents near some police stations that they cannot sleep at night because of horrible cries of agony coming from the police lock-up. Local periodicals have, however, all this time been publishing reports of inhuman tortures of prisoners, like forcing scalding water down the throat, pressing a red hot iron on the back and pushing a stick into the rectum

— to mention only a few methods.

Curfew, raids by battalions of Central Reserve Police on entire localities, the rounding up of people irrespective of age, profession and social position, indignities heaped on men and women and point-blank shooting for the mere crime of writing slogans on the wall have long ago become the normal routine of life in Calcutta and its sprawling suburbs. Emboldened by the generally passive acquiescence of the people, the guardians of 'law and order' moved a few steps further. The Commissioner of Police (known to be a diligent student of military strategy) publicly announced the formation of plain clothes anti-guerilla squads and the West Bengal Government proclaimed the suspension for three months of the provision for routine administrative inquiry into every case of police firing.

The results can be easily surmised—a number of corpses. Some college teachers and members of the Calcutta University Senate have, on the basis of their inquiry, accused the police of nearly a dozen cold-blooded murders. The entire Beliaghata zone went on a day-long general strike in protest against the point-blank shooting of an engineering student under arrest right in front of a large crowd. The Police Commissioner admitted the death of a teenaged healthy boy during his overnight detention in a police *thana*.

Against this background, the Barasat atrocities with all their tell-tale clues have put the police under a heavy cloud of suspicion. For instance:

- (i) After three days of cold storage in a police morgue, the dead boys were identified as 'Naxalites' on the wanted list of the police.
- (ii) Autopsy of the bodies has revealed that the bullets that killed them were fired from service revolvers.
- (iii) A police spokesman subsequently admitted that on the day preceding the discovery of the dead bodies, the police had raided a meeting-place in quest of these boys, on receipt of an anonymous telephonic tip-off.
- (iv) The *Ananda Bazar Patrika*, the largest circulation Bengali daily, with a traditional anti-communist bias, came out with a report that before the police had announced the identification of the dead bodies, that newspaper had got the names of the victims through an anonymous telephone call which had alleged that the police had rounded up all but one of the boys who had assembled for a secret meeting. The informant had also added over the phone that the same boy who had escaped the police net had arranged this tip-off to the *Ananda Bazar*.

These positive pointers, coupled with the fact that the dead bodies were easily carried past the recently set up octroi checkpoints by the liquidators, lead towards one conclusion only. Unless the judicial inquiry instituted by the Government of India or the police investigations under the Criminal Procedure Code can furnish an altogether different account of the gruesome murders, the *prima facie* case against the police cannot be shaken.

Whether the murdered boys were really 'Naxalites' or not, one does not know. Whatever their politics during their rather brief lifetime, by their death they have rendered the people of West Bengal a great service. First of all, the tragedy has shocked the people of this State out of creeping passivity and dejected acquiescence regarding the intolerable condition of life in Calcutta and its environs. Groups, circles, organisations at various levels have started stirring with a view to finding a way out from the present suffocating situation. Secondly, it has forced the Left parties in Parliament and at the State level to make certain concentric, if not united,

moves against police repression and highhandedness.

But, most effectively, however, these alleged Naxalites have served the

cause of Naxalism by exposing the flimsiness of 'law', 'order', 'civil liberties' and all the other frills of our democratic constitution.

The Guerillas of Calcutta

(From a Special Correspondent)

DESPITE the imposition of the modified PD Act and large scale arrests, on average three to four people are dying every day in Calcutta city and its surroundings as a result of police firings and Naxalite actions against CPI(M) cadres, policemen, businessmen and government officials. According to Government statistics, 178 people have so far died since last April as a result of political conflicts. Many of the acts of violence are taking place in broad daylight, in the presence of large numbers of witnesses. An off-duty policeman travelling with his wife in a rickshaw was dragged out of the vehicle and stabbed to death in a crowded street, in front of his wife and scores of people; but no one came forward either to protect the victim during the attack or to identify the assassins afterwards. In one case a school teacher, the wife of a well known trade union leader, was stabbed inside her school; but in this case the other women teachers and the young girls tried their best, though unsuccessfully, to save her from being attacked and were severely manhandled by the attackers. In another incident alleged Naxalites entered the premises of a suburban college and killed a student in the presence of literally hundreds of students. In this instance the assassins were caught and beaten to death by the students. These are but a few random examples of the kind of things happening in Calcutta.

ATMOSPHERE OF FEAR

What these incidents illustrate is the daring nature of the raids, the degree of risk the attackers are taking and also the general atmosphere of fear and apathy prevailing in West Bengal. Whereas the Bengalis were known in the past for their penchant for talking about everything under the sun, particularly politics, in public in buses, trams and restaurants, nowadays they have learnt to keep their mouths shut in public places. Many schools and colleges have taken Naxalite threats seriously enough to postpone indefinitely their annual examinations. In their bid to win over prospective Naxalites, some institutions have gone to the length of

organising examinations with the implicit understanding that no notice would be taken of examinees found copying and cheating in the examination hall.

AMBIVALENT ATTITUDE

So long as the Naxalites confined their attention to the 'revisionist' leaders and members of CPI(M) — according to the CPI(M) so far 107 of their members have been killed by the Naxalites and by the police since March 18 this year —, the other political parties could afford to adopt an ambivalent attitude towards the Naxalite question. In fact Naxalite activities helped them in two ways in their campaign against CPI(M). First, the fear and anxiety created by the Naxalite squads provided the other parties with a good argument against holding a mid-term election. The State has been ruled by the Centre for more than eight months, but most of the political parties are still reluctant to face an election which, according to their calculations, would most certainly strengthen the relative position of CPI(M) at their cost. Secondly, the Naxalites, through their murderous assaults on the CPI(M) as also by attacking the party politically from the 'left', helped to contain the rapid growth in the party's mass following. In a number of areas these attacks have at least partly succeeded in dislocating the organisation of the Marxists.

Recent developments, particularly the Naxalite programme of liquidating individual policemen, businessmen and government officials, in addition to their success in disrupting the educational system, are now forcing the other parties to come out openly against the Naxalites. In the beginning some posters appeared on behalf of some of these parties appealing for tolerance and quoting extensively from the works of Vivekananda, Subhas Bose, Gandhi, Tagore and Indira Gandhi. But since these did not work — for understandable reasons — these parties are now talking in terms of organising armed resistance to Naxalite groups, especially those who attack educational institutions. The Chhatra Parishad, the stu-

dent wing of Congress(R), is now claiming that the Gandhian concept of "non-violence" does not preclude violence in self-defence. The Gandhian, Ajoy Mukherjee, former Chief Minister and Bangla Congress leader, who had earlier advocated sympathetic understanding of the Naxalites, has been in his recent public speeches prescribing the chopping off of the ears and noses of the Naxalites who are caught. But side by side with growing disapproval of the Naxalite tactics and objectives, the leaders of these parties are not forgetting to underline that, in their eyes, CPI(M) is still the bigger menace.

The CPI(M) leadership in West Bengal suspects complicity between a section of the Naxalites and some high-ranking police officers. As evidence they mention that so far only CPI(M) cadres have fallen victims to Naxalite attacks while the other parties have been spared. In many places, they claim, the police have failed to give protection to their cadres even when they were notified in advance about possible Naxalite attacks. In the name of arresting the Naxalites, they claim, many of their members and sympathisers are being arrested, maltreated and sometimes even killed by the police. Whereas in the past, the Government had not hesitated to put the military on the streets of Calcutta on the slightest provocation, it is surprising, they claim, that it is now showing an unusual degree of tolerance in spite of so many murders including the death of over thirty policemen. The CPI(M) sources also ask how the Naxalites could hoard and employ so many firearms and explosives without the police knowing about it.

CPI(M) VIEW

The CPI(M) leadership is also emphatic about several dangerous consequences, from their point of view, of the Naxalite activities. First, these have enabled the Central Government to reintroduce the PD Act in West Bengal. While this is being done in the name of combating the Naxalites, they claim that its provisions will be employed mainly against the democratic movements of the people, and particularly against the CPI(M). Secondly, Naxalite violence has provided the authorities with an excuse to arm the police, including the traffic constables, and the police are now using these arms without restraint. Thirdly, by resorting to isolated acts of violence in the name of Marxism-Leninism, the Naxalites are causing ideological con-

tusion in the minds of the people and are repelling them from mass activities.

When the Naxalites began killing individual policemen, the CPI(M) leadership was forced to explain the new situation in the light of their theory about the complicity between the police and the Naxalites. Their explanation was that these acts were being committed by the anti-social groups which had joined the ranks of the Naxalites, in order to settle personal scores with individual policemen. Otherwise, they ask, why were only low-ranking policemen, mainly constables and sub-inspectors, being killed and no attempt had been made on the life of a single important police officer.

Naxalite sources, however, claim that all the victims of their murder squads are being carefully selected on the basis of their bio-data and that there is no randomness in the way their victims are chosen. No matter how insignificant a victim may appear to the general public, there is always some valid reason behind his being picked out. A source sympathetic to the Naxalites explained to this writer that the killing of individual policemen was the natural reaction to the brutal way Naxalite young men were being treated by the police after their arrest. Another source claimed that the killing of policemen was serving the political purpose of causing confusion and demoralisation in the ranks of the police force. To the extent the police is reacting violently to these murders by resorting to repressive measures against activists as well as innocents, this will serve the political purpose of demonstrating to the masses the essentially coercive character of the present regime.

POLICE TERROR

Whether one accepts the various views about the possible motives behind the killing of policemen by the Naxalites, or not, there is hardly any difference of opinion about the atrocities which are being committed by the police. In the recent past there have been several cases where young men have been found dead in police custody after their arrest. The usual explanations offered have been that the deceased had committed suicide, that he had tried to escape and had been shot or that he had been killed by fellow prisoners inside his cell. While there is no direct way of verifying these stories, in at least two cases these explanations have been found unsatisfactory by the news-

papers and the leaders of various parties and it has been alleged that the victims had been tortured to death by the police. In recent weeks another kind of death is being reported. The police would arrest somebody and on the way to the police station they would be ambushed by friends of the arrested man and as a result of the exchange of fire the arrested man would die. This kind of incident is happening with such regularity, always leading to the death of the arrested man and no one else, that many people are suspecting cold-blooded murder by the police to avoid the trouble of going through court proceedings. Last week four young men were alleged to have been killed by the police immediately after they had been arrested from their houses. Three days before that two brothers, one of them a policeman, were killed while sitting in front of their house, by a police patrol headed by a Deputy Commissioner. The climax was reached four days ago when eight dead bodies were discovered in Barasat, a town very close to Calcutta, all of them tightly bound by ropes and shot from close range. Almost everyone I talked to suspects the hand of the police behind this reprehensible mass murder and most Left parties, including the two Communist parties, have urged a judicial inquiry into this matter. The suspicion is growing because the State Government has recently decided not to hold any inquiry into cases of police firing.

While this is the general situation in Calcutta and several towns of West Bengal, the rural areas are exceptionally quiet these days. Gone are the days of Dehra, Gopiballavpur and Naxalbari where, for some time at least, the Naxalites succeeded in keeping the police away from the 'liberated areas'. The students who were sent to the countryside several months ago for spreading the ideas of Mao Tse-tung have learnt to their cost that it is difficult to export revolution from the towns to the villages. A man from the town, well-dressed and well-educated, is generally distrusted, even if he carries conventional weapons and not firearms, according to the advice of Charu Mazumdar. Slogans like "China's Chairman Is Our Chairman" or "Chairman's China Might be Attacked — Speed up the Work of Revolution" seem meaningless and out of touch with the environment in which the farmer lives. In the absence of local cadres, except in the areas mentioned above where the Naxalite leaders had a long record of active participation in the local life, the

Naxalites are finding it hard to maintain themselves and many of them are now returning to Calcutta.

THE BIGGEST JUNGLE

In contrast, Calcutta — with its vast size, complicated pattern of numerous narrow roads and lanes, impersonal social relations and anti-police tradition — has proved to be the biggest jungle the Naxalites could ever find in India where they can hide, assemble and ambush the enemy. Although not in conformity with the teachings of Mao, which suggest the formation of rural bases to encircle and eventually overrun the cities, the Naxalites are not too unhappy with their present position in Calcutta and the amount of press coverage they are enjoying. The movement itself is gradually taking the character of an urban protest against the wretched socio-economic conditions of Calcutta and its problem of middle-class unemployment. Recently the notorious underworld of Calcutta, particularly its wagon-breaker component, has been making a bid to take over the movement. It is significant that most of the conflicts are taking place in areas adjoining the railway line which runs from Ballygunge through Sealdah to Dum Dum. Recent reports suggest that many of the students who originally sponsored the Naxalite movement in West Bengal are dropping out, after failing to maintain the political character of the movement and its cadres.

Modi Spinning

MODI Spinning has recorded an impressive rise in margins in the year to April last. While turnover increased from Rs 22.70 crores to Rs 24.60 crores, gross profit advanced from Rs 88 lakhs to Rs 140 lakhs. Net profit was Rs 43 lakhs (Rs 26 lakhs) to cover the dividend stepped up 3 points to 12 per cent 1.9 times and to give a return of 3 per cent on the total funds employed in business. All the units worked satisfactorily, except the cloth mill where attempts to produce more synthetic blended fabrics entailed heavy material damages for want of experience. The company is now in a position to manufacture quality synthetic blended fabrics at competitive prices. A Rs one-crore expansion programme has been undertaken at the thread-mill unit which is expected to be completed by the end of 1971.

A Fraternity 'Happening'

Subrata Banerjee

THE complex and diversified role of advertising in a developing economy is at last beginning to be recognised. This was the impression I gathered listening to the discussions at the Seventh Asian Congress held at Vigyan Bhavan, New Delhi, from November 18 to 20. The theme of the Congress was "Advertising and the Emerging Markets of Asia". Both the theme and the timing of the Congress were of some significance. The last ten years have been considered as a development decade for Asia. The seventies seem to hold out the promise of rapid progress towards the fulfilment of at least some of the aspirations for a better life. Advertising certainly has a catalytic role to play in this impending social transformation in Asia.

DEGREE OF TRANSFORMATION

It has been roughly estimated that the potential market of Monsoon Asia, outside mainland China, is constituted of about 350 million people living in families with an annual expenditure of over Rs 1,500 a year. Over half this number live in India. During the year 1965-68, the additional farming income generated in our rural areas amounted to Rs 1,500 crores. Here is an enormous market ready to be tapped. This is a market qualitatively different from what we have been used to so far. It is a market for fertilisers, pesticides, seeds, tractors, farm machinery and implements. It is a market already beginning to change over from mud houses to brick and cement, natural fibres to synthetics, bullock-carts to motorised transport, and to watches, cycles, sewing machines and transistors. In the urban areas too there is change from cereals to packaged foods, to pressure cookers, refrigerators and readymade garments. Synthetic fibres, plastics and transistors have really brought about a cultural revolution. What is true of India is equally true of other Asian countries, except Japan, which is in a class by itself. Only the degree of this transformation varies from country to country.

The obstacles in the way of exploiting this huge emerging market are also the same in most of these countries — illiteracy, inadequate development of media, multiplicity of languages, lack of suitable distribution facilities, and inadequate means of communication.

These questions came out very clearly in the panel-presentation made by the Philippines delegation on non-urban markets.

The Congress revealed an awareness of the huge market potential that exists outside the main urban areas, without at the same time denying the continued importance of the developing urban market with its compulsive need for sophisticated living and for products and services to meet that need. The emphasis, however, was naturally on the rural market.

NEED FOR RESEARCH

The questions that arose were, what is the character of this market and how is it to be reached? The discussion on the need for research led by the Australian delegate D M Jones and the Japanese delegate Kenkichi Oki assumed importance in this context. Jones rightly emphasised the need for both vertical and horizontal research. There is no doubt that despite the emergence of scientific management, a great deal of conservatism still exists. There is a sad inability on the part of management to cope with the changes being brought about by technological developments. This is true of advertising research as well. Jones pointed out the need for advertising research to be viewed with a wide lens, as it were, so that many issues affecting advertising could be brought into focus.

It was interesting to learn that media research is a very recent development in Japan. It was forced upon the media-owners by the impact of TV on mass communications. The role of TV was brought out very forcefully by the British delegate Barry Day during his discussion on creativity, a highly stimulating and illuminating presentation. TV has indeed brought about a revolution in mass communication. Children spend more hours in the USA being informed and educated by TV than at school. TV has even changed the total concept of creativity in advertising. Day exhibited samples of printed advertisements to show how close-ups, changed perspectives, natural framing, brief and pointed copy and even the illusion of movement have become new and effective forms of expression. There is no doubt that TV is going to be a powerful weapon of social transforma-

tion in Asia too. Although the Union Minister for Information and Broadcasting, Satyanarain Sinha declared, in his inaugural address, that commercials would not be allowed over our TV, it is doubtful whether his view will ultimately prevail. If TV is to fulfil its major role of mass communication and education, it can become economically viable only with the revenue from commercials.

The newspaper-owners in India are still indifferent towards research. This came out clearly during the panel presentation on newspaper media and emerging markets. The general attitude of the speakers was that newspapers were still the most effective media, as against the radio. The differences among the newspaper groups, large and small and English and Indian language, that emerged, must have intrigued the foreign delegates. Each group claimed that it was the best medium to reach the rural markets through. J M D'Souza was careful enough to point out the continuing importance of the urban markets, which were served mainly by the English newspapers. K Narendran was frank enough to sound a note of warning about the growing influence of the radio, especially in the rural areas.

INTERESTING REPORT

This refusal to recognise the need for research has probably kept the newspaper-owners away from the national readership survey now being conducted jointly by the Indian Society of Advertisers and the Advertising Agencies Association of India with the assistance of the Operations Research Group. A very interesting report on the scope of the survey and some of the results was presented by a panel led by Morris Mathios.

Discussions in the Congress also revealed a growing awareness of the social responsibility of advertising especially in the developing economies of Asia. As Raj Krishna pointed out during the panel presentation on an Asian Advertising Training Institute, there is a great need to qualify the concept of profit maximisation with social objectives in the developing economies where the ratio of public investment to private investment is much higher than that in the developed countries. This aspect was referred to both by Satyanarain Sinha and the Union Minister of State for Information and Broadcasting, I Gujral. Obviously the immediate task in the emerging markets of Asia, especially in the rural areas, is not to en-

courage spending on consumer goods for a higher standard of living, but for inputs required for higher production. Thus alone can the aspirations of better living be ultimately realised. This demands an entirely different approach towards advertising—selling not merely products and services, but a totally new concept of life.

The awareness of social responsibility was effectively projected through a multi-media presentation on the social problems of Bombay, by a team representing the Advertising Agencies Association of India. The theme of the campaign was "Bombay is Dying, Help". The objective was to rouse the consciousness of citizens and motivate them towards action to improve the living conditions of the city, faced with all the problems arising out of rapid development. It is a very well conceived and executed campaign and needs to be launched immediately. At the same time I could not help feeling that in the context of the theme of the Congress a subject with a rural bias would have been more appropriate. Family planning is one subject that comes to mind. A better subject probably could have been rural banking, with its wide spectrum of savings and development loans combined with education on wasteful spending on social customs, such as weddings, funerals, etc., in the context of higher production as a means to better living.

It was inevitable that such a subject did not come up. The advertising profession in most Asian countries is still dominated not only by urban interests, but by people who are highly Westernised. This was very clearly brought out by the panel presentation on training by the Malaysia-Singapore delegates. A Western orientation in the approach to advertising in the Asian countries makes it difficult to grasp the grass-roots problems arising out of local culture. The question of an Asian approach, of an Asian idiom, was very sharply raised at the Congress. The general feeling was that Western techniques need to be wedded to Asian experience. Stripped of its metaphysical overtones of an "Asian mystique", Som Benegal's plea for the creation of an advertising philosophy and concepts pertinent to Asia, in his opening speech on the panel presentation on an Asian Institute for training in advertising has a certain validity.

The need for training assumes importance in this particular context of the specific needs of the emerging mar-

kets of Asia. These needs are different from those of the advanced countries of the West. There is probably an element of commonality even with highly developed Japan, as far as the culture, customs and traditions are concerned. Selling products and services cannot be successful unless the message is communicated in the language of the consumers and in accord with concepts which are a living expression of age-old customs and traditions. If this is true, how much more vital is it to bear this in mind when the task of advertising in Asian countries is also to sell a new concept of life and motivate individual and collective action on a wide spectrum, towards its realisation.

It is this which gives validity to the question of an Asian approach to creativity. It was in this context that Patrick Chee of the Malaysia-Singapore delegation spoke of the need for Asian art in advertising and for Asian graphics to establish their identity. Raj Krishna too rightly emphasised the need to use symbols which had empathy with the Asian masses.

The decision of the Congress to set up an Asian Institute for training in advertising thus came as a logical conclusion to the issues raised in the course of the discussions. Another welcome decision was that to set up a floating secretariat for the implementation of the decisions and for co-ordination and organisation of future congresses.

Both Keshub Mahindra in his presidential address and Surinder P S Pruthi in his summing up drew pointed attention to the need for closer economic co-operation between the developing countries of Asia, the opening up of markets to each other and the need to seek access to advanced markets on a non-reciprocal basis. In this context Sanat Lahiri's suggestion of the grouping together of Asian markets at different stages of economic, marketing and media development seemed a realistic approach.

Many important issues related to advertising, marketing and social communication in the emerging markets of Asia were raised in course of discussions in the Congress. Unfortunately, there was no attempt at finding concrete solutions to the problems raised or ways and means for meeting the exciting challenges of the decade of the seventies. This was mainly because of the poor and unimaginative planning of the Congress. There were many good speeches, very sophisticated presentations, especially the opening multi-media audio-visual pageant on the theme of

the Congress, but at the end one wondered what it all led to. There were too many speeches and the panel discussions were not at all well-planned. As a result none of the issues raised could be discussed in depth. For instance, India could have made quite a good contribution on the use of unconventional media, concretely establishing the concept of Indian symbols of expression in social and marketing communication. The need for research could have been given a direction with the help of sociologists. What was really necessary was to define very clearly the subjects for discussion so that one could reach concrete conclusions, leading to action. The issues emerged, the challenges were posed, in spite of the lack of direction, because they are such live and vital issues of the time. Everything really remained on a superficial level highlighting once again the superficiality that is still a basic characteristic of the advertising scene, at least in India. The presentation made by our advertising experts did certainly show a maturity in the handling of the media of expression, a technical expertise of a high level, but it was something imposed from above, and not rooted to the soil. This is the tragedy not only of advertising but of the entire range of mass communications in India today. If the challenges of the seventies are to be faced, if the national aspirations are to be fulfilled, advertising and mass communications in India have to reach greater depth and achieve greater dynamism. The Seventh Asian Advertising Congress brought out the weaknesses of our advertising and mass communications very glaringly.

The lavish entertainments, the vulgar display of conspicuous spending, were really an expression of the reality of the situation as it exists today. All the pious words that echoed in the spacious, air-conditioned hall of Vigyan Bhavan, could not hide the hollowness of the loud-mouthed concern for bridging the gap between the rich and the poor, for the deteriorating conditions of living in a metropolis such as Bombay, and for the need to participate in and motivate social transformation. Our communication technologists still live in a world of their own far away from the realities that are shaping around them. These are harsh words. But this truth was revealed so sharply in the Congress that I cannot but give expression to it. In the final analysis, the Seventh Asian Advertising Congress was another great "happening" which the Indian advertising fraternity is so good at organising.

Little Understanding, Less Information

Nireekshak

INDER Gujral's latest remarks in the Rajya Sabha on the proposed new "international news agency" lend themselves to only one inference, namely, that the Government has no clear idea as yet of what it wants or how to go about getting whatever it wants. The Minister of State for Information has often in the past made rambling references to the need for having a news agency which would disseminate objective information from and to India and expressed Government's anxiety to see one established. Neither he nor any other spokesman of Government has, however, thought fit to spell out any concrete suggestions for organising such an agency, or otherwise indicated how Government proposes to attain its objective. Was this to be done by setting up an entirely new agency or by reorganising one of the existing four to conform more closely to the requirements in view? Is the Indian Press capable of supporting a fifth agency when it seems unable to support adequately even the two major ones now in existence and the other two, both Indian language agencies, which are still in their infancy and in bad shape? If an officially favoured agency comes into being, how will Government subsidies for other agencies be affected?

ONLY DARK HINTS

Beyond throwing some dark hints off and on in the past about converting the existing agencies into public corporations, Government has not sought to answer any of these questions, if indeed it has asked them. Gujral's Rajya Sabha statement has unfortunately only added to the confusion for, contrary to the implication of his earlier remarks, he now says "the Press Commission did not recommend that Government should change the ownership structure of newspapers and news agencies" and that the Commission "apparently wanted this change to be brought about by the present owners of newspapers and news agencies" themselves. Suppose the present owners have no intention, as seems to be the case, to make any voluntary changes along desired lines, what then? And if the Government is so helpless as Gujral's new stand suggests, what is

the point of all this loud thinking, if the Information Minister's periodical excursions into the field of Press reforms can be charitably so described?

The fact is, of course, that Government is far from being helpless. More than some newspapers, which are not economically viable, news agencies depend on Government, or its various agencies like All India Radio for a large slice of their revenue. It is quite conceivable that but for Government subsidies, or "subscriptions" which seems to be the favoured word, none of the existing agencies with the probable exception of the United News of India (UNI), if that, will be able to function even at their present level of efficiency and competence, which are acknowledged not to be very high. But as *National Herald* observed a few weeks ago, "in providing funds, evidently for services, the Government have missed the essential need of proper ownership and adequate operation, apart from quality". An "international news agency" cannot be wished into being even by an all-powerful Government, unless, perhaps, it is conceived as an extension of the Press Information Bureau and All India Radio put together, in which case it will have few voluntary subscribers anyhow.

At least two international agencies whose services are availed of by the Indian Press, Reuter and Agence France Press, owe not a little of their present worldwide patronage to history, that is, to the existence until very recently of the British and French empires and the need to service them with information. An Indian international news agency cannot obviously hope to establish itself by duplicating this example. When Gujral speaks of an Indian agency disseminating information "from" India, which implies the ready availability of subscribers abroad, he speaks with little knowledge of the functioning of news agencies. India probably has some advantages in offering competition to established agencies in certain areas of the world where, as in India itself, these agencies are looked upon with suspicion and are tolerated only as a necessary evil. It is doubtful, as *National Herald* argued (Nov 10), whether the Indian Press

THE FOURTH ESTATE

"can sustain even two" of the existing agencies, though this was what the Press Commission envisaged, let alone four or five.

The *Herald* did a signal service by making some trenchant comments on Government's "vague and dismal talk" on this question. "An international news agency", it wrote, "must satisfy the test of being international, which must first have a national basis, and the test of being a news agency, which means news gathering and not wool-gathering and dissemination of news and not distribution of Press notes... If Ministers are serious let them talk seriously, instead of seeming to indulge in kite-flying". Since the comments in the *Herald* were written before Gujral's statement in the Rajya Sabha, it is clear that the Government is still very far from any serious talk. Or are we to assume that, with Gujral transferring responsibility to the present owners of newspapers and news agencies, Government has now washed its hands off the whole thing? Certainly, Gujral's statement that "Government will encourage the formation of such [an] agency" seems to leave the initiative in hands other than Government's.

THE MISSING CYCLONE

The hopeless inadequacy of our existing news agencies was illustrated anew only the other week when, what has been described as the greatest cyclone disaster of the century, struck East Pakistan, almost within earshot of Calcutta. Compared with accounts in the British Press, and possibly others which I have not seen, only the scantiest reports have appeared in the Indian Press. Even the little information that was available was featured in a desultory fashion, as though news editors regarded the loss of some 3 lakh human lives, besides other destruction and suffering, as a common occurrence! While the British newspaper, *The Guardian* for example, led with the news in a six-column spread including a photograph on its front page on Nov 16, and repeated the performance at least once again, very few Indian newspapers regarded the news as worthy of lead display! The metropolitan papers were the worst offenders in this respect.

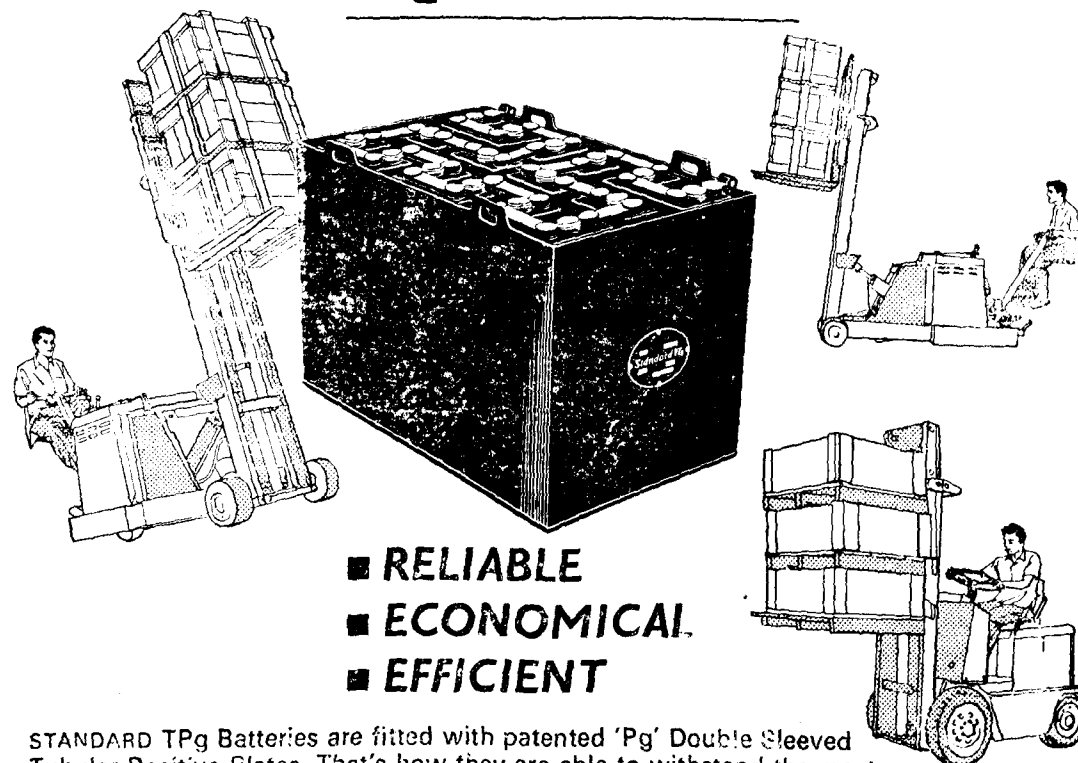
In contrast, *Nagpur Times* featured the news under an eight-column banner headline on Nov 16 and again the next day; *Searchlight* and *Indian Nation* did likewise. *Mail* also led with the story (four columns) on Nov 15, and so did

Hindustan Standard on the seventeenth though it — a Calcutta daily — could muster only a three-column headline. And these were exceptions to the general rule. It is true that Pakistan presents special problems of communication for Indian newspapers, as no Indian correspondents are allowed inside Pakistan, but then *The Guar-*

dian managed to do very well indeed with reports only from Reuter and probably also from AP, both of which were available to all the big Indian newspapers. This was probably a case of sub-editorial inefficiency more than anything else, but it does show how totally dependent we are on foreign sources for information about events

even in our own immediate neighbourhood. One noticeable result of inadequate information about the cyclone was that editorial comments were uniformly pedestrian; in the absence of facts writers were obviously left to fall back on their reserves of sympathy and compassion for human suffering generally.

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MARKETS

No Satisfactory Explanation

Nishtar

NEITHER Foreign Trade Minister Mishra's announcement of Government's decision to import another 5 lakh bales of cotton in addition to 8.25 lakh bales originally scheduled, nor the Indian Cotton Mills' Federation's decision to resort to a voluntary/statutory 15 per cent cut in fibre consumption and a block closure for 15 days, which of course is subject to the Government's sanction, has had the slightest effect on the market. Cotton prices have, on the contrary, soared to new high levels. But this need not cause much surprise. One did not expect the market to respond quickly to the Government's decision on additional imports when even out of the 8.25 lakh bales' quota announced very early in the season, nearly half the quantity has still to be issued and physical imports against the quotas already released had amounted to only a little over 36,000 bales up to the end of October. As for self-discipline by mills, it has always been honoured more in breach than in observance. It should be obvious that if the Federation were reasonably sure that voluntary restraint would work, it would not have urged the Government to authorise the Textile Commissioner to "issue necessary orders to bring about a statutory reduction of 15 per cent in consumption of all fibres by each mill". This speaks very poorly for the Federation.

On November 26, the committee of the Indian Cotton Mills' Federation discussed the "very grave" cotton situation with representatives of the top 20 mill groups and decided "unanimously" to "plan out a programme of block closure" if the Government "cannot immediately arrange for a definite import programme of additional five lakh bales of cotton/staple fibre", and, in the meanwhile, starting from December 14, to voluntarily reduce consumption of cotton and all fibres by 15 per cent by "whatever method each mill may decide". The Government has been approached for enforcing the cut on a statutory basis. The Federation has also requested the Government to arrange for "maximising production of staple fibre by existing units" by extending every possible assistance.

Completely unmindful of the Federation's concern over soaring prices and its decision to reduce consumption to

tide over the cotton shortage, mills, big and small, continued to be active buyers of cotton. Traders reported a scramble for whatever cotton was on offer on a ready or forward delivery basis. Between November 26 and 30 alone cotton prices rose further by Rs 100 to Rs 200 a candy. With the Federation describing the cotton situation as "very grave", the market's behaviour could not perhaps have been different.

No really satisfactory explanation has been offered for the drastic revision of crop estimates to 55/57 lakh bales so soon after the wise members of the standing committee of the Cotton Advisory Board had estimated the crop at a minimum of 60 lakh bales. Most observers seem to have based their revised estimates on the unsatisfactory flow of arrivals in certain centres, particularly in Vidarbha. But this may not be a dependable guide. For arrivals can be small even when the crop is normal but is withheld from the market in anticipation of a further rise in prices. Only a careful on-the-spot study can reveal the correct position.

The shortage resulting from partial failure of the crop needs to be clearly distinguished from the temporary imbalance in demand and supply resulting from delayed arrivals or speculative excesses. This is essential for a proper treatment of the malady. With cloth a sellers' market, cotton prices can boom even when the crop is normal and the supply position is not bad; good it has never been. Industry's requirements far exceed indigenous production plus normal imports involving considerable expenditure of valuable foreign exchange.

Industry should thank Government for conceding its demand for additional imports. If cotton prices have continued to rise even after the announcement of Government's decision to import a record 13.25 lakh bales this season, it is perhaps because the market is not quite sure about the implementation of the import programme. Prompt announcement of the import quota is sure to have a salutary effect on the market and cotton prices can be expected to drift lower when foreign cotton starts arriving in quantity. If New Delhi is really earnest about arresting the runaway boom in cotton prices, it

should rush with a global quota, especially if it expects some delay in obtaining supplies under PL 480.

With the proposed import of 13.25 lakh bales of cotton, industry can feel assured of reasonably satisfactory supply in the current season. It should not be difficult to tide over the current acute shortage without having to resort to the proposed 15 per cent cut in consumption, let alone the highly controversial block closure. The Textile Commissioner has vast powers to enforce strict discipline on mills to meet any situation. Will he rise to the occasion?

Significant Pause

STOCK markets presented a different look last week. Their overall behaviour was suggestive of a significant pause in the downward trend which had been in progress since about the beginning of October. This was not unexpected. The virtual non-stop decline had brought the market back to its mid-July base from where it had launched its last major bull campaign and in the process it had retraced nearly a third of the distance between its January low and subsequent high in October. The recent carry-forward charges pointed to a marked improvement in the market's technical position. The decline in offerings at lower levels imparted a measure of steadiness which in turn induced short covering and selective support. There were also reports of institutional buying in selected counters. Cash shares led the week's rally; cleared securities seemed merely to follow. For the first time in many weeks, the market wound up the week with so many plus signs and gains recorded by some shares were indeed impressive.

While the rally was induced essentially by technical considerations, corporate news also came to the market's rescue. A good many companies announced pleasing news for their shareholders by way of improved results, larger dividends and bonus issue. These included West Coast Paper, Pfizer, Alkali and Chemicals, Associated Battery Makers, Strawboard Products, Ballarpur Paper, Titagur Jute and India Forge — to mention some names. But apart from good corporate news, there was little else in the week's news to cheer the market. The news was, in fact, bearish. The rejection of Century Mill's renewed application for

bonus issue lent support to earlier reports that the Government had decided to follow a tight policy in respect of bonus issues. Century's plea that it had applied for the bonus issue before the new guidelines came into force has not found favour with the Government. The cotton mill industry talked of a block closure to tide over the cotton shortage. There were reports of drug prices being slashed further. Central finances were reported to be in bad shape and fears were expressed that the budget deficit in the current year might rise to Rs 250 crores against Rs 90 crores last year. Reports from West Bengal indicated steady deterioration in the law and order situation. Industrial unrest continues to be on the increase and the jute industry is threatened with an indefinite strike.

Big business is not happy with New Delhi's 'experiment with radicalism' in industrial licensing, but the stock market seems to have derived some comfort from reports that the procedure for clearing applications for industrial licences by the big business houses has been finalised and that big business houses may be given licences even though they attracted the Monopolies Act if they satisfied the "national interest" provision in the Act. New Delhi's decision to allow imports of scarce categories of steel worth about Rs 60 crores during the current financial year has been welcomed as it will provide the much needed relief to the engineering industry. The stock market has paused to allow technical forces to have their full play. How far the current rally might go, it is difficult to say. It is too early to say whether this rally will mark the end of the corrective phase.

No Cooling Off

THE oilseeds market has turned somewhat erratic but there has been no cooling off of bullish fervour. Bulls continue to have a firm hold over the market but they have been inclined to cash profits. Groundnut oil and castor futures have improved upon their previous week's high, though by only small margins. Considering how high the ruling prices are, it is not surprising that the pace of advance has slackened.

Normal and very satisfactory, groundnut oil arrivals have been readily absorbed by vanaspati manufacturers. Bullish sentiment has been aided by the Government notification allowing export of hydrogenated and refined

groundnut oil on a first-come-first-served basis. Since Indian prices are quoted about £ 60 to £ 65 a tonne higher than world parity — the disparity would be still greater after taking freight into consideration — no worthwhile business can take place without substantial export assistance in one form or another. New Delhi cannot be unaware of this fact. Is one to believe that the Government is reconciled to offering the requisite export assistance? One hopes not. For even small export business can have a highly exaggerated bullish impact on the market.

Yet another factor which contributed to the renewed marked firmness in the market near the weekend was the possibility of the Gujarat Government

again banning the movement of groundnut and groundnut oil outside the State. Agitation against high groundnut oil prices within the State has been steadily growing. But it would be unfortunate if supplies of groundnut oil from the surplus Gujarat State were to be shut out as it would boost edible oil prices in centres which depend on Gujarat for their normal supplies.

Inquiries with informed sources indicate that Washington has at last indicated its willingness to make available to India 90,000 tonnes of soyabean oil under PL 480. Out of this, 30,000 tonnes are to be purchased very shortly. India is also assured of sufficient supply of mutton tallow. This should have a restraining effect on edible oil prices in course of time.

COMPANIES

From Riches to Rags

Hansavivek

GAMMON INDIA continues to disappoint its shareholders. The Rs 10 shares, which the shareholders purchased at Rs 17 each when the company made a public issue in 1962 and the 'right' shares purchased at Rs 11.25 each on a one-for-five basis two years later, are now quoting at around Rs 5.84 each. Although the company made a gift of free shares in 1967 in the proportion 3:25, shareholders have now had to go without dividends for the fourth year in succession. In the preceding five years too, dividend was reduced from 16 per cent to 9 per cent. In the five years before the public issue, the company had paid dividends ranging between 20 per cent and 35 per cent. In addition to the tempting dividend record, investors were attracted to the public issue because the company had been in existence for four decades and because two top-class stockbroking firms (one in Calcutta and one in Bombay) managing the issue had enthusiastically supported it.

During the year ended March 1970, the value of completed contracts rose from Rs 5.85 crores to Rs 6.29 crores, but the outcome was a trading surplus of less than a lakh compared to Rs 21 lakhs previously. Since depreciation alone required Rs 31 lakhs, provision for this has been possible from Rs 39 lakhs realised on sale of investments. After writing back Rs 2 lakhs from development rebate reserve, Rs 11

lakhs were provided for the capital gains tax. The net result was that the deficit brought forward from last year edged up to around Rs 5 lakhs.

Notes annexed to the accounts reveal an even more depressing picture. Interest accrued on fixed deposits and unsecured loans amounting to over Rs 2 lakhs has not been provided for; also provision for bonus has not been made in accordance with the provisions of the Bonus Act. (The company's contention is that this Act does not apply to it.) Further, Government's sanction is yet to be obtained in respect of the balance of Rs 1,36,005 due from a director, while no adjustment has been made for the recovery of Rs 31,459 excess remuneration paid to one of the directors in 1966-67 (and disallowed by Government) as "the matter is still under correspondence."

The directors' report ascribes 1969-70's results to rising costs of materials and labour which "cannot be passed on to our government clients under the terms of our contracts". Settlement of account for the civil engineering work at Korba thermal power station, executed during 1962-68 for MP Electricity Board, is under dispute and has been referred to arbitration. Since last April, the company has secured contracts worth Rs 1.92 crores bringing the total work load now to Rs 19.74 crores; but some of the large contracts, especially those in West

Bengal and Bihar, have been "badly affected" by labour troubles.

It may be recalled that three additional directors (B P Sinha, B E P Broughton and K N Tapuria) were appointed in October 1968, while there had been rumours about a change in the controlling interest of the company. All three, however, resigned in less than three months, a day before the annual general meeting at which they were to be reappointed. The auditors, A F Ferguson and Company, also declined to seek fresh appointment.

PREMIER AUTOMOBILES' results for the year to June 1970 are poorer. They show a drop in gross profit, from Rs 28 lakhs to Rs 18 lakhs, despite rise in turnover from Rs 30.64 crores to Rs 32.91 crores. Diminution of margins is attributed to rise in costs and to the "unremunerative" price of cars. No provision has been made for the depreciation of Rs 1.54 crores; arrears on this account have now mounted to Rs 5.84 crores. In addition, there is a contingent liability of Rs 15 lakhs for investment in partly-paid shares. There have been "indeterminate" demands for further bonus and other claims, by employees over the past few years, some of which are pending before industrial tribunal. Dividend is skipped for the fourth year in succession. The 6 per cent dividend declared for 1965-66 was challenged in court, and the matter is still *sub judice*. One of the creditors also objected to this dividend and, instead, sanctioned distribution upto Rs 19 lakhs only. A compromise scheme, for payment of dividend at 2.5 per cent, was approved. The company filed a petition for sanction of the scheme. The High Court ordered that the petition be placed for hearing after the city civil court suit was disposed of. During the year, production of trucks was 3,957 (3,794) and of cars 12,083 (12,225). Sale of petrol trucks was 1,479 (1,140) but of diesel trucks 2,457 (2,587). Number of Fiat cars sold was 12,034 (12,220). There was considerable difficulty in obtaining supplies of raw materials and components. Supplies of engines were restricted throughout the year. Shortage of steel affected not only the company's own production but also supplies from ancillary industries, and thus raised costs. The company has been experiencing financial stringency, and is seeking rescheduling of debt repayment due in 1970 and 1971. Of the fixed deposits of Rs 83 lakhs due for repayment, only less than Rs 10 lakhs could

be paid in 1969-70. Against the credit arrangement for Rs 18 lakhs with Fiat of Italy, consignments amounting to a little over Rs 15 lakhs were shipped during the year. All the instalments due thereon have been paid up. The company hopes that fair prices will be fixed for its car. A commission was constituted for this purpose by Government, and is expected to complete its report by the end of December 1970.

RICHARDSON HINDUSTAN is making good progress in its research activities. Its pharmaceutical research centre has produced two ingredients which were hitherto imported. The chemical research centre has perfected the process for manufacture of peppermint oil of pharmaceutical quality on commercial scale; this product is being used by several manufacturers of cosmetics and pharmaceuticals in place of the imported one. The agricultural centre at Bilaspur, in UP, is now engaged in improving the quality of suckers and obtaining greater per-acre yield of menthol. This centre was able to enthrone some 400 local farmers in the Terai region to bring large acreage under mentha cultivation. Consequently, the company was able to produce twice the quantity of mentha oil in the year ended June 1970, compared to the preceding year. Having obtained the first export order of menthol crystals from Philippines, RH is hopeful of securing good export business in the coming years. During 1969-70, a new product for treatment of anaemic conditions was marketed in a selected area and two new products were added to the line of ethical specialities. Sales increased, from Rs 282 lakhs to Rs 358 lakhs, and gross profit from Rs 49 lakhs to Rs 63 lakhs. Net profit was Rs 30 lakhs (Rs 24 lakhs) to provide a cover of 4.2 times to the maintained dividend at 10 per cent (all of which is exempt from tax) on the capital as enlarged by the issue of bonus shares on a two-for-five basis. Return on the local total funds employed in business worked out at 10.7 per cent.

JAYANT PAPER, having completed the first expansion by installing a plant with a capacity of 5 tonnes per day, is seeking permission for further expanding capacity by 25-30 tonnes a day to raise annual capacity from 6,720 tonnes to 15,720 tonnes. Application has also been made for a licence for import of plant and machinery. Meanwhile, with a full year's contribution from the second plant and the increase

in selling prices, the tenth year ended June 1970 has proved more profitable to the company. Production was up from 4,921 tonnes to 6,504 tonnes, and sales expanded from Rs 69 lakhs to Rs 104 lakhs. Gross profit was Rs 21 lakhs against Rs 12 lakhs and net profit Rs 8 lakhs against Rs 6 lakhs. Dividend raised by a point to 10 per cent was covered threefold and return on total funds employed in business worked out at 9.6 per cent. The board has also recommended a gift of free shares on a one-for-five basis. From January last, the company is receiving gas supply from ONGC.

KHATAU MAKANJI SPINNING has taken in hand a Rs 3.25-crore plan of replacement, rehabilitation and modernisation of plant and equipment to maintain its position in a competitive market and improve its image as a quality manufacturer. The plan is to be financed partly from internal resources and partly from guarantees under deferred payment terms. Orders worth Rs 1.40 crores have already been placed. During the year to June 1970, the company had improved results, with increase in turnover from Rs 10.09 crores to Rs 11.12 crores and in gross profit from Rs 93 lakhs to Rs 128 lakhs. Net profit was Rs 38 lakhs (Rs 28 lakhs) and provided a twofold cover to the 12 per cent equity distribution and a return of nearly 6 per cent on the total funds employed in business.

HINDUSTAN DOWIDAT TOOLS has reported, for the fifth successive year, increases in production and sales accompanied by a more severe squeeze on profits. This situation is blamed on non-availability of steel and 'constant' increase in manufacturing costs. In the latest completed year, ended March 1970, production was 32 per cent higher and sales increased by 13 per cent to a new high of Rs 78 lakhs. But turnover even at this level is very low, considering that the total capital employed in business amounted to Rs 145 lakhs. On this turnover, moreover, apart from other overheads, commission to selling agents and trade discount alone syphoned off more than Rs 11 lakhs. No wonder, then, that the outcome was a net deficit of Rs 1,34,261 against a surplus of Rs 2,92,058 previously, after providing for depreciation. Equity dividend is once again skipped, and distribution on preferential capital will be made out of past reserves. To exercise better control, new machines worth over Rs 7 lakhs have been added to balance all departments to increase production capacity.



THIS IS ONLY ANNOUNCEMENT AND NOT A PROSPECTUS

Announcement regarding the issue of 1,50,000 equity shares of Rs 10/- each.

Persons interested in full details may obtain copies of Prospectus and application forms from the Company's registered office or from the office of the Brokers, Underwriters and to the issue mentioned hereinafter.

The subscription list will open at the commencement of banking hours on Wednesday the 9th December, 1970, and will close at the close of banking hours on Friday the 18th December, 1970 or earlier at the discretion of the Directors in any case, not before the close of banking hours on Friday the 11th December 1970.

HINDUSTAN GARMENTS LIMITED

(Incorporated as a Public Limited Company on 14th September, 1970, under the Companies Act, 1956)

REGISTERED OFFICE at 3 Cavalry Lines, Delhi-7.

PROPOSED ACTIVITIES OF THE COMPANY:

The Company has been promoted mainly to manufacture and market Ready-made Garments like Shirts, Bush-Shirts, Jeans and Trousers, Pyjama Suits, etc., all with both cotton and man-made fabrics as also to manufacture and market hosiery goods, viz, Vests and Underwear.

The Company has also been established with the object of carrying on business of manufacturers, importers and exporters, wholesale and retail dealers of and in men's women's and children's clothing and wearing apparel of every kind and in hosiery goods of every kind.

The Company has also been established to carry on the business of dealers and manufacturers of all kinds of carpets, durries, mats, rugs, namdas, blankets, shawls, tweeds, linen, flannels and all other articles of woollen worsted material. The factory of the Company will be situated in Sonapat, 30 kilometres from Delhi. The imported machinery has already arrived. The Company hopes to put its products on the market by March 1971.

British Van Heusen Limited have already entered into a collaboration agreement with London Wear Ltd. for supply of technical assistance for the manufacture of ready made wearing apparel. Hindustan Garments Limited have entered into an agreement to purchase all the shares of the London Wear Ltd. by virtue of which, the latter would become a wholly owned subsidiary of the Company.

The Collaborators will help promote the exports of the company through their wide network of distributors, agents, stockists and regional offices. The Collaborators, will also send their senior technicians to impart training to Indian personnel and to help in the start up of the factory. They will also train Indians at their Works in London.

The total textile output in the country is valued at approx. Rs 700 crores per annum. The total rupee value of shirt consumption is estimated at Rs 540 crores annually. The demand is expected to grow at the rate of 20% per annum, 13% volume expansion and 7% value inflation (as against 12% growth in the past three years). Apart from the domestic market the company will also tap foreign markets with the help of the Collaborators. The company expects to sell ready made garments worth Rs 50 lakhs in the first year going up to over Rs 3 crores in the fifth year.

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REVIEW ARTICLE**Caste and Politics**

I P Desai

Yogendra Singh

Caste in Indian Politics edited by Rajni Kothari; Orient Longmans, 1970; pp x + 380; Rs 35.

THIS volume is concerned with unfolding the role of caste in Indian politics from a new perspective and with a new methodological focus. The context of analysis too is different: it has moved from the microcosm to the macrocosm, from a single village holistic study to multiregional comparative analysis and from analytic description to analytic classification and testing of hypotheses. This fresh perspective has slowly emerged in the recent caste studies by political scientists. The collection of various efforts in Rajni Ko-

thari's volume brings them in one place and the editor's introduction unfolds the unity underlying these efforts and also puts forth coherently the new orientation of these studies.

Nine empirical studies of caste and the political structure and process in India have been included in this volume. Yet, the book has a unity. The exposition of this unity is made by the editor in his introduction. That also speaks for the editorial effort put in. The issues raised in the introduction give meaning and significance to each contribution. A careful perusal of the

introduction is therefore necessary:

Kothari raises some basic questions of approach to the study of political phenomena and of the relation between social structure and the polity. He refers to a 'cognitive hiatus' that has resulted from thinking on caste in terms of dichotomous conceptual models. He suggests that adaptive processes of caste transcend the social scientists' intellectual predilections and their cognitive 'inhibitions'. He mentions three prominent approaches to the analysis of caste in relation to politics. First is the approach of the doctrinaire modernisers: whether caste is disappearing or not. This, to his mind, is a false question to ask. A more relevant question to ask may be: what form is caste taking under the impact of politics and how do political processes get transformed in a caste-oriented society?

Secondly, writers take an instrumental view of caste and politics. Here po-

ECONOMIC AND POLITICAL WEEKLY

itics is treated as a mere projection of the social system without an autonomous existence. This view, according to Kothari, suffers from a reductionist fallacy. Thirdly, there is a definitional approach where focus on caste and politics is in terms of conceptual models, such as "from caste to class relationship" or in a pure ideological framework. The value premises inherent in this approach tend to vary. For example, caste may be termed as reactionary or a thing of pure 'essences' or contrariwise, in a process of democratic 'reincarnation', as in the work of the Rudolphs. Here, instead of facts impinging upon the model it is the model which imposes itself upon facts presented through neat categories. According to Rajni Kothari, "the caste-politics problem in India is not a problem of definition but clearly one of empirical understanding of a competitive and mobile system which could give us a reasonable model of social dynamics" (p 7).

CASTE-POLITICS RELATIONSHIP

There are three important levels at which, according to him, caste-politics assumes significance. There are, first, 'secular aspects' which consist of 'governmental' and 'political' elements in the relationships within and between castes in their political matrices. Then, there is the 'integration aspect' where caste tends to be relevant to politics through differentiation and agglomeration in its form. Finally, caste enters politics through the 'consciousness aspect' highlighted by its symbolism and value structure. This is where symbolic gestures for cultural mobility such as 'sanskritisation', 'westernisation' and 'secularisation' assume or disguise political overtones in their manifestation. These three aspects work together, and the interaction of caste with politics evolves in a rough sequential order.

To begin with, the stage is set with monopolistic power of 'entrenched' castes which soon evokes a bilateral response of an 'ascendant' caste that challenges their power. This leads to the second stage wherein the process of competition within the entrenched castes for access to resources that are scarce leads to their fragmentation. This is the stage of 'factional politics' of caste; it also might result in the formation of 'caste federations' or system of 'co-option' from other castes by a dominant caste. The third stage is, however, set when due to weakening of caste structure from within and proliferation of other secular structures from without

the bases of political networks and their support structures shift from the caste to the non-caste sector through growth of technology, education, urbanisation, etc. This structure could be a class, though not necessarily. It may take varied transitional forms.

HOPEFUL NOTE

This leads Kothari to add a hopeful note to his analysis of caste and political system in India. He says, "An impression prevails that whereas things like education, urbanisation and industrialisation were making inroads into traditional sectarian loyalties, electoral politics have resuscitated them and re-established their legitimacy, and that this has given rise to disintegrative tendencies that will disrupt the democratic and secular framework of the Indian polity. Evidence is cited from the behaviour of political parties, all of whom invoke primordial sentiments and organise their support on the basis of pockets of caste influence. Now, much of the evidence cited, though exaggerated, is often true; what is not true is the inference drawn from it. For in reality the consequences of caste-politics interactions are just the reverse of what is usually stated. It is not politics that gets caste-ridden; it is caste that gets politicised". (p 20)

Kothari discards the tradition-modernity model. It is becoming fashionable to discard it. But he has an alternative suggestion. He accepts "change" as a point of reference rather than any necessary reversal as was presumed in the other model; and he seeks to characterise the dimensions of this change. While he avoids the question of the direction of change which was implicit in that model and instead takes the safer position of concentrating on the process of change, his emphasis is not misplaced inasmuch as both "traditional" and "modern" in the other model were presumed to exist in a vacuum. Kothari is right in saying more simply that there is a dialogue between the old and the new. The terms of this dialogue are and should be pragmatic and developmental. Pragmatic is understandable. It means manipulation of the environment with reference to immediate and specific ends. But "developmental" has become a cliché, one function of which is to avoid saying where we are going. Developing into what? That which is always something distant, not very specific or not very clear. In fact, pragmatic in the context of "developmental" has meaning and relevance

with reference to the question: developing or moving into what?

A NATIONAL CONSENSUS

Kothari has an answer — unless he disowns it. His answer is that we are moving towards "the realisation of social purpose and the growth of national consensus". The action which is dysfunctional to that purpose and consensus is pragmatically a bad action. There is likely to be less disagreement on this than on such questions as: What is that social purpose? And consensus on what? When is the consensus national? In fact, the concept 'modern' has a relevance here inasmuch as it has some existing societies and theories as referents. Kothari does not discard these referents. His point seems to be that they are to be taken as given. What he does not agree with, in dealing with the relationship between the old and the new, is any idea of "sharp discontinuities and disruption in the process of political modernisation". What he perceives, instead, is a process of interaction, accommodation, adaptation and integration between the 'old' and the 'new'. He says, "It [modernising society] moves from one threshold of integration and performance to another, in the process transforming both the indigenous structures and attitudes and the newly introduced institutions and ideas."

He is right in making this point. But the differences will arise on naming the new that emerges as a result of the conversation between the old and the new. This is not hair-splitting. The social purpose and national consensus mentioned earlier will have meaning and significance only with reference to that which 'emerges', i.e., the new which is neither old nor new and yet has the elements of both in it. This is not just a matter of intellectual discussion when we end with saying, "well, we agree to differ". Kothari very rightly relates it to action. He says, "elements that prove dysfunctional to the realisation of social purpose and the growth of national consensus may need to be subdued; and this is the function of a determined leadership." Thus it is ultimately on the understanding of the "emergent new" that the action of the leaders would depend.

AVOIDING THE 'ISMS'

However, the recent trend is to avoid discussions regarding the understanding of the "new" because that implies discussion of ideologies, "isms", etc., which are supposed to involve me-

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taphysics or philosophy or things which are not empirical or not 'science'. In the absence of clarity or consensus regarding the 'new', social purpose and consensus will be that which is interpreted and determined by the people in power and the elements to be subdued will also be decided by them. This point has relevance in the present context in India. The Naxalites and the communalists are to be suppressed. Why? Both are 'ultra' — one is ultra left, the other is ultra right. To pacify the ultra left, a left-of-centre policy is to be recommended. To pacify the ultra right, a right-of-centre policy is to be preferred. One is left to guess for oneself what that centre is.

If the decisions of policy makers are to be influenced by those who are supposed to think on these matters, i.e. the academicians, the latter have the responsibility of discussing them. Kothari has not done this, through there is no intention to accuse him of an act of omission. For the purpose for which this book was undertaken, such discussion was not necessary. It is to be appreciated that he has made the point which provides an opening for the discussion which we have been avoiding.

Consistent with the view that the old and the new both get transformed during the course of their interaction, Kothari rejects the question: is caste disappearing? He thinks that the more appropriate question would be: what form is caste taking under the impact of modern politics? And what form is politics taking in a caste-oriented society?

Kothari clarifies his position in the following para:

"Politics is a competitive enterprise, its purpose is the acquisition of power for the realisation of certain goals, and its process is one of identifying and manipulating existing and emerging allegiance in order to mobilise and consolidate positions. The important thing is organisation and articulation of support, and where politics is mass-based the point is to articulate support through the organisations in which the masses are to be found. It follows that where the caste structure provides one of the principal organisational clusters along which the bulk of the population is found to live, politics must strive to organise through such a structure. The alleged 'casteism in politics' is thus no more and no less than politicisation of caste. It is something in which both the forms of caste and the forms of politics are brought nearer each other, in the process changing both. By drawing the caste system into its web of organisation, politics finds material for its own design. In making politics their sphere of acti-

vity, caste and kin groups on the other hand get a chance to assert their identity and to strive for positions. Drawing upon both the interacting structures are the real actors, the new contestants for power."

The standpoint of the book is that the relationship between caste and politics is basically a relationship for the specific purpose of organising public activity. This relationship can be examined by "first examining the nature of this interaction and secondly its product, that is, the type of changes that have taken place in the political system as a result of differential involvement of caste organisations at different points in time and at different levels of the polity". He then further specifies his search. "Our focus is not so much on what happens to the caste system as a whole as a result of its involvement in the political process but rather what structures and networks of relationships enter into the political process and how."

A RESOURCE FOR POLITICS

But he adds, "we cannot wholly avoid the question of what politics does to the caste system — for certain forms adopted by the caste system in the wake of a wider secular ordering of relationships such as the caste association or the caste federation, or even the more traditional intercaste networks of patron-client ties, become very much the stuff of politics. But it still needs to be stressed that it is as political sociologists interested in studying the pursuit of collective interests and purposes that the authors in this volume have approached their subject. Thus, for instance, a number of authors were interested in how different parties or movements, or even different groups within a single party, mobilise different social strata as resources for their political objectives. It is from this perspective that social reform movements, caste associations and federations, and other networks and relationships in the social and economic sub-systems become relevant data for analysis. Or again the authors are interested in how a sense of discontent or exploitation prevailing within the caste order provide a viable basis for the mobilisation of masses; for their own reform in the first instance and ultimately for assertion of their rights vis-a-vis others. Once again the organisational and psychological conditions of caste organisation are turned into a resource for politics and hence relevant material for political analysis."

The ground is now clear for understanding the contributions to the book

by different writers. There are nine contributors and each of them has written with competence. Each one of them sets out with a clear perception of what he wants to do and ends with stating what has been done. It is very gratifying to observe that each contributor has kept to the common focus. Apparently a major editorial job has gone into the preparation of this volume. Each contribution has to be read separately by anyone who wants to appreciate the different situations in which a common analytical focus can be pursued. It will be a very rewarding experience.

II

Eleanor Zellicet illustrates how Mahars used political means to ameliorate their social condition. What equipped them to do that? She writes, "The factors that led to the Mahar social awakening [were] military service and other contacts with the British, employment opportunities outside the village patterns, the beginnings of education, provided at first by caste Hindu reformers and Christian missions and from the 1920s onward at least in part by their own efforts; a latent caste spirit stimulated by reminders of their military past and the religious worth of Chokhamela; and a highly educated leader, Dr Ambedkar, capable of forming them into a political force, equipped them for the use of political means toward a modern goal of social equality".

A case similar to the Mahars was that of the Kshatriyas of Gujarat studied by the editor of the book and Rushikesh Maru. The Mahars formed the Scheduled Caste Federation. The Kshatriyas of Gujarat formed the Kshatriya Sabha. Both of them became political forces. But the Scheduled Caste Federation died with the death of Ambedkar and the Kshatriya Sabha is facing a crisis with the split in the Swatantra party in Gujarat. Newspaper reports are that the Kshatriya youths are repudiating the old leaders of the Sabha. One of the charges against them is that they have encouraged caste antagonism. Politics is used by caste and caste is used by politics. The political solidarity of the Mahars in Maharashtra and of the Kshatriyas in Gujarat has been undermined. Has caste solidarity increased or decreased?

CASE OF THE NADARS

Robert L Hardgrave's examination of the case of the Nadars is relevant to this question. He writes, "the role and effectiveness of a caste in politics,

however, is necessarily dependent on the solidarity of the group and the degree to which it shares a common political culture. The degree to which any group may be said to possess a common political culture will be a function of (1) the elaboration of differentiation with regard to other groups, and (2) the elaboration of differentiation within the group itself. With regard to the analysis of a single caste, we might then hypothesise that the degree to which a caste may be said to possess a political culture common to the community as a whole will be a function of (1) the elaboration of caste ranking and (2) internal differentiation within the caste itself." He concludes, "Differentiation within the Nadar community and the concomitant decline in the elaboration of caste ranking has increasingly undermined the community's political solidarity. The cities, the locus of economic change and social mobilisation, most clearly reflected the decline in the elaboration of caste ranking and the rise in differentiation within the single-caste communities."

Donald Rosenthal's conclusion from his study in two urban areas is also relevant here. He writes, "we have suggested that the process of caste conflict is influenced by factors internal to the caste (the degree of internal differentiation; the kinds of goals which a caste pursues) as well as by intercaste conflict and co-operation in the Indian political system."

CASTE AND PARTIES

Two papers deal with caste and political party as an organisation. Richard Sisson ("Caste and Political Factions in Rajasthan") analyses the development of the Congress party in one part of Rajasthan in terms of support bases. Among the many important points made by him, the following is very useful. According to him, "perhaps the central factor in the political cohesion of caste groups has been the cohesion of elites within particular castes." He further says, "Such cohesion however would not have lasted long had it not been for the fulfilment of yet another condition. We may call this [the political pay-off that results from organised activity] the desired returns on one's political investment. These returns are of various kinds: (1) employment and patronage, (2) government loans, permits and local amenities such as schools, electricity and irrigation facilities, (3) intercession in administrative decision making and in the posting of local administrative officials. Command over the

allocation of these political goods has not only been important in the maintenance of cohesion within Jat caste and Jat coalition but has been instrumental in the ability of the Jats to attract the support of new political groups." It is important to note here that what we complain about — nepotism, favouritism, political interference etc — are for a social scientist like Sisson simply 'political goods'. They are ethically neutral objects for observation and analysis.

Rosenthal postulates that caste cohesion should be formulated on a continuum of types. He mentions Dahl's three stages of assimilation of ethnic groups into the political life of New Haven city — the stages of ethnic unity, ethnic factionalism and of inter-ethnic solidarity based on multiple cleavages. At the third stage the unity on the basis of primordial identity gives way to non-primordial considerations. Rosenthal brings out many limitations of this model to explain the Indian situation but does not analyse this issue in depth. This is particularly relevant since Andre Beteille in his contribution refers twice to the validity of Dahl's model for the analysis of caste-politics relationship in India.

RECRUITMENT TO A POLITICAL PARTY

Ramashray Roy chooses to show the connection between caste and politics through recruitment to a political party ("Caste and Political Recruitment in Bihar"). He writes, "The system of social stratification provides a broad frame of reference for the functioning of the political system both in terms of selection of ends and adoption of means. Moreover, the functioning of the political system, that is the authoritative allocation of values, could not be deemed to be authoritative unless it is recognised as such by the prevailing value system manifested in social stratification." "The crucial connecting link however between social stratification and the political system is political party, association or movement."

Drawing from his Tamil Nadu material Beteille explains the fallacies inherent in assuming a straight and simplistic relationship between caste and politics; unity of caste being relative, according to him, multiple segmentation within a caste render it difficult to analyse the level at which caste in fact enters into political behaviour or process. Caste operates in politics in a 'merging series' where the level of caste segmentation and arena of politics are interconnected. Therefore, a

fuller picture of caste in politics cannot be had only at the level of state. This to Beteille is one difficulty from which Srinivas's concept of dominant caste suffers as an analytical category. The very complexity of the process through which caste is involved in politics reveals how obsolete the term 'caste politics' is. As growth takes place new structural differentiation outside the loci of caste comes into being and this adds a new dimension to the political process. Political alignments begin to cut across caste lines and tend to assume a class-like character. Urbanisation too adds momentum to this development. Beteille would even like to substitute the term 'caste politics' by 'ethnic politics' as used by Dahl in the American context where "in order to retain their positions politicians are forced to search for new issues, new strategies and new coalitions" (p 293).

TWO TYPES OF CHANGE

According to Beteille, two kinds of changes seem to be taking place in the relation between caste and politics in Tamil Nadu, as well as in other parts of the country. One is the shift of power from one dominant caste to another. The second kind of change is perhaps more radical than the first. Here the locus of power shifts from the caste system itself to differentiated structures of power.

Further,

"a vast body of new structures of power have emerged in India since Independence. Today traditional bodies such as groups of caste elders [which are functionally diffuse] have to compete increasingly with functionally specific structures of power such as parties and statutory panchayats. Often there are mechanisms which bring about the interpenetration of the two sets of bodies. These structures of power exist within a framework of events and activities. The latter creates changes in personnel and, over longer periods of time, changes in the structures themselves."

Beteille states that caste may enter into politics in a number of ways. "Firstly, appeals may be made to caste loyalties in a general way. Secondly, networks of interpersonal relations are activated both during elections and at other times for mobilising support along caste lines. Since kinship, marriage and commensality often stop short at the boundaries of caste, intra-caste relations are very important. Thirdly, caste associations may seek to articulate caste interests in an organised manner."

Beteille then describes at length the

part played by social entities such as subcastes, castes or caste groups in Tamil Nadu politics. He says that it would be unreal to expect the democratic process to operate without taking any account of them. But, he asks, are such particularistic identities the only ones which are relevant to politics in India today? And does not the political process itself create new identities which cut across those of subcaste, caste or caste-group? According to him, the political process seems to have a dual effect on the caste system. To the extent that caste and subcaste loyalties are consistently exploited, the traditional structure tends to become frozen. Thus, there can be little doubt that the non-Brahmin movement arrested to some extent the attenuation of caste identities. But the political process does not operate by mobilising only the loyalties to castes. To the extent that it leads to new associations and alliances cutting across caste, it loosens the traditional structures.

Beteille concludes, "Today the political system is not unrelated to caste and class nor will it be so in the near future. But as it becomes more and more differentiated, new loci of power are developing and these are acquiring a weight of their own. In the past — at least at the local level — dominant caste and faction were probably the only significant loci of power and the faction itself was largely structured by caste. This is no longer the case. Now it is possible for a man to acquire a certain measure of power by virtue of his position in the party hierarchy, irrespective of his caste or class. No doubt membership of the dominant caste helps a great deal, but other factors are also becoming important. A fuller understanding of politics in Tamil Nadu can be achieved only by considering the changing relations among the major sources of power, traditional and modern."

POLITICAL MOBILISATION

Anil Bhatt discusses the problem of political mobilisation in relation to caste. This is an important problem. Not only has the problem great relevance today but it also becomes clear that the problems of mobilisation are the same today as they were seventy years ago.

Bhatt makes a well known point made in early twentieth century: "There were a large number of social reformers who thought for their own different reasons that social reforms should pre-

cede nationalist activity. They believed that without the enlightenment of the masses their organisation for political activity was not possible. If you really want self-government they argued, you must show that you are fit for such responsibility." How fresh does this sound even today! Note the tirades against democracy in general by non-communists, their tirades against adult franchise, illiterate voters, uneducated members of legislatures and uneducated ministers, tirades against casteism, regionalism and linguism. These easily flow from the above argument of the social reformers. If we care to ask who makes this argument today and who made it 70 years ago, we shall also know their location in the social structure.

Bhatt mentions several problems that the early nationalist mass workers had to confront while mobilising support. One of them was that "since political activity in this period was confined to a small section of English educated urban elite, the efforts of these rural leaders towards a mass movement were often looked down upon or even ridiculed by the former". "They had to seek approval of higher level leaders whose style and idiom were dominated by universalistic and secular symbols. They had also to gain recognition from the urbanised high caste section of society."

"Secondly, they had to prepare the traditional leaders to relate their roles to the political movement by supporting their caste reforms while at the same time driving home to them the utility of political means in achieving their goals."

He further adds, "working through their caste associations, these rural based leaders played the role of mediators between the universalistic values of the national leadership and the parochial orientation of the masses with whom they had to work, always addressing themselves to the task of solving concrete problems. In doing so, they developed a political style that was applicable to the existing structure of society, thereby making the structure responsive and adaptable to the demands of the national movement."

He narrates the history, work and role of the Patidar Mandal (Surat District) from 1908 to 1947 to elucidate his point. He concludes,

"The history of the Mandal indicates that where politics becomes the major force working for modernisation, involvement in politics secularises caste because caste then becomes too narrow a group for all practical

purposes and is forced to find a wider identity. In order to strengthen support and integrate various levels, a forging of coalitions and a federation of structures became necessary. Such support and integration were brought about gradually and stage by stage, first involving the subcastes, then the same caste in different areas, and finally different castes."

"Throughout its history the Mandal leaders maintained a continuity between caste activity and wider political activity, and enabled a caste organisation to act as a link between local society and national politics."

III

In the remaining part of the introductory essay, the editor takes a sort of overall view of these papers from the standpoint of the inquiry, namely the organisation of public activity and politics in a society articulated along caste lines. From the pragmatic and developmental point of view, according to Kothari, two things should happen: (1) The elements in the caste system that have secular and integrational potential should get strengthened at the expense of the more obscurantist and dysfunctional elements. This is happening. (2) The new dimensions that secular democratic politics has provided must become enduring parts of India's traditions. This has yet to happen. Kothari calls this "traditionalisation of modernity". Obviously, according to him, this means a rejection of the dichotomous approach of old *versus* new. To him it means old *and* new, or rather the two in close interaction and together becoming part of a new structure of traditions. He addresses himself to the task of showing, in generalised terms, how that happens. There is no reference to any particular paper, yet it is always there implicitly. He is not indulging in speculation.

There are a few general propositions which emerge in respect of caste and politics in India from the various studies reported in this volume. First, there is a postulate of stages according to which the role of caste in politics slowly evolves and transforms its character. This is what Kothari calls the stages of 'entrenched' caste politics, 'factional' caste politics and 'non-caste' politics or what Beteille, following Dahl, refers to as change from 'cumulative inequality' to 'dispersed inequality'. This general statement is largely confirmed by field data reported by Eleanor Zellic from Maharashtra, Kothari and Maru and Anil Bhatt from Gujarat, Beteille and Robert L. Hardgrave from Tamil Nadu, Carolyn M Elliot from Andhra

and Richard Sisson from Rajasthan. In all these regions 'Dominant Caste' have passed roughly through the stages of (a) initial horizontal mobilisation, by appeal to primordial symbols and sentiments; (b) factional groupings and fissions within caste and subcaste coinciding with a process of secularisation of primordial identities; and, (c) passing of substantial part of political activities from caste sector to non-caste sector. This transition may be more symptomatic than definitive about the passing of the political sphere from the primordial to the universalistic realm, but the direction is there and is surely hopeful. Findings of all the studies converge on the point that greater politicalisation of caste also renders it outward-looking. The acceleration of this process of looking outward would depend on what is happening outside both the caste and the political systems. What matters in enlarging the role of secular or universalistic structures in politics is acceleration of the developmental rate of society through the growth of new occupations and new sectors of employment and economic activities which lay the foundation of a new network of relationships. When these develop there is a shift from caste to non-caste orientation in politics.

It may also be said here that what Kothari calls the "stages" may not take place consecutively. These processes might and do take place simultaneously in the same and in different castes, again depending upon the developments mentioned above.

Another important general proposition which seems to be implicit in some papers in the volume relates to the sociology of caste 'movements'. Such movements have been reported in cases of Kshatriyas and Patidars of Gujarat, Nadars of Tamil Nadu, Mahars of Maharashtra and Jats of Rajasthan. With the exception of the Jat-Rajput case from Rajasthan, in all other regions caste movements started with the parochial appeal to cultural reformation and growth of institutions helpful to the caste members but were later secularised. For instance, caste hostels were in course of time rendered open to all citizens and their caste names were removed. Also caste leaders eventually tried to transcend parochial boundaries to become secular leaders. In Rajasthan the case reported by Sisson does show that at election times people's loyalties cut across caste; moreover, intercaste competition is increasing also among the Jats. The other dominant caste of Rajputs is already divided by a long

tradition of internal rivalry. But the shift towards secularisation as in Gujarat or other regions has been in evidence in a different manner. It took the form of Kisan Sabha activities.

What structural factors have impeded or slowed the secularisation process of caste movement in Rajasthan should be an interesting problem for study by political scientists and sociologists. In fact, it could be suggested that a study of small and big movements in different regions by different disciplines without the fear of treading into the fields of other disciplines is likely to be very rewarding. In fact, such studies in different parts of the country have been made and to begin with they could be brought together, bringing out both their convergence and divergence. Such an effort might also open up possibilities of bringing together sociology, economic history and political science in a common work situation.

The other important issue raised by the book may be formulated as the role of "charisma versus caste" in political movements. In the studies reported by Rajni Kothari and Maru, Anil Bhatt, Richard Sisson, Carolyn M Elliot there are references to prominent personalities who mobilised and inspired their castes. In Elliot's case they are dominant notables who establish a powerful network of political relationships across their caste origin. In the case of Bhatt and Kothari and Maru the caste personalities play decisive role both in creating a consciousness identity and in promoting the secularisation process of the caste. This should form

another challenging area for Indian political analysts to explore: What is the social origin of charisma? And how does its extension take place from the local to the regional to the national levels of political participation? Under what structural conditions does 'charisma' fail or come to be possessed? In other words, what is the relationship between 'character and social structure'? This could probably be done when the Indian social scientist develops a taste of what C Wright Mills called working through 'biography' to 'history' and analyses his problem in the context of the social structure or the role of individuals in history.

The contributions to "Caste in Indian Politics" are balanced in analytical depth and substantive relevance. The book as a whole surely goes ahead of most early publications on caste and politics in India as it offers many fresh perspectives on the mechanism of caste politics in our country. In the national context, it is also significant that a body of conceptual terms is now emerging with specific contextual relevance to Indian society. In this respect too the papers collected in this volume make a significant contribution.

"Caste in Indian Politics" is well edited and the volume as a whole has a balance of style and literary form. All the essays combine skill of reporting in depth with mature analytical acumen. The collection has a unity of theme and meaningfulness and the volume would surely be welcomed by all those interested in the dynamics of politics and social structure in India today.

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Long Way to Development of Nagaland

H Laxminarayan

Like other hill areas of the country, Nagaland too has a favourable land-man ratio, social ownership of property, over-dependence on agriculture, primitive techniques of production, poor facilities for education and health, lack of monetisation, and very limited financial resources available for economic development.

Until recently, little attention was paid to the socio-economic development of Nagaland—except by Christian missionaries who, besides proselytising, also did much to improve educational, health and medical facilities in the region.

Since production in Nagaland is geared largely for unit consumption, and since monetisation is limited, it is difficult to find the necessary financial resources for development. Till such time, therefore, as the territory's economy becomes self-generating in growth, developmental resources will have to come from outside Nagaland. In addition, alternative schemes will have to be formulated to release and harness for other economic activities some of the labour force from agriculture. And, to promote the alternative economic pursuits, an infrastructure consisting largely of adequate communication and road transport will have to be built up.

An analysis of the capital outlays in Nagaland's Fourth Five-Year Plan reveals that, to effectively bring self-generating growth to the region, the Plan will have to be strengthened and schemes formulated with a view to obtaining the maximum inflow of revenues in the coming years.

THE hill areas of the country have many socio-economic characteristics in common. Usually there is a favourable land-man ratio, overdependence on agriculture, poor communication and transport facilities, poor educational and health facilities, primitive techniques of production, low standard of living, limited wants, lack of monetisation which limits the financial resources available for economic development, and social ownership of property. Many of these features, Nagaland shares with other hill areas of the country.

LIMITED FINANCIAL RESOURCES

Until recently, little attention was paid to the socio-economic development of Nagaland, except by the Christian missionaries who spread educational, health and medical facilities besides spreading their own religion. According to the 1961 Census, 52.98 per cent of the population in Nagaland are Christians, while Hindus form only 9.39 per cent of the population.

Financial resources available for the region's economic development are extremely limited, and no administrative machinery for it exists at the village level. In fact, Government and the people apparently have little to do with each other. The major sources of State revenue are from the sale of forest products, house tax receipts, and tax on urban commodities. There is in any case limited scope for raising resources through taxation, since most people produce their own day-to-day household requirements. Nor is there

any justification for greater taxation, as Government has done little to improve the welfare of the people. Since production is largely geared to one's own consumption needs, there is little monetisation. And the very limited monetisation makes it difficult to find the financial resources for economic development. Resources required for economic development will, therefore, mostly have to come from outside Nagaland for some time to come — till Nagaland's economy is able to become self-generating in growth. It is not surprising that, in Nagaland's Fourth Five-Year Plan outlay of Rs 40 crores, Rs 35 crores are from direct Central assistance and only Rs 5 crores are expected to be raised locally. It is not even clear how Nagaland is going to raise these Rs 5 crores, unless the population is enthused to make contributions by way of voluntary labour and material resources. Unfortunately, neither political factors in Nagaland nor the region's socio-economic structure favour such resource mobilisation. Moreover, in a labour shortage economy, programmes for mobilisation of voluntary labour do not work.

With 89.6 per cent of the population dependent on agriculture — a percentage which is considerably higher than that for India as a whole — Nagaland's economy is heavily oriented towards agricultural production. Nearly 98.9 per cent of the population lives in villages, as against 82 per cent for the country as a whole. Nevertheless, unlike in most other States, the land-man ratio

in Nagaland is highly favourable. Though people are becoming enthusiastic about education, literacy is yet only 17.9 per cent in Nagaland as against 24 per cent in the country as a whole. Among women, literacy is even lower, at 11.34 per cent, as against 12.9 per cent for women in the country as a whole. In spite of the static nature of Nagaland's economy, the favourable land-man ratio has meant that, availability of foodgrains in Nagaland compares favourably with that in the rest of India.

SCARCE LABOUR SITUATION

In Nagaland's scarce labour situation, men, women and even children are gainfully employed in household enterprises. In fact, while there is plentiful supply of agricultural land, it is difficult to hire labour either for developmental activities which may be undertaken by Government or for work on the farms of cultivators who have relatively larger holdings. In fact, in the busy agricultural seasons, and also for other economic activities, the additional labour required is arranged on an exchange basis and there is mutual co-operation among households whenever extra labour is required.

It is difficult to find unproductive persons in the working-age group. The percentage of workers to total population is as high as 59.40. Nearly 60.49 per cent of the male population are workers, and the percentage is almost as high, at 58.23, among women. In fact, 57 per cent of the female work

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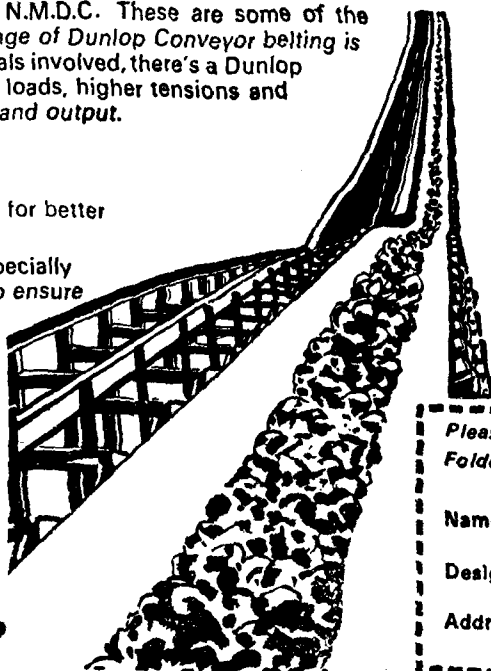
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force is engaged in cultivation, while only 48 per cent of the male work force is so engaged. Most of the non-working population are children and old people. The fact that the population of Nagaland is so fully engaged in productive activities, could go a long way to hasten any process of economic development. The contribution by the women, in particular, to the State product is very significant, as they are engaged not only in agricultural operations but also in preparing apparel and other household items.

It should, nevertheless, be possible to release a considerable portion of the labour force from agriculture for other economic activities, by rationalising some of its existing activities. The following possibilities may be explored:

(1) Due to inadequate means of communication and transport, people today have to spend considerable time walking from one place to another. In fact, walking 100 miles to 120 miles to reach a destination is very common. If transport and communication could be improved, it should be possible to release the time for more productive ends.

(2) In a considerable part of Nagaland there is the practice of shifting cultivation, known as 'jhum' cultivation. Under this system, a considerable part of the labour force is occupied in clearing forests in order to reclaim land for cultivation. If the 'jhum' system of cultivation is given up in favour of terrace cultivation, much labour force could be released for more productive activities — apart from the numerous other benefits that would accrue from terrace cultivation.

SPECIAL CHARACTERISTICS

Generally, agriculture in the hill areas has distinct characteristics which are not found in agriculture in the plains. Nagaland's agriculture has further special characteristics.

First, since considerable uncultivated land is available in the hill areas, the State has yet to reach the limits of extensive cultivation. Only 41.9 per cent of the total land has been brought under cultivation. The remaining area is under forests, civil use and waste land. A considerable part of this area is also available for extending cultivation as and when people find the need for it. Out of about 17 lakh acres available for cultivation, only 50,000 acres have been brought under permanent cultivation. Every year, another two lakh acres are put under 'jhum' cultivation. The cultivated area, per capita, is 0.27 hectare.

Secondly, while the prevailing methods of cultivation are according to both the 'jhum' system and the terrace system, the bulk of the cultivated land is under the 'jhum' system. Under the 'jhum' system, land is generally not cultivated for more than three years at a stretch. It is a wasteful method of cultivation, leading to destruction of forests and hindering permanent improvements in land and agriculture. As long as cultivators keep on moving from land to land, there would be no incentive to make permanent improvements on the land, which makes it difficult to raise agricultural productivity. Since it is not possible to strengthen the nutrient contents of soil under the 'jhum' system, there is a year by year decline in agricultural productivity — the yield in the second year being only 70 per cent of the yield in the first year, etc. As against the 'jhum' system, the terrace system of cultivation has its advantages, and yield on a terrace field tends to be 20 per cent higher than the yield on a 'jhum' field.

Thirdly, the cropping pattern in Nagaland is heavily biased in favour of paddy, with nearly 76 per cent of the area under all crops being occupied by paddy. Maize and millets are the other important crops grown. Most of the crops are grown for home consumption, though the relatively large farmers market a part of their grains in order to buy urban goods. Methods of cultivation are primitive, and simple tools are used for most operations. Cultivation is labour intensive, and most of the inputs applied are home made. Recently, some cultivators have started to use fertilisers and improved seeds. But since monetisation has made little progress, use of modern inputs is generally unknown. Partly this is so because of the lack of technical knowhow. There is hardly any mechanisation of agricultural operations, partly because of the hilly terrain and partly because the 'jhum' system gravitates against investment in mechanisation. Cultivation is carried on almost entirely with the help of family labour, and in fact wage labour is not available. Though agriculture is the major economic activity of Nagaland, Government has paid inadequate attention to its development. Such funds as are allocated to agriculture are by no means commensurate with the requirements of a backward agriculture.

Moreover, there is a shortfall in actual outlay as against the planned outlay. In 1968-69, the percentage of actual outlay to planned outlay was 12.8 per

cent for schemes pertaining to high-yielding varieties; it was 24.11 per cent in the case of multiple cropping; and 35 per cent in the case of chemical fertilisers. However, for minor irrigation projects, the actual realisation was 93 per cent of the proposed outlay. Given the importance of agriculture in Nagaland's economy, Government will have to ensure that actual outlays on agriculture keep pace with proposed outlays.

If agricultural efficiency is to increase, the following measures will be necessary:

The population should be persuaded to give up 'jhum' cultivation. Giving up of 'jhum' cultivation is in fact the basic condition for any improvement in Nagaland's agriculture. That would, apart from releasing some of the labour force for more productive purposes (through more intensive cultivation), pave the way for permanent improvements in land.

It would be necessary also to use modern techniques of production and inputs like fertilisers. This will help raise agricultural productivity which, in turn, will help to increase marketed surplus. The surplus so created could be utilised for economic development. In fact, mechanisation of agriculture is not essential for the development of agriculture in these areas, and use of modern inputs should be sufficient to raise agricultural productivity.

INADEQUATE TRANSPORT FACILITIES

The main infrastructure hindrance to the economic development of Nagaland is want of adequate communication and road transport facilities. According to the Star and Grid Formula, to meet its communication requirements, Nagaland should have a total road length of 2,691 miles by 1981. This will mean that the State will have to construct at least 730 miles of additional roads. Yet Nagaland's Fourth Five-Year Plan provides for only 343 miles of new roads. Even where roads have been constructed, growth of transport has failed to keep pace. If the region's economy is to develop fast, a programme for the rapid development of roads and transport is very essential.

Though the percentage of literacy is low, there is much enthusiasm for education in Nagaland. Enrolment of students in primary classes has increased from 35,140 in 1961-62 to 67,257 in 1968-69 — i.e., at a rate of 13 per cent per annum. Unlike on many other developmental activities, the actual outlay on education has more or less kept

pace with planned outlay. Thus, in 1968-69, the actual outlay for elementary education was nearly 94 per cent of planned outlay. This is also true for all types of education — except technical education where the shortfall was staggering with actual outlay in 1968-69 being only 26 per cent of planned outlay. Taking into account the type of diversification required in the occupational structure of the population, much greater importance will have to be given to technical education.

Except for some household industries, carried on largely to satisfy household consumption needs, industrial development has remained neglected. However, recently, some accent has been put on the development of organised industries — such as by putting up a paper mill and a sugar mill. Since it is not possible to raise the necessary resources internally from private sources, both the sugar factory and the paper mill have been put under the public sector. The Fourth Five-Year Plan has provided for an outlay of Rs 3.6 crores for major and medium industries. Similarly, Rs 70 lakhs have been provided for development of village and small industries.

NO RED-TAPISM

Though the economy of Nagaland has yet to take off, and though the primitive society has yet to be transformed to one which can meet more than the subsistence requirements of its people, a number of factors may help to bring about rapid economic development of the region. One of these is that, though the government departments are expanding rapidly, the governmental machinery has not yet become bureaucratic and there is no red-tapism. Perhaps this is so because the administrative machinery is yet catering to limited requirements.

There will certainly be a need to remove some obvious bottle-necks in the growth process. Shortage of unskilled labour and of technicians would be the main bottle-neck. The labour shortage can be met either by importing labour from other States or by releasing it from agriculture — by introducing yield-raising measures and putting up the prices of urban goods so as to worsen the terms of trade for agriculture. This latter method may be undesirable as it might completely destroy the existing social structure and its many good features with it. Today's structure assures, for instance, employment and has a built-in mechanism for meeting the subsistence requirements of everybody in the community. Transferring of labour from agriculture to other activities should,

therefore, be a gradual process.

At present there is hardly any liaison between Government and the villages. It is necessary to strengthen such connections, not by expanding the bureaucracy but by building up a cadre of extension personnel. The extension personnel should help to meet the technical manpower needed by the rural sector.

Improvement in marketing facilities will be partly taken care of when the means of transport and communications improve. Marketing work could be developed by organising co-operative marketing societies instead of by allowing trading classes to grow.

Meanwhile, certain developments that have taken place may put a constraint on Nagaland's development. First, a new rich class is emerging in the countryside. Mostly this is the contractor class. If this class is allowed to grow it may try to hinder the social conditions needed for economic growth. There is no guarantee either that these contractors would invest their resources in developing Nagaland's economy in the desired directions. Certainly, their ways are likely to be out of tune with the communal ownership pattern which prevails in Nagaland. Secondly, the rapid destruction of forests will have to be halted — by putting an end to 'jhum' cultivation. Thirdly, Government will have to mobilise resources from the public for economic development. Here, imposition of a nominal land tax might help not only to mobilise resources but also to establish a more direct contact between Government and the people.

How is Nagaland's Fourth Five-Year Plan going to meet the region's needs? The Plan is based on an outlay of Rs 40 crores. Given below is the percentage share of some major economic activities in Nagaland's Fourth Plan:

Subjects	Allocation (Per Cent of Total)
Roads	25
Road transport	3.12
Agriculture and allied activities	20.3
General education	12.12
Technical education	1.12
Health and water supply	12.50
Major and medium industry	9.00
Other programmes and activities	10.84

The Nagaland Plan rightly gives considerable importance to items such as construction of roads, general education and organised industries. But inadequate allocation has been made for items such as road transport and agriculture. This is particularly striking considering the importance of these activities for the economic life of the population. The per capita outlays on some important items

— comparatively for Nagaland and for India as a whole — are given below:

Item	Nagaland	All-India
Agriculture	220.7	113.4
Health	51.4	167.8
Transport and Communications	304.7	95.2
Industries and Minerals	125.9	137.4
Education	148.9	23.2

Though, in the case of agriculture, the per capita outlay is higher than for All-India, considering that Nagaland's agriculture has to start right from scratch, the outlay provided is still inadequate. The outlay on health is also inadequate. If one takes into account the break-up of the capital components of the outlay, it will be seen that almost the entire amount provided for agriculture and health is for buildings. Out of the total capital outlay on all items, nearly one quarter is accounted for by buildings. Loans account for 3.2 per cent, share capital for 13.3 per cent and other items for 58.5 per cent of the capital outlay. So the entire capital expenditure planned is not such as will give immediate returns. Nagaland's Fourth Five-Year Plan in fact needs to be strengthened both to meet more effectively the development needs of the region and to be more calculating to obtain the maximum inflow of revenues in the coming years.

Over-Fishing

THE Indian Ocean Fishery Commission of FAO, the 28-nations body supervising the development of maritime fisheries along the shores of South Asia and East Africa, has raised alarm. There are serious indications that certain species of large tuna are too heavily exploited and may soon be dangerously overfished unless international management of tuna fishing is introduced.

This warning against overfishing of the hitherto most exploited species in some of the fishing grounds of the South Indian fishing flotillas must apparently undercut the ambitious expansion programme of India's fishing industry which has planned for considerable increases of its maritime landings.

On the other hand, and in apparent contradiction to the initial cautioning calls, high-level experts from FAO have simultaneously estimated that, given the appropriate ways and means, the total catches from the Indian Ocean, presently about 2.4 million tons, might eventually be increased five times to some 12 million tons.

Frederick Engels — Communist Revolutionary

Mohit Sen

It was Marx who formulated the labour theory of value, making the vital distinction between abstract and concrete on the basis of which alone the distinction could be made between labour and labour power and without which the theory of surplus value could not have been formulated. But it was not Marx who first turned to the subject of political economy and the working class. It was Engels, the one hundred and fiftieth anniversary of whose birth fell on November 28, who was the pioneer in this sphere and who, especially in his work on the condition of the working class in Britain, first achieved that dazzling clarity about the role of the working class in the present historical epoch which was rightly described by Lenin as the central theme of Marxism and the key insight of scientific communism.

SCIENTIFIC Communism also goes by the name of Marxism-Leninism and so it is frequently overlooked that it had a co-founder. Frederick Engels was quite accurate in describing himself "as at best talented" when it came to a comparison with the unsurpassed genius of Marx. But only in that relative sense. In any other sense he was a genius himself, beyond compare. And while it is true that Marx did play, finally, the major role in discovering and formulating the two decisive turning points in theory which resulted in the coming into being of scientific communism — historical materialism and the concept of surplus value — it was precisely on these two points that the earlier writings of Engels were of the most crucial significance for Marx. This applies equally to the central theme of scientific communism — the historic role of the working class in the epoch of the transition from necessity to freedom.

Engels was born on November 28, 1820, in the town of Barmen, Rhine Province, Prussia. His family were among the earliest industrial capitalists of Germany — wealthy cotton-spinners, owning factories in England as well as in their own country. The family seemed to have been thoroughly religious, hypocritical and philistine. Unlike Marx, Engels received from his family mainly a sense of rebellion against it. But the rebellion was not so much against the family as against all that it represented at a time when time itself was so very much on the move. While the family atmosphere and attachments were different, Engels came under the same intellectual influence as Marx and his intellectual evolution has a remarkable similarity to that of the man who was to become indistinguishable from him.

WORKING CLASS IN ACTION

It was Marx who went on to formulate the labour theory of value, making the vital distinction between abstract and concrete on the basis of which alone the distinction could be made be-

tween labour and labour power and without which the theory of surplus value not have been formulated. But it was not Marx who first turned to the subject of political economy and the working class. It was Engels who was the pioneer in this sphere and who, especially in his work on the condition of the working class in Britain, achieved earlier that dazzling clarity about the role of the working class in the present historical epoch which was rightly described by Lenin as the central theme of Marxism and the key insight of scientific communism. It was Engels who saw the working class not as the most suffering class but as the class with humanity's future in its hands. As early as 1844 we find in the works of Engels the critique of the British utopian socialists for their failure to appreciate the significance of the awesome energy, sacrifices, capacity for organisation and determination in struggle that had already manifested itself in the strike actions of the British coal-miners and in the evolution of the Chartist movement. There was a sternness and classical strength about Engels' appreciation of the working class in action which is on a somewhat higher level of historical comprehension than what Marx was writing at about the same time concerning the Parisian workers. Yet there can be no doubt that Engels was being both objective and modest when he described the process of the development of the theory of historical materialism — without which there can be no proper appreciation of the historic role of the working class — as being basically the contribution of Marx. It would be an interesting piece of intellectual inquiry — far more fruitful than the prejudicial research into the alleged difference between the Marxism of Marx and the Marxism of Engels — to investigate the reason for this seemingly paradoxical evolution.

One would like to mention here that the voluminous correspondence between these two geniuses clearly shows that there was scarcely any major work by

one that was not seen and commented upon by the other. "Anti-Duhring", which is the favourite text of those who speculate on the difference between Marx and Engels and who wish to see a positivist in the latter, was not only thoroughly scrutinised and most warmly appreciated by Marx, but the section on political economy was Marx's contribution. And for long that splendid piece of historical writing which was simultaneously contemporary analysis, "Germany: Revolution and Counter-Revolution", was believed to have been the work of Marx. Only subsequently was it discovered that it was done by Engels and deserved to rank with the more often referred to "Eighteenth Brumaire".

WRONG INTERPRETATION

Marx and Engels were *alter egos*. If confirmation were needed of this, one only has to remember the work that Engels put in to complete the second and the third volumes of "Capital". Not only was this a most moving and practical tribute paid by Engels to his dead friend, but it was an objective assessment of the possibility of continuity which would render the editing a matter of assembling and elaboration and deciphering. Engels knew what "Capital" meant to Marx and the confidence with which he took up the task speaks volumes for the identity of outlook that had been achieved over the years. It is also significant that the more complex and multilinear approach of Marx in these two later volumes, an approach based upon and derived from the fruitful abstraction of the first volume, has been made available to us through the work of Engels — about whose supposedly unilinear positive approach so much is sought to be made. Finally, about this positivism and unilinearity, one would like to refer the denigrators of Engels to those illuminating letters he wrote on the problems of the superstructure to Schmidt, Bloch and Starkenburg. If anything, it is to these letters that we have to turn for a comprehensive understanding of the

total and integrated vision of historical materialism.

One could have left these detractors to themselves were it not for the fact that not only is a grave historical injustice sought to be perpetrated but many of the younger and more intelligent minds who are being attracted to certain rather drastically summarised versions of Marxism would tend to get drawn away from a study of Engels, if this wrong interpretation is not combated as stoutly as possible. However, correcting misconceptions is not the only task in this year of the one hundred and fiftieth birth anniversary of Frederick Engels.

If Engels, as Marx, arrived at the basic principles of scientific communism through a combination of philosophical evolution with experience of the practical revolutionary struggle — indeed scientific communism itself was just that — this unity went through his life till the end came on August 5, 1895. If Engels was no armchair theorist of revolution he was also by no means just a practitioner who learnt from practice alone.

WINNING OF CLARITY

Having arrived at the new understanding in 1844 and having established the creative co-operation with Marx in 1845, their first joint task was the winning of complete clarity which they achieved through the writing of the difficult, abstruse but altogether magnificent "German Ideology" in 1846, of which the critique of Bruno Bauer had been a precursor. It is rather characteristic that far from insisting on either the publication of what was surely a major work or on continuing the research of material to elaborate the insights achieved, Engels joined Marx in intensive work to win over to their theoretical understanding the existing advanced organisations of the working class, in particular the artisan-dominated League of the Just. The Communist Correspondents Committees, the bitter ideological struggle not only against the middle-class socialism of the French Utopians and Owen but also against the utopian and crude, levelling communism of Weitling, the controverting of the popular, anarchist petty-bourgeois views of Proudhon, led on to the establishment of the League of Communists and to the drafting of the celebrated "Communist Manifesto".

A certain misunderstanding has to be cleared up here. It is undoubtedly true that a major break and point of depar-

ture of Marxism *vis-a-vis* different types of utopianism is the central place assigned to the class struggle in the historical movement of class-divided society. But the arrival at this point of departure — and this, indeed, was the decisively new contribution of Marx and Engels — was through the entire movement of thought which embraced dialectics and historical materialism. Class struggle divorced from this becomes an empty abstraction and even a kind of fetish. Class struggle as a concept existed prior to Marx and Engels and they claimed no rights of authorship as far as this concept was concerned. What they did and what was entirely novel was to link the class struggle to the movement of various modes of production. And because of this linkage the class struggle was always historically placed and acquired a constant mass dimension if it was not to become a caricature of itself.

The publication of the "Communist Manifesto" in 1848 was followed immediately by the outbreak of the series of revolutions in one European country after another which led to the description of that year as the year of marvels. Not only did Marx and Engels participate in this revolution but they did so in characteristic fashion. As journalists, as tacticians of the working class in a democratic revolution (giving us the first example of what was later to be called the tactical line of unity as well as struggle *vis-a-vis* the oppositional, liberal bourgeoisie at the democratic stage of the revolution), as military strategists and as co-ordinators of a spontaneous mass upsurge — it is in all these roles, or at least most of them, that we find the authors of the "Communist Manifesto" operating. And their flaming criticism of parliamentary cretinism, their ruthless assailing of the supineness of the liberal bourgeoisie still ring down the years.

FORGING OF THEORETICAL WEAPONS

It is equally characteristic that when counter-revolution triumphed in 1849, the retreat that had to be made was accompanied by a turning to the forging of the theoretical weapons that would enable the next advance to be made. It is in this connection that Marx wrote to Engels that capitalism had been witnessing a second birth by spreading as far afield as California and China. And capitalism would now have to be confronted on a world scale and no longer in a small corner of Western Europe.

It is in this period of the ebb of the

revolutionary tide that we find the character of Engels, as indeed of Marx also, acquiring a strength and fortitude that was only to be paralleled by the behaviour of Lenin in the years of reaction from 1909 to 1912. An outstanding feature of this fortitude was the manner in which Engels took on the disgusting and dreary job of commerce in Manchester in order to enable Marx to complete his theoretical work without completely going under. What is sometimes forgotten is that it is during this period that Engels wrote extensively on military science and attended, together with Marx, to the problems caused by Lassalle and to the establishment of the International Working Men's Association in 1864. And all through these years of bondage to bookkeeping, i.e. from about 1850 to 1869, Engels helped Marx enormously on the most subtle theoretical points as the immortal volume one of "Capital" shows. While, therefore, never forgetting the self-effacing material help that Engels provided Marx for close on two decades, it should also not be overlooked that his business duties still left him time to help in the shaping of the basic principles of scientific communism.

It was not altogether a coincidence that the "liberation" of Engels from bookkeeping and the publication of "Das Kapital" was immediately followed by the first proletarian revolution in the world — the Paris Commune of March 1871. Although they regarded the uprising as premature both on the grounds of the lack of an ideologically unified leadership as well as the restriction of the uprising to Paris, the two giants of revolutionary thought and action not only hailed the "splendid initiative" of the Paris workers who "were storming the heavens" but went on to draw important lessons from this tremendous feat. Foremost among these lessons was the need to break up the old state machine and to establish the dictatorship of the proletariat.

STRUGGLE AGAINST ANARCHISM AND REFORMISM

In the 1870s Engels not only produced "Anti-Dühring", perhaps his *magnum opus* and certainly the finest concise statement of the entire range of the basic ideas of Marxism, not only pushed forward the work of the International Working Men's Association but played a major role in the establishment and development of the German social-democratic party. In the course of this work we find him waging an implacable

and consistent struggle both against the anarchism of the Bakuninites as well as the reformism of the Lassalleans. Foreshadowing the ideological war waged some four decades later by Lenin against spontaneity, Engels emphasised that both these erroneous and harmful trends negated the need as well as the possibility of the working class emerging as the ideological and political leader of all those oppressed and exploited sections of society who were moving in the direction of socialism. Confining of working class action to mere economic issues or patchwork reforms was only the other side of the concept which held that revolutionary change would be accomplished by galvanising actions of elite groups — both denied the historical role of the working class, both denied the decisive breakthrough achieved by Marx and Engels.

It is in this period, too, that Engels began work on and partially completed the celebrated and controversial "Dialectics of Nature". It is in this work, by the way, that we find the remarkable essay "The Part Played by Labour in the Transition from Ape to Man", which stands even today as the most satisfactory explanation of this crucial transition and which provides a sterling example of revolutionising practice or praxis in embryo. It is "Dialectics of Nature" that has been the main target of all those who wish to demarcate Marx from Engels since it is here that dialectical materialism is elaborated as a system and dialectics extend to nature. Apart from the fact that this extension is also fully in evidence in "Anti-Dühring" which, as has been mentioned previously, had the full approval of Marx, it should not be overlooked that both Hegel and Feuerbach — the immediate philosophical mentors of Marx and Engels — never restricted their outlook only to society. And surely, it is absolutely central to Marxism that man is a natural force, albeit a self-conscious one. As a matter of fact, it is no accident that this attempt to wall off Marxism from the natural sciences is being made at a time of the tempestuous advance of both and when the unity of the two is needed as never before — by both. If the imposition of set patterns is wrong, that, surely, applies equally to society as to nature and is opposed to the very essence of dialectics which recognises in change the only absolute.

In 1879 Marx and Engels wrote, perhaps, their last classical joint work. And, fittingly, it was a circular letter to

the leaders of the German social-democratic party not only drawing attention to the "class struggle as the immediate driving power of history and in particular the class struggle between bourgeoisie and proletariat as the great lever of the modern social revolution", but sternly warning against the swamping of the working class character of the party through the petty-bourgeois-induced opportunism and revisionism — prophetic words that appeared Cassandra-like till Lenin took them up as his banner and his guide to action.

After the death of Marx, Engels devoted a very considerable portion of his time to collecting and bringing to some kind of finished form the massive amount of manuscripts left by "the greatest living thinker [who had] ceased to think". Apart from this, the start of the May Day celebrations on an international scale from 1890 onwards, the struggle against opportunism in the German social-democratic party and the establishment of the Second International in 1891 engaged him only partially. It was during this period that he wrote the "Origin of the Family, Private Property and the State", which remains as a testimonial to the amazing intellectual resilience and sheer hard work of a man who had passed his seventieth year and was only a few years away from death. The book has dated

Trans-Asian Rail Network

CONSTRUCTION of railway lines needed to fill the missing links in connecting Singapore to Istanbul, totalling some 2,000 kilometres, would require only about \$215 million, the Working Party of Experts on the Trans-Asian Railway was told by U Nyun, Executive Secretary of ECAFE. He cited progress of the past year and said he had been informed that Iran would be linked to Turkey by the end of 1970, as a step toward connecting railways in Asia to those of Africa, Western Europe and the USSR.

This network project is modest: Considering that the railway of the ECAFE region already comprise more than 170,000 kilometres of lines, the main direct axis route connecting Singapore with Istanbul, which will be only some 14,000 kilometres long, will account for barely 10 per cent of the whole. The missing links, whose construction is needed to complete the Network, have a total length of only 2,000 kilometres — comprising 1,400 kilometres between Thailand and East Pakistan, and 600

in parts as it inevitably had to, based as it was almost exclusively on the epoch-making work of Morgan. But not only do remarkable insights exist in it which are of the utmost value for research and not only does it contain perhaps the finest expositions of the Marxist theory of the state, the book has passages in it on love and sex which remain passionate and fresh even to this day. It is only fitting in this context to recall that although Engels was unconventional as far as his relations with his lover, Lizzy, were concerned, it was a relationship based on mutual respect and passionate attachment — at least as inspiring as the rather better known Jenny-Karl romance.

His death on August 5, 1895, and the sinking of his ashes into the sea as he had wished, ended the mortal life of a man without peer, as complete as his work and his message. A life full fifty years of which were spent in a constant conjoining of revolutionary theory and practice, a living, pulsating example of that praxis which has transformed the world with the outlook he helped so crucially to shape as its guide to action. It is true that nothing remains except change but change itself requires those who bring it about. And rarely has change found such a champion as Frederick Engels, communist revolutionary.

kilometres between Iran and West Pakistan.

The total construction work involves 14 per cent of the direct route and only 1 per cent of the entire Network. With the support and co-operation of the developed countries, the Trans-Asian Railway Network project is thought to be not beyond the capacity of the countries of the region.

Initial studies undertaken by two railway experts to explore the viability of new routes "have been most favourable, indicating returns on capital of 7 to 8 per cent", U Nyun said. These studies would need to be followed by economic and technical surveys in depth, for which the co-operation of the developed countries will be necessary.

The developed countries have been asked to give their fullest support to the project. The governments of Japan, India and the Federal Republic of Germany have already provided experts to a number of countries for studies relating to the Trans-Asian Railway.

Planning and Development Departments for Nationalised Banks

V V Bhatt

With the new orientation given to the functions of the nationalised banks, these banks have to devise policies which will enable them to function as catalysts of economic development.

To perform this role it will be necessary for the banks to formulate their tasks in terms of annual as well as five-year plans of action. Each bank's objectives would have to be specified and a plan of action formulated in terms of potential resources and specific policy instruments.

This is a specialised task and to evolve such a forward-looking development strategy, it is suggested here that each bank should create a separate Department of Planning and Development at the head office.

SO far banks were passively reacting to the developing economic situation in their branch expansion programmes as well as credit and deposit policies. With the new orientation given to the functions of the nationalised banks, however, they would have to devise and initiate new policies that can serve as catalysts for economic development. Thus, instead of playing a passive adaptive role, they would have to perform an active entrepreneurial function.

In performing this role, it would be necessary for them to formulate their specific tasks in terms of annual as well as five-year plans of action. The objectives would have to be specified and a plan of action would have to be formulated in terms of the potential resources and specific policy instruments. This is a specialised task and to evolve such a forward-looking development strategy, it would be necessary for each bank to start and evolve a separate department at the head office — a Department of Planning and Development.

FUNCTIONS OF THE DEPARTMENT

In terms of the functions to be performed this Department should have the following five divisions:

- (i) Manpower Planning and Development,
- (ii) Credit-Deposit Planning;
- (iii) Lead District Strategy;
- (iv) Credit Appraisal; and
- (v) Economic Research.

The specific functions of each of these divisions can now be briefly discussed.

MANPOWER PLANNING

The first task of the Manpower Planning and Development Division would be to formulate a five-year plan for branch expansion with particular emphasis on the lead districts. The Centres for opening branches will have to be identified. These Centres, then, will

need to be classified and ranked in terms of their relative credit-deposit potential. The final selection of Centres for a five-year period then can be made on the basis of such ranking; this five-year plan of branch expansion needs to be phased out in terms of annual plans of action.

By and large, the criterion for selection should be the relative credit-deposit potential; in some cases, relative economic backwardness and the relative underdevelopment of banking services may have to be used as supplementary criteria.

In terms of such a plan of action, the manpower needs would have to be worked out by specific categories of personnel. The gap between the desired and the actual manpower will have to be filled by specific policy actions. The requirements relating to recruitment, promotion and training will have to be worked out. Each bank employee would have to be trained for the specific job he would have to undertake immediately on promotion as well as, depending on his potential, after five years. The potential branch managers as well as the potential middle level and top level executive personnel at the head office and regional offices would require special training. The training programmes would have to be worked out and training facilities accordingly would have to be created.

CREDIT-DEPOSIT PLANNING

The Credit-Deposit Planning Division would need to evolve techniques of projecting the growth and structure of credit and deposits for a five-year period. The credit and deposit potential with regard to the priority sectors like agriculture and small industry (including all types of small enterprises in various non-agricultural fields) need to be worked out with some care.

These projections would indicate the areas in which specific policy action would be necessary. For example, if

the credit requirements exceeded the deposit growth, new deposit schemes may have to be devised to accelerate the growth of deposits and at the same time some credit rationing may have to be adopted. The specific choice problems should be brought out along with their implications.

It would also be the function of this Division to formulate appropriate credit as well as deposit schemes for the different sectors.¹

LEAD DISTRICT STRATEGY

Each bank has to perform a special role in the lead district; these functions have been discussed in an earlier paper.² The Lead District Strategy Division's task would be to formulate a strategy for the purpose — the choice of initial tasks, the sequence in which various functions need to be performed, the manner in which assistance from various official and non-official agencies should be sought, the method of co-ordinating the functions of various banks and other financial institutions, etc. Its function would also be to choose the specific lead districts for intensive development during every two-year period and formulate a phased programme to cover all the lead districts for intensive development within a decade or so.

For this purpose, it will have to keep a close watch and supervision over the bank's functioning in each lead district, and in the light of experience gained, it will have to modify its strategy. This is a continuous task and much would depend on how well it is performed.

This Division will have to be in close and live contact with the bank managers in the lead districts.

CREDIT APPRAISAL

The Credit Appraisal Division's task will be to devise appropriate forms for various types of loan applications from the different sectors. These forms

should be such as to facilitate the data collection required for (a) judging the specific loan application; (b) fixing the norms for various critical variables like inventory-output ratio, bank finance-inventory ratio, rates of profit and interest, plough-back of profits, cost structure and inter-firm financial assistance; (c) devising efficiency criteria; and, (d) analysing the growth performance of various sectors with regard to output, sales, exports, inventories, fixed investment, price-cost structures and the like.³

These forms need to be different for different sectors. The fact that the bank would need information in terms of these forms would have a rationalising impact on customers and would generate the impulse for financial discipline in the customers. Further, these data would be useful to the bank in a variety of ways and also to the government inasmuch as they would provide the detailed information in time for broad economic policy decisions.

These forms need to be modified from time to time as new experience warrants.

This Division should also devise forms for depositors to derive the data regarding their income, occupation, financial asset preferences, etc. These data would be useful for projections relating to deposit growth and would also be useful in devising new deposit schemes.

Loan proposals above a certain limit should be processed by this Division in terms of the relevant application form data and it should put up these proposals with its recommendations to the General Managers/Chairmen of the Boards. This would ensure proper financial and economic analysis of big loan proposals.

ECONOMIC RESEARCH

It would be the function of the Economic Research Division to process and analyse the data collected from the customers at the time of loan application and at an interval of every quarter after the loan is sanctioned. Such analysis would have to be carried out for each industry-group (including agriculture). Thus the differential performance of each enterprise within an industry group would be identified and analysed in terms of the causal factors. Such an analysis would be useful in fixing norms of efficiency for various industry-groups. Further, these detailed analyses of industry-groups would generate significant indicators with regard to the current and prospective

behaviour of output, sales, exports, employment, inventory and fixed investment as well as the cost structure and prices; the availability of such detailed timely data would doubtless be of considerable importance to the Central and State Governments in devising appropriate economic policies.

If all banks collected and analysed such data for industry-groups, these data can later be consolidated by the Central Statistical Organisation or the Reserve Bank to provide growth indicators at the district, State and national levels.

The data collected from the depositors should be analysed by this Division and it should formulate analytic models, based on this analysis, for the purpose of projecting deposit growth. These deposit data should also be analysed from the point of view of devising appropriate deposit schemes.

Further, this Division should undertake critical and constructive evaluation of the bank's functioning in the lead districts and the new deposit and advances schemes and in the light of this evaluation suggest to the management appropriate policy action.

It could also evaluate the appropriateness or otherwise of various policy directives from the Reserve Bank and the government in the light of the bank's experience and recommend to the management the modifications that may be necessary in these directives. Such critical evaluation would be extremely useful to the Reserve Bank and the government in modifying their policy directives in a manner that would effectively promote the overall objectives of planned development.

The function of collecting and processing data to be transmitted to Reserve Bank of India at periodical intervals should also be performed by this Division. These data are essential for overall credit and banking policies and each bank should so organise itself so as to provide dependable data in time to the Reserve Bank. This function has not been adequately performed so far as the banks have not paid proper attention to the task of collecting and processing these data in a reliable manner and in time.

CONCLUSIONS

The Planning and Development Department is expected to be a high-powered policy-making department and as such it should have a very high status in the bank's hierarchy. It should

function directly under the Chief Manager or Chairman of the Board and the head of this Department should attend the Board meetings as and when necessary as an observer.

This Department should be manned by highly qualified personnel and should include persons with high qualifications and experience in fields like agricultural science, industrial management and engineering, business management, industrial and agricultural finance, chartered and cost accountancy, agricultural and industrial economics, econometrics and statistics, social psychology and sociology. The Department head needs to be a person with considerable practical experience in banking with sufficient analytic ability and imagination to guide and supervise the work of the various divisions. He should be also in a position to decide the appropriate placement of each specialist in the various divisions.

Whether the banking system can function effectively as a catalytic agent for broad-based economic development by generating entrepreneurial impulses over a wide front would depend crucially on the functioning of this Department in each bank. Of course, it is assumed that each bank would have considerable scope for making new experiments and innovations for attaining the desired objectives and that the banks would not be made to adjust themselves to a Procrustean bed prepared just to achieve static uniformity. Without this assumption, there would be no logic in the proposal for a Planning and Development Department for each bank. Experimentation and innovation are of the essence of any new venture. For this purpose, it would be essential to respect the present distinct identity of each bank; the scope and urge for innovation and experimentation would be much less if the number of banks is reduced by mergers, etc. Further, there is a certain local pride in the employees of each bank and this should be exploited for the purpose of creating the competitive conditions so necessary for innovation and experimentation.

NOTES

- 1 For new deposit schemes see Bhatt, V V, "Some Aspects of Deposit Mobilisation", *Economic and Political Weekly*, September 5, 1970.
- 2 See Bhatt, V V, "Lead Banks: Action-Oriented Approach", *Economic and Political Weekly*, October 3, 1970.
- 3 See the forthcoming paper on the subject by V V Bhatt.

HYV Programme: Variables that Matter

A Reply

P K Mukherjee

THIS is in response to a comment, by G Parthasarathy and D Haranatha Babu, which appeared in the June 20, 1970, issue of *Economic and Political Weekly*. I am glad my paper has evoked at least one critical comment from two of my colleagues. I shall attempt briefly to clear some of the misunderstanding and mis-statement of facts made by Parthasarathy and his colleague, and secondly to place a few more explanatory facts in order to bring home the point which I have made in my paper. In the first place, neither the objective of the evaluation study undertaken by the Programme Evaluation Organisation (PEO), nor the purpose that I had in view in writing the paper was to controvert the view that 'the present defective (italics mine) tenurial system blocks the progress of adoption of the new technology'. Instead, what I was attempting was to find out whether the type of tenurial conditions that generally exist in the countryside had any effect on the adoption of the new technology. It will require a well-designed study to firmly establish whether 'insecure tenancy' is conducive to or hinders the spread of the new technology. Secondly, it is not correct to state that 'if at all, the tenants covered in the PEO study look like owner-tenants'. In fact, the tenants in the PEO study include both 'pure' tenants and 'tenants-cum-owners'. Similarly, the owners in the PEO study include both 'pure' owners and 'owners-cum-tenants'. I shall presently give the classification that we have followed and the distribution of our sample between these two categories. Finally, Parthasarathy is not correct when he states that 'Mukherjee's inference would be warranted (a) when the tenant is a pure tenant and (italics mine) (b) when the tenant is also an owner, provided analysis is done plot-wise to differentiate between owned and leased-in plots'. In fact, it would be sufficient if it could be shown that the sample of tenants that we have taken consists of proportionately larger numbers of pure tenants than of tenant-cum-owners. Incidentally, over input application, etc, the PEO study does not make any distinction between the leased-in and the owned plots mainly

because the coverage of the high-yielding varieties, even of the relevant crop area, was quite limited except probably in the case of wheat participants. It would be quite unrealistic to attempt to analyse the differential application of inputs by a tenant participant, within his own operational holding, on leased-in and owned plots when the HYV area itself is a fraction of the relevant crop area.

I plead guilty to the criticism that I have not defined who is a tenant in our study. This lapse has occurred because I took it for granted that those who had perused the PEO studies for the last three years were already familiar with the fact that our classification of the farmers was of two categories: mainly owners and mainly tenants. This classification was done on the basis of the major portion of the operational holding either owned or leased-in. Parthasarathy will agree with me that, in view of the complexity of

tenurial systems in the country and the nature and terms of tenancy contracts varying widely from formal to mere oral arrangements, it is reasonable to want to evolve a meaningful working concept for an all-India study. A rough and ready tabulation revealed that in Punjab, 12.1 per cent of the selected tenant participants were pure tenants. Out of these, 57.1 per cent had operational holdings of 5 acres or less, while the remaining had operational holdings ranging from 5-10 acres. In Tamil Nadu, on the other hand, 66 per cent of the selected tenant participants were pure tenants; but 96.8 per cent of them had operational holdings of 5 acres or less, in many cases, the figures being 1-2 acres.

That the concept of so-called pure tenancy is less realistic in the present day Indian scene, has been commented upon by many, as already noted by Parthasarathy. An excellent analysis of the non-homogeneity of tenants as a group has been made by Vyas in an article 'Tenancy in a Dynamic Setting' published in the *Review of Agriculture, Economic and Political Weekly*, June 27, 1970, and it may have been already noted by Parthasarathy.

Asian Clearing Union

GUIDELINES for establishing an Asian Clearing Union and an Asian Reserve Bank, to aid in regional development through monetary co-operation, have been drawn up in Bangkok by a 21-Government conference held by the United Nations Economic Commission for Asia and the Far East (ECAFE).

In reviewing the discussion of proposals for an Asian Clearing Union and an Asian Reserve Bank, the report comments: "A number of countries felt that both schemes could start simultaneously while some others felt that the Asian Clearing Union should be started first".

Among the points in the "Guidelines for the Establishment of the Asian Clearing Union" are:

- (i) The Union would provide a clearing mechanism for the multilateral settlement of intra-regional payments; facilitate the expansion of intra-regional trade; and promote the use of regional currencies.
- (ii) The Union would establish "a common unit of account" denominated the "Asian Clearing Dollar" (ACD), equivalent to one

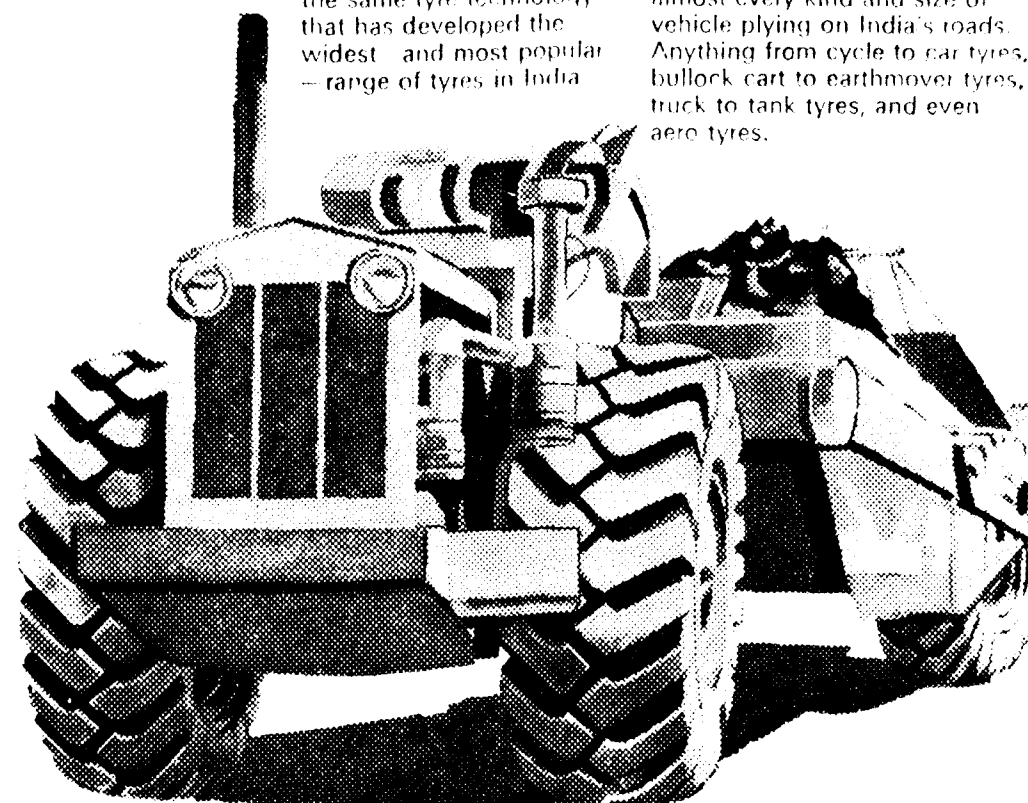
Special Drawing Right (SDR) allocated by the International Monetary Fund (at present equivalent to one US dollar at its existing par value).

- (iii) The Union would determine the duration of the accounting period (initially, two weeks) and the settlement period (initially, one month) to be used. At the end of every accounting period, the clearing house would notify all members, by cable, of the net position of each member *vis-a-vis* the clearing house and other members.
- (iv) Each member would extend a credit line, denominated in ACD's, to all other members, via the clearing house, to provide them with interim credit between settlement dates.
- (v) The Union would be open to all ECAFE regional members and associate members, and the Agreement for establishing the Union would enter into force with a membership of at least five such members or associate members.

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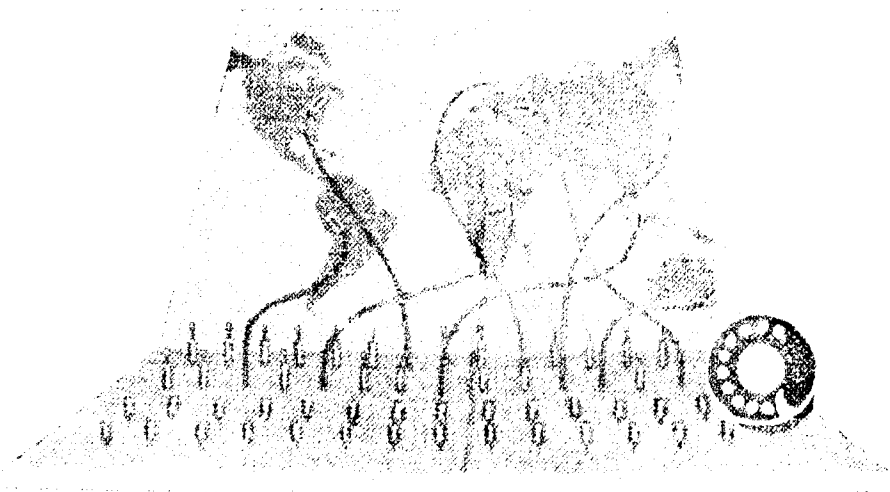
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ECONOMIC AND POLITICAL

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Reorganisation or Fragmentation?

THE strategy of muddling through to some eventual resolution of problems may work in matters like electoral realignments or improving the efficiency of limited sectors of the economy, although even here much will frequently depend on the working of some 'hidden hand'. It becomes a design for compounding confusion when tried in respect of basic changes in the country's political and economic structure. A case in point is the demand for a second look at the country's territorial organisation. It started with the analyses of a few social scientists, was clutched at and given a different twist by the proponents of decentralisation like Jayaprakash Narayan and has lately attracted the attention of a few politicians in their search for a way out of the entanglements of State politics in this or that region. The central leaders of Congress(I) have turned down the idea as casually as opposition politicians have propounded it from time to time. Meanwhile, concessions are made or resisted in an *ad hoc* manner in response to pressures from strategic areas and factional leaders. There is no clear policy perspective. And lacking a definite approach to the problem, it is likely that a number of pseudo-States will keep popping up while major regions calling for vital reorganisation will remain as they are and stagnate and problems of economic development and regional disparities get accentuated and, in course of time, become explosive. Also, lacking a clear policy, attitudes from an earlier period persist and any proposal for change evokes the spectre of imminent "disintegration" of the country. All this speaks of the leadership's basic lack of confidence in its own ability to carry out any significant reform, carefully conceived and systematically executed.

The issues involved in a reorganisation of the present States are admittedly varied and the precise manner in which they are likely to be sorted out under the stimulus of some comprehensive step is not all that easy to anticipate. If, however, these issues are seen in an interrelated manner, it is possible to perceive the nature of the problem and deal with it with some imagination. One of the more obvious issues is that of providing satisfactory territorial arrangements for easy administration, for efficient interaction between the leadership and the people without the distortions inevitably introduced by the interposition of too many levels of middlemen for popular participation in plan programmes and for enabling different social and regional strata to influence governmental decisions. It is no wonder that States like Gujarat, Punjab, Haryana and Tamil Nadu present pictures not only of considerable economic enterprise but of a different administrative and leadership context from UP, MP, Bihar and parts of Maharashtra and Andhra Pradesh.

Closely related to the problems of leadership and administration is the issue of size. But no less important perhaps is that of social homogeneity. The acceptance of the linguistic principle was an important and necessary step in this direction. But language is not the only basis of social cohesion. Assam and Mysore are two States that have posed the issue of relatively small States harbouring within themselves social tensions that are exacerbated by the political structure. So is Andhra Pradesh where the emphasis on the linguistic principle at the expense of all others — and the paper understandings through which these others were supposed to have been taken care of but in fact were not — has produced a highly unstable situation which cannot be resolved except by satisfying the just demands of the Telengana movement. In this case the exclusive emphasis on language has stood in the way of the developmental aspirations of a large section of the population.

Posed in this way, the developmental problems of very large States also become clear. UP is the clearest case of large undeveloped hinterlands, but a similar situation prevails in nearly half of India. Despite all talk of regional balance and of special measures to deal with the problems of backward areas, it is not likely that anything substantial will be done unless these areas enjoy the necessary political and administrative leverage and autonomy to develop themselves and to oblige the Centre to provide them with the wherewithal to do so. Enough is known about the economic problems of eastern UP and Bihar and what needs to be done for them; what is lacking is an adequate political structure.

In the present context of the country's problems, the issues of regional economic development become fused with the larger issues of the vitality of the federal structure and political stability at the State and the national levels. It is a misconception to think of the viability of the Central authority by reference to either the number of States or the 'functions' and 'powers' enjoyed by them. Smaller and more States are more likely to produce single-party governments at the State level, a more direct government-to-government relationship between the States and the Centre, ease and economy in party-building

in the States and a greater mutual confidence in the sharing of functions and powers between the two levels. The storm that was raised by the Tamil Nadu Chief Minister's demand for a State standard is symptomatic of the low level of confidence in our political functioning.

From all these points of view, the case for a new look at our territorial organisation appears to be rather strong. The problem is not single-dimensional to be dealt with through simple administrative or legislative action. Smallness of size alone cannot be a principle of political organisation: giving statehood to every tribal cluster in the north-east is not perhaps the best way of going about things. Nor should efficiency of administration or social homogeneity be considered in isolation from other factors. Nor, on the other hand, should simple counter-arguments prevail, such as that about the 'economic viability' of each State. This is a false issue. The problem has to be dealt with on a national basis; if there will be States that are economically not viable then let the Centre make them viable. Obviously, there will be backward areas that will become States precisely in order to move away from backwardness by recourse to national resources. Again, in any design of reorganisation sufficient attention will need to be paid to the special position of the metropolitan areas vis-a-vis the States in which they are located and vis-a-vis the Centre. These areas need to be handled on a different footing and ought to have a direct say in the Centre's allocation of resources for developmental purposes. There is perhaps need to return to a modern variant of the old-time city charters. There are thus many aspects to territorial reorganisation and most of them are interconnected.

India's political development during the last twenty years and more has, with all its problems, laid some sort of solid foundation for national unity. The fears of 'disintegration' are clearly exaggerated. But the problems that face us now are perhaps more basic than simply that of holding the country together. It is a problem of making the country's unity productive for its people, of breaking loose from State party syndicates and unworkable SVDs and of providing an institutional framework that can make both 'development' and 'democracy' real for the people. A changed territorial design is no panacea, of course; a leadership that feels confident enough to undertake it will presumably do a few other things as well. But it may well turn out to be one of those initiatives that produce favourable con-

ditions for the resolution of some old and chronic problems. On the other hand, a policy of drift and *ad hoc* response must necessarily yield States and State-like fragments without any conscious design to them.

Obstacles or Policies?

THE annual meeting of the Associated Chambers of Commerce and Industry last Saturday provided another opportunity for verbal sparring between spokesmen of Government and industry. Keshub Mahindra, the ACCI President, belongs to the same generation as the Prime Minister and with no industrial ancestry to hide behind and backed by a tradition of professional management of his enterprises, he could claim to speak on behalf of modern entrepreneurship. He began from a premise of identity of objectives of Government and industry, both being committed to not only economic growth but also social development. He wanted conditions to be created for a partnership in achieving these objectives. He conceded the need for instruments to restrain the unfavourable impact of private enterprise, but argued that this condition was already satisfied insofar as almost all financial strings were now controlled by the Government. Given this situation, he asked for freedom for industry to operate and grow, singling out particularly the new licensing policy for criticism for frustrating development initiatives.

The Prime Minister was duly provoked. She charged that the business community, sheltered from competition, had acquired a rentier mentality. It had got used to easy profits and was not willing to exert itself to earn these profits, except to pressurise Government into tariff protection and price increases. She charged industry, especially the bigger industrial houses, of not taking advantage of the new licensing policy; instead industry had chosen to "sit it out" (a sort of psychological *dharna*). As for Keshub Mahindra's advice against bringing politics into economics, she argued pertinently that businessmen could not pretend to be apolitical; those who urged the retention of the *status quo* were no less political than those who wanted to change the economic system. She wound up with what has by now become her stock warning to industrialists—the dire political consequences of economic stagnation.

The validity of the Prime Minister's criticism of private industry is not in question. However, two considerations substantially reduce the impact of her arguments. First, the Government has,

since the inception of planning, wielded comprehensive powers of regulation of practically all aspects of the working of private industry. It cannot, therefore, absolve itself of a part of the blame for the wrong attitudes and the shortcomings in performance of the private sector that the Prime Minister enumerated. Second, the record of the public sector enterprises does not exactly stand out in comparison with that of the private sector in any of the respects that the Prime Minister referred to in her speech.

To take the second point first. The Prime Minister charged that private industry had made easy profits in sheltered markets; but the public sector, operating in virtually the same conditions, has not achieved even as much. Even judged by other considerations, what has been the record of the public sector? The Prime Minister referred to private industry's tendency "to run to the Tariff Commission or the Government for price adjustments to compensate for each little increase in the cost of inputs". Is the public sector's attitude materially different? Hindustan Steel, to take one instance, is currently in the forefront of steel producers pressing for a price hike to offset the recent wage increase in the industry. Similarly, in regard to import of technology or concern for export, two other areas mentioned by the Prime Minister, the public sector's record has been no better than that of the private sector. What makes this criticism relevant is that the Prime Minister appears to have failed, during her term of office so far, to make any impact on the efficiency and attitudes of the managements of public sector enterprises.

As for Government's regulatory powers, it is an established fact that in their operation, if not in their conception, their negative aspects have been far more pronounced than their positive content. The Prime Minister referred in her speech to the need to "find technologies which use more labour and less capital". But the Government's powers of industrial and import licensing and foreign exchange control as well as the fact that most large private sector industrial projects are dependent on public financing institutions should have made it quite possible for Government to implement a policy on technology—if it had one. That apart, what has been the contribution of the Government-sponsored scientific research agencies in this field? Similarly, a more positive use of the licensing device could have enabled Government to prevent excessive profits in particular industries through appropriate expansion of capa-

city; or, where such expansion was not in the public interest, the same objective could have been achieved through bolder tax measures. Again, policies which are expected to further major social objectives are more often than not indifferently implemented or riddled with loopholes to enable industry to escape their rigour. The price control on mass-consumption varieties of cloth is a case in point here.

In the absence of a positive content, the Government's numerous regulatory devices become just a series of hurdles which intending entrepreneurs have to clear. Inevitably, the more resourceful and the less scrupulous come through more successfully in this obstacle race. The Prime Minister should not, therefore, be surprised by her discovery that private enterprise has been less an instrument of economic growth and more a lobby of vested interests intent upon manipulating bureaucratic favours.

Last Days of Spanish Raj

SPAIN is in the unenviable position of being the only country in the world which still has a regime whose origins go back to the fascist convulsions of the thirties. Although its repressive tendencies have mellowed, the 'leader' cult and an abiding faith in the righteousness of a hierarchical social system, which are the hall-marks of fascist regimes, still persist and are epitomised in the fading figure of the 78-year old *Caudillo* (leader), General Franco. As all forms of political opposition have been denied the freedoms of assembly and association since 1939, when the Spanish Civil War ended in the victory of Franco's Falangists, most political activity takes place in a clandestine manner. In spite of the fact that only official trade unions are allowed, there has been a series of strikes during the last few months organised by underground unions known as the "Worker Commissions", which are controlled by the Communists and backed by Left-wing Catholics and disenchanted ex-Falangists. The Communists are the most effective opposition group in Spain, although the Soviet invasion of Czechoslovakia in 1968 caused a rift in the party; the exiled Secretary-General, Santiago Carrillo, taking an independent line calling for greater autonomy for the Spanish Communist Party while the other group under the Civil War hero, Enrique Lister, continued its dedication to Moscow. The Social Democrats and Christian Democrats are divided into many factions and seem to be impotent in the face of government repression.

In such a climate, Basque separatist

demands represent much more than the centuries old Basque desire for self-rule; to thousands of workers, students and clerics outside the four Basque provinces, the Basque demands are an expression of revolt against Franco. The trial of the sixteen Basque guerrillas at Burgos by a military tribunal has aroused unprecedented support all over Spain against the cavalier methods of jurisprudence under which these men are being tried. The Basques have always been a thorn in the side of the Falange. During the Civil War (1936-39) the Basques were Left-inclined and were among the most tenacious opponents of Franco. This legacy still survives, though the usual reason for regional separatism, economic exploitation, does not hold true in the case of the Basques, who are known for their business acumen and whose provinces have a high standard of living compared to the rest of Spain.

It seems that Spain is poised for a period of great political uncertainty once Franco dies as no clear political alignments or popular political institutions have been allowed to develop during the long sleep under Franco's rule. It is highly improbable that Franco's chief lieutenants, Admiral Luis Carrero Blanco, who acts as prime minister in all but name and Lieutenant-General Manuel Díez Alegria, Chief of the Combined Defence Staff, will be able to hold the fort after Franco's death. The intended restoration of the monarchy in the person of Prince Juan Carlos of Bourbon has little support except among the officer corps of the armed forces. It seems possible that the armed forces and the Communists might openly confront each other in the near future. On the other hand, Franco's demise might precipitate Spain's entry into the Common Market, in which case the economic and political pressures from outside Spain could work in the direction of an Italian-style system of shifting coalition governments with rapidly changing alliances and counter-alliances of various collections of Christian Democrats, Social Democrats and Communists.

Hard Effects of Soft Options

A Correspondent writes:

A YEAR of taking the soft options is leaving behind its legacy of lost opportunities. Even though 1969-70 had ended with a smaller deficit than anticipated, the 1970-71 budget proposals were exemplary in their conservatism and traditionalism. Instead of using the opportunity to boost the economy, the budget provided for hardly

any net deficit financing. Additional taxation too was low at Rs 170 crores and the burden was mostly distributed among the lower and middle classes. The budget proposals, heralded as socialist by the new establishment, were welcomed by the stock exchanges with a speculative boom.

Two-thirds of the way through the year, the budgetary calculations have gone awry. First, revenues have not been very buoyant. While income-tax and customs duties have kept up to expectations, excise duties, reflecting the slow growth in industrial production, have been lagging. At the same time, expenditure is rising faster than budgeted. States are drawing more funds for special assistance such as flood relief. And higher dearness allowance—the direct result of the Government's failure to keep control over prices even in good harvest years—has had its impact not only on State government finances but also on the Central exchequer to the extent of Rs 104 crores. The result is seen in expansion of bank credit to Government by Rs 58 crores against a net contraction of Rs 118 crores during the same period last year. So the likely budgetary deficit for 1970-71 is now placed at Rs 250 crores against the anticipated Rs 90 crores.

The other factor, besides excessive traditionalism in fiscal policies, responsible for the budgetary malaise is the lack of a price policy. The years of good harvests, 1968-69 to 1970-71, have witnessed a price rise of about 6 per cent per year, against the approximately 15 per cent annual rise in the agriculturally disastrous years, 1965-66 to 1967-68. Imposition of piece-meal price controls, resistance to wage claims and occasional bouts of selective credit controls have failed to prevent the erosion of buying power of money—in Government hands no less than in private hands. Consequently, the Centre's control of real resources is perhaps less today than it was in 1964-65. In such a loose framework, monetary policy too has lacked definite direction and impact despite the nationalisation of the major banks.

Of course, a budget can be tough without achieving any positive economic benefits. What is wanted is a tight rein on fiscal and monetary policy, which makes production more profitable than keeping capacity idle, which penalises the stagnant firms, which discourages hoarding in preference to sale of goods—in short, which tries to remove industrial landlordism. Unfortunately, there are hardly any signs of such an overhaul to correct the economic malaise and induce growth.

Half-Measures in Cotton

A Correspondent writes:

THE measures announced by the Foreign Trade Minister in the Lok Sabha on December 8 to ensure equitable distribution of cotton among mills during the next six or seven weeks betray either lack of understanding of the underlying causes of the present cotton crisis or want of courage on the part of the Government to adopt unpalatable but bold steps to meet the situation squarely. Verily, the authorities seem to be chasing shadows. The lowering of the ceilings on cotton stocks that mills can hold, speedy distribution of the import quotas announced, import of additional 5 lakh bales of cotton during the current season and cut in the staple length limit for imported cotton would no doubt somewhat ease the cotton price situation to the benefit of the mills. But these measures are at best short-term palliatives; they are unlikely to ensure that similar situations of acute shortage will not develop in future. In fact, in attributing the present cotton crisis to the delay in the arrivals of the early crop, the Government has simply swept under the carpet the major issues involved and yielded to the powerful pressure of the mills. No wonder, the ICMF has welcomed the Government plan.

As it is, the present cotton crisis essentially emanates from the high and rising prices of cotton piece-goods. With most mills having already switched over to the production of non-controlled varieties of cloth, the statutory price control on cloth has already been reduced to a farce. In the circumstances, the proper course for the Government would have been to extend the cloth price control to more varieties, or, if for administrative reasons such a course was not found immediately feasible, to enforce more strictly the present control by raising substantially the penalty for not producing the controlled varieties. For reasons best known to itself, the Government has not chosen to do either.

The Government decision to reduce the ceilings on mills' cotton stocks really does not amount to much. As is well known, trade often holds large cotton stocks on behalf of the mills. What is perhaps less widely known, however, is that most mills hold a considerable part of their inventories in the form of purchases against non-transferable specific delivery forward contracts. These

purchases are not infrequently the villains of the piece, especially when a temporary imbalance between supply and demand develops. For, unless the trade has hedged such forward sales to mills through countervailing purchases in the futures market, it is forced to rush to the ready market to cover the sales. Ready prices, as a result, rise more steeply than they would have otherwise. To remedy this situation, the Government must either permit hedging facilities in cotton through revival of the futures market or, alternatively, it should altogether ban sales and purchases in specific delivery forward contracts. The latter course is to be preferred—provided the Government is in a position to enforce the ban.

The most disquieting feature of the Government's decision is, however, its failure to realise the need for building buffer stocks of cotton out of the proposed additional imports. The Agricultural Prices Commission had recommended the establishment of the Cotton Corporation of India mainly with a view to building buffer stocks of cotton. This object seems to have been lost sight of by the authorities. If, as the Foreign Trade Minister asserts, the cotton supply situation is not alarming it would surely be unwise for the Government to hastily distribute among the mills all import quotas instead of reserving part of it to make an earnest beginning in the building of buffer stocks.

The Cotton Corporation has, incidentally, needlessly come in for severe criticism for the alleged shortfall in cotton imports. Figures have been cited to show that imports of cotton this year have so far totalled only 36,000 bales as against over 1,80,000 bales imported during the corresponding period last year. Those who have cited these figures have, however, quietly omitted to mention that the statistics of cotton imports this year, gathered from the weekly bulletins of the East India Cotton Association, do not include imports into Bombay port which normally account for over 60 per cent of total cotton imports. But even granting that there has been a slight shortfall in imports this year as compared to last year, how can the trade and industry escape their share of the blame when the Government has already released over 4½ lakh bales of the original import quota? Does it lie in the mouth

of the trade to accuse the CCI considering that it dragged on for long a needless controversy over the issue of commission and eventually accepted the terms earlier proposed by the CCI?

Price Policy for Synthetics

J K SYNTHETICS has produced excellent results for yet another year. The company's sales improved by about 25 per cent in the year ended June 30, 1970, while operating profit (after interest and depreciation) increased to about Rs 4 crores (over 27 per cent of net sales) from the previous year's figure of Rs 2.65 crores (24 per cent of net sales). The company's new lines of activity are also developing satisfactorily.

In his statement to shareholders, the chairman of the company, G K Singhanina, makes some pertinent points. He maintains that synthetic fibres are no more an item of luxury consumption so that demand for them may be expected to expand very rapidly in the next few years. Further, greater use of synthetics in place of cotton helps to relieve the chronic shortage of cotton. Singhanina, therefore, argues for a more realistic policy towards expansion of the industry's capacity and production. He commends a policy of delicensing with regard to the existing producers so as to enable them to expand their capacity by at least 50 per cent.

Earlier, touching on the rationale of Government policy vis-a-vis the large industrial houses, he decries the present preoccupation with the concept of 'size'. He suggests that what is really important is who benefits from the surpluses and profits arising from industrial activity.

Looking at the units in the synthetic fibre industry, the beneficiaries of the present policies appear to be largely the existing producers themselves. In the case of J K Synthetics, the rate of return on capital employed amounts to about 25 per cent. The after-tax return on the ordinary share capital of Rs 3 crores (of which Rs 2 crores has come from capitalisation of reserves) works out at over 100 per cent. This would appear to indicate that for proper development of the industry delicensing with respect to the existing producers may not be enough. What seems to be called for is a more realistic pricing policy which alone will extend to society the benefits ensuing from the industry's expansion.

More Private than Private Sector

HOW public are the government-owned companies? In theory these companies derive their funds from public revenue. Further, they lay claim (often to extenuate their indifferent commercial performance) to fulfilling social responsibilities beyond the ken of comparable enterprises in the private sector. For both these reasons, Government companies are, it is presumed, answerable to the public in a sense that private sector companies are not. This is the rationale of the public accountability of government enterprises—of their affairs being subject to scrutiny by Parliament. But why Parliament only? It is common practice for companies in the private sector to invite the Press to their annual general meetings and to circulate their annual report among newspapers. Analysis of balance sheets and comment on the operations of companies are regular features of newspapers and financial journals. In advanced capitalist countries, companies like General Motors and Imperial Chemicals advertise that their reports—or summaries of them—are available to the public on request, and some of these companies go to the extent of publishing their accounts in different languages to enable their distribution in countries other than the country of their incorporation.

The bureaucrats who run our public enterprises, however, seem to take a very different view of their accountability. They would, if they could, run their enterprises as private estates. This journal recently requested the Mysore Iron and Steel Limited for a copy of its latest annual report. Prompt came the reply from the company's Secretary: "We regret to inform you that, as ours is a Government company, the Annual Reports are not issued to outsiders. Hence, we regret we cannot comply with your request."

The bureaucrat-managers of public sector enterprises are by no means averse to using newspapers for publicising highly selective information about their achievements or to put out apologetics for their poor performance. Mysore Iron and Steel itself recently widely advertised in the Press its conversion to a special steels unit. But it is obviously not prepared to face the prospect of having its Annual Report objectively analysed and commented upon.

A company's audited annual report is the most reliable source of data on its operations and financial journals have specialists to analyse such data with care and to comment on them with a sense of responsibility. The attitude represented by the communication from Mysore Steel quoted above speaks of

either an anxiety to conceal the real facts about the company's working (there have been reports that Mysore Steel fared rather poorly last year) or a feeling of being above public scrutiny. In either case the image of the public sector is scarcely made brighter.

Naphtha Shortage Uncracked

THE Centre appears disinclined to approve the Tamil Nadu Government's proposal for setting up a petrochemicals complex in that State. Objections have been raised on the grounds that the project involves import of naphtha which is contrary to the centre's policy, that the proposed naphtha cracker is not to be in the state sector and that demand prospects for the proposed products are not too firm. In fact, however, this is one more indication of the Centre's vacillating approach to developing the petrochemicals industry.

The Kane Committee had nearly a decade ago recommended the setting up of five petrochemicals units. Yet, all that has materialised so far is NOCIL's complex at Bombay and some tardy progress at Koyali. Planning for petrochemicals is a long-term process and advance action for future projects is necessary even as the Fourth Plan projects are under way.

Availability of naphtha is at the centre of planning for expansion of petrochemicals capacity. The projected expansion of refining capacity is inadequate to meet the competing demands for naphtha for manufacture of fertilisers and petrochemicals. On the basis of a refining capacity of 26.5 mn tonnes in 1973-74, naphtha availability is estimated at 2.65 mn tonnes. The petrochemicals industry's requirements of naphtha are expected to increase from the present 265,000 tonnes to 847,000 tonnes in 1973-74; if this demand is fully met, then only 1.8 mn tonnes of naphtha will be available to the fertiliser industry or enough for an output of just 1.6 mn tonnes of N.

The Tamil Nadu Government's proposal to set up a large cracker using imported naphtha has to be examined in this context. The proposal envisages a 540,000-tonne cracker with ICI collaboration and plants to manufacture polyethylene, polypropylene and butadiene, requiring an overall outlay of Rs 90 crores; downstream units, to produce synthetic rubber, polystyrene, acrylic fibres, etc, will involve an additional investment of about Rs 126 crores. To meet the cost of imported naphtha, 50 per cent of these products are proposed to be exported.

However, whatever the merits of the project, no decision on it can be taken until the Government makes up its mind

about its naphtha policy. A quick decision is all the more essential as long-term contracts for import of naphtha may not be easy to come by in view of the growing demand in Europe for ethylene and its derivatives.

Asian Clearing Union

ECONOMIC compulsions are gradually bringing together the developing countries of Asia. These countries have so far had their economic and trade ties mainly directed towards the former colonial countries—UK, France or the Netherlands—and their inter-relations, trade and other, were limited. Yet the economies of these countries have a fair degree of complementarity, which establishment of trade channels could help to exploit better. This is the line that UNCTAD, for example, has been pursuing as one of the means of promoting development.

In this part of the world, the ECAFE provides the natural focus for fostering intra-regional economic relations. The ECAFE has mooted a proposal for an Asian Clearing Union, the main objective of which would be to provide bridging facilities for temporary trading surpluses (or their counterpart deficits)—requiring only persistent deficits to be settled in a mutually acceptable currency. The main impact of such a Union would be to smoothen the flow of trade among the member countries and, hopefully, to increase the volume of such trade as a result. A natural offshoot of such a union, if successful, would be a regional central bank which would enable the holding of each other's currencies on a more generalised basis.

Predictably, the clearing union proposal is meeting with resistance from the two advanced countries in the region—Japan and Australia. They fear that their net creditor position would compel them to provide additional support—additional to their present aid effort—to the developing countries' balance of payments. Japan runs a large global surplus, but it is evidently reluctant to hold it as credits to its developing neighbour-countries.

As a large country with growing exports of manufactured goods, India has a positive stake in both the clearing union and a possible regional central bank. Our trading relations with the countries of the region are limited at present but these can be expanded, given the facilities of a clearing union. But to give the incipient move towards a clearing union the necessary momentum, our own attitudes about the importance of economic and trade relations with the developing countries will need to change.

Arrested Boom

THE story of the rise in our exports of engineering goods has been told many times. It is retold in some detail in the latest issue of the *Reserve Bank Bulletin*. Engineering exports rose from \$56.3 mn in 1967-68 to \$113.00 mn in 1968-69 and \$141.82 mn in 1969-70. The main contributors to the rise in exports in 1969-70 were automobile and auto parts (from \$7.9 mn to \$191. mn), electric wires and cables (\$10.3 mn to \$14.9 mn), jute, textile and knitting machinery \$2.4 mn to \$9.6 mn), transmission line towers and poles (\$1.4 mn to \$3.9 mn), electric motors, switchgear, transformers, etc. (\$1.5 mn to \$3.4 mn) and miscellaneous products (\$20.6 mn to \$26.3 mn). On the other hand, exports of aluminium sheets, circles, etc. declined (from \$10.9 mn to \$6.3 mn) and exports of railway coaches, locomotives and wagons almost disappeared (from

\$11.1 mn to \$0.7 mn).

Asia now accounts for almost half of our total engineering exports and Africa for one-fourth. Significantly, these two continents accounted for almost the entire gains achieved during the last two years—from \$25.95 mn in 1967-68 to \$62.57 mn in 1968-69 and \$64.26 mn in 1969-70 to Asia and from \$11.64 mn in 1967-68 to \$29.75 mn in 1968-69 and \$31.30 mn in 1969-70 to Africa. Exports to Europe and America showed relatively minor gains.

Yet what are the future prospects of engineering exports? While the Reserve Bank study makes some optimistic noises, the situation is in fact gradually freezing out. Firstly, excess capacity is gradually disappearing from our engineering industry, thus removing the push factor in exports. Secondly, steel is becoming increasingly short. This casts a shadow over the Fourth Plan target of doubling engineering goods exports by 1973-74.

LETTER TO EDITOR

The Dismal Scientists

I DO not propose to accept your special correspondent's suggestion ("The Dismal Scientists", November 20, p 1917) to organise a refresher course in economics for the members of the Business Economists' Group (who include, I presume, your special correspondent). However, his interesting piece on the mid-term session of the Group raises some issues which need consideration.

First, A K Bakre's paper on the cement industry, being comprehensive, might appear not to have focused on specific issues. Moreover, unfortunately, the paper was sent a little too late for a studied discussion to have taken place. Yet the discussion, initiated by Nitin Desai, was the best analysis one has had of the problems of the cement industry; even the various Tariff Commission reports have not set off a discussion of the many interesting issues at a professional level, of the kind that took place at the Business Economists' Group meeting, particularly on the role of pricing and location theory.

Your special correspondent raises broader issues regarding the session on the mid-term outlook for the economy. It is possible to arrive at any one destination by various routes and the fact that one writer chooses a particular route need not necessarily imply repudiation of the relevance of other methods. I do not think it is fair to V S Bhavé to suggest that his disclaimer in this particular paper of overall economic factors reflected a lack of faith on his part in

such methodology. Like sophisticated economists who think in Western economic terms, your correspondent evidently has excessive faith in broad indicators ("investment trends, fiscal and monetary policies of the Government") as determining the overall level of economic activity — including, one presumes, the quality of the monsoons and the operation of the unorganised markets!

Economists, like most other people, are more profound in their thinking and work than in their talk. The main contribution of business economists has been in their own organisations; for example, in systematising information and in enabling decisions to be taken on the basis of a full consideration of economic factors. Given this function, it would be for top management to take a decision on an overall analysis of all factors, including the economic factors. Though psychological tests have been introduced for selecting secretaries, businessmen are known to prefer blondes or brunettes — which is not a condemnation of the psychological tests themselves. The role of economists in business houses is similar.

Thanks to business economists, much data is being built up within business organisations. In providing secretarial services to the Group, I have come across a large number of such cases. (Significantly, it is, for example, the Reserve Bank which despite operating exchange control for more than 30 years, does not have data on the status of im-

port licences and likely demand for foreign exchange over even so short a period as one year.) It is possible to systematise such data over a wider sample and make it available to a wider public or to use it, as Samuel Paul and C Rangarajan have tried to do, for purposes such as investment forecasting.

This is the main role of business economists and the Business Economists' Group. It has been possible to make considerable advance in creating interest in new subjects like economic forecasting and the methodology for such forecasting, as also in disseminating information on the various sources for such exercises. We have been interested in alternative methodologies for economic forecasting, and we hope to give an opportunity for the use of these different methodologies for economic forecasting at our next annual meeting. We also propose to have a fuller discussion of such forecasts, ranging over a day, so that the discussion can be more detailed on specific aspects and more focused on overall issues. Whatever their ideological predilections, it should be possible for economists to discuss economic issues on the basis of economic logic; this the Group has been able to ensure at its meetings.

Bombay **PHIROZE B MEDHORA**
December-2

[Our Correspondent writes: It is heartening to note that the Business Economists' Group proposes to have its next session devoted to a comprehensive discussion of the different methodologies of economic forecasting. This, I am sure, will be a substantial contribution to the various discussions and debates going on at present on the subject. Unfortunately, even with the best of intentions, one cannot really say that about their last meeting. It is not "excessive faith" in broad indicators which prompted my remarks on Bhavé's effort. Sophisticated model-building obviously has its limitations, but going to the other extreme and discussing individual industries' prospects in detail in order to build up a picture of the total industrial output is equally futile, because of the presence of intermediary goods, inventories and external supplies. This surely is a problem in theory and methodology and not a question of reliance on "Western economic terms." Incidentally, one fails to see what is so "Western" about investment trends and fiscal-cum-monetary policies — macro-economic theory is not a preserve of the West. Lastly, in case my piece did not fully bring this out, nothing can do full credit to Phiroze Medhora for his untiring efforts to get the Group going and to mould it into an effective forum for discourse and debate.]

Current Calculations

Romesh Thapar

APART from the comic anti-Indira capers of Nijalingappa's circus, a so-called party, deeply divided, and about to crack up, there's little else happening on the political scene. Everything has stopped for the Supreme Court to pass judgment in the matter of the privy purses. Small wonder, then, that the re-shuffle of leading bureaucrats, much in the same style as the recent re-shuffle of ministers, has been given front page, headline coverage. Encouraged, the bureaucracy is now lobbying reporters and editors for 'human interest' coverage on the major characters of the drama.

What a bunch of amateurs they are! And they are re-shuffled in an equally meaningless way: the veneer of specialisation they possess after years of drilling is for some strange reason ignored in allotting new assignments. But, let us not waste time on these gentlemen. They are obviously to continue to make a mess of the future of this country, because no one has the gumption to send them packing to attend to law and order duties for which they are actually trained. We will have to live with them...

ENIGMATIC POSTURES

Very much more pertinent to current calculations are the crises that are crystallising in several parties in response to the enigmatic election postures of

Indira Gandhi. Without a doubt, these crises are exactly what the doctor ordered for the health of the new Congress Party. The Gujarat faction in Nijalingappa's Congress threatens to begin the walk back to Indira Gandhi. A sympathetic gesture from the Lady at Safdarjung is awaited by others. Meanwhile, the CPI is in the throes of another of those 'inner party struggles' which herald splits of various dimension. Apparently, a revolt is building against 'tailism' — that is, against subservience to Indira Gandhi. Even as all this is happening, overtures to the PSP from the ruling party at the Centre cannot but be noted. Without a doubt, political alignments are in flux. Certain political sections do not know where they belong!

There are only three gainers in this game: the new Congress Party which is poised to absorb the left-of-centre elements from the Nijalingappa Congress, the CPI and the PSP; the CPM which is forever reminding the 'revolutionaries' in the CPI that they are being used for the power interests of the Soviet Union now pledged to support the new Congress Party; and the Jan Sangh which awaits the dissolution into itself of the Nijalingappa Congress and the Swatantra Party following coalition tactics for the elections. It certainly appears that these three major all-India parties will ultimately confront each other on their own or as political commanders of 'coalitions'.

CAPITAL VIEW

The ruling Congress Party at the Centre is naturally conditioning the pace of these developments which are heavily influenced by calculations connected with an early election. It is likely that the essential three-party confrontation will remain deliberately blurred, because each party wants to retain a certain flexibility in alliances region-wise. For example, in Bengal, a collision between a CPM front and a CPI front could well pave the way for a Bangla Congress-Indira Congress triumph. In Uttar Pradesh, the Indira Congress might itself have to build a 'front' to tackle the SVD coalition. And, in Bihar, the composition of the Congress coalition might undergo interesting changes. Continental politics dictate flexibility.

DISSOLUTION OF PARLIAMENT

And, if an early dissolution of Parliament is ordered, one of the major reforms of our parliamentary system would also, in fact, get launched. The parliamentary elections would get separated from elections at State level. Parochial issues would get untangled from the business of ensuring a strong and viable Centre. It is well known that this has been a continuing concern of Indira Gandhi. Indeed, at the time of the last general elections an attempt was made, somewhat hesitantly, to win a consensus for such a step. Perhaps, the developing situation will push us in this direction.

Glory be... at least, there is some profit in political drift!

December 7



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PERSPECTIVES

A Case for Sub-States

Balraj Puri

THE formation of the new State of Meghalaya has caused undesired damage to the idea of regional autonomy. As a sub-state it was the first and only experiment of its kind in India, which has now been abandoned without a fair trial. Perhaps the potentiality of the experiment for promoting cohesion within a State through dispersal of political power was never appreciated. Perhaps it was just a grudging attempt to meet the Hill people's demand for a separate State half-way and, in effect, was meant to be a stepping stone to full statehood.

How far removed the idea of regional autonomy is from political and constitutional thinking in the country is evident from the fact that our Constitution does not provide for it. The constitutional procedure for creating a new State is far simpler than that for creating autonomous regions within a State. While Parliament can legislate on the former, the Constitution has to be amended in the latter case. Also at the political level, almost every regional tension leads to a demand for a separate State.

There are potential Meghalayas in many States. Telengana is the most serious aspirant. Vidharba in Maharashtra, Jharkhand in Bihar, Madhya Bharat in Madhya Pradesh. Saurashtra in Gujarat and Jammu in Kashmir pose almost similar problems.

The failure—or rather abandonment—of the Meghalaya pattern should sooner than later spur demands for separate Statehood in most of these discontented spots. There may indeed be no rigidity in the size and number of States. But drifting into an endless process of splitting of the existing States is no remedy either.

ECONOMIC FACTORS AND DISCONTENT

Another political superstition that still persists is that regional discontent can be bought over by money. The demand for greater share in development and jobs by most of the regions is as much a cause as an effect of their discontent. Economic factors seem to appear more important because they are more tangible.

As equal representation in services to all regions is neither constitutionally valid nor administratively desirable and as absolute equality in development al-

location too is not possible, any disparity, real or imaginary, will continue to arouse regional passions. Discontent is known to have persisted in many areas despite their getting more than their equitable share in economic allocations. The Pataskar Commission had, for instance, underlined the fact that per capita development expenditure in the Hill areas of Assam was far greater and per capita revenue from them far less than in the rest of the State. The generous increases in what is called the Telengana surplus, following the popular stir in the region have failed to pacify the people. Beyond a limit, obviously, popular discontent cannot be translated into economics. Other means must therefore be considered for the satisfaction of regional aspirations.

An essential prerequisite of satisfying aspirations of the people in any sphere is recognition of their group identity in that very sphere. Already psychologically, culturally and geographically the reality of their regional personalities is established. In many States they also constitute separate administrative divisions. What is lacking is recognition of the political aspect of their regional personality and aspirations. There is no reason to believe that cultural, administrative and economic needs of a people are more important than their political urges. Nor is regional articulation of these urges necessarily an evil.

VERTICAL VERSUS HORIZONTAL INTEGRATION

Basically, regional loyalty is an extension of the sentiments on which nationalism is based, for both are expressions of a common sense of belonging to a particular geographical area. Nationalism need not be threatened by State, regional or sub-regional loyalties provided the latter can be harmonised and reconciled. It is for this reason that a federal set-up is supposed to ensure national integrity better than a unitary one.

India is a federation not only of States but also of religious communities. Geographical and communal loyalties, however, often cut across each other. For one operates vertically and the other horizontally. Mere horizontal integration, which transcends geogra-

phical barriers of regions and States, would help to bring together members of the same religious communities and might thus encourage a process of promoting communalism in the country.

The vertical inverted pyramid of geographical loyalties with the village as its base can, on the other hand, act as a check on communal loyalties. The loyalty to a village community may be based on a narrow sense of belonging. But within that narrow base it can act as an integrating force between diverse faiths, castes and classes. Likewise regional patriotism is known to have channelised or checked, say Muslim communalism in Kashmir, Sikh communalism in Punjab, anti-Brahminism in Tamil Nadu and acted as a secularising influence in, say Telengana and Jammu.

MULTIPLE LOYALTIES USEFUL

However, it is an exclusive emphasis on any one factor, say, region or State on vertical lines or religious community on horizontal lines that causes tensions and threatens integrity. In a pluralistic, democratic and vast country like India, it is not elimination and suppression of smaller loyalties but balance, harmony, reconciliation and proper ordering of multiple loyalties that ought to lead to national integration.

If the assumptions of the above principles are sound, they are as much applicable to the national as to the State level. What is being suggested is that Region-State relations may be broadly patterned on the same basis as State-Centre relations; so that the State list of subjects in the Constitution is further subdivided in order to delegate a few subjects of local and regional importance to duly elected regional authorities. The process of delegation should continue up to the village level through the three-tier system called democratic decentralisation already introduced in most of the States.

Between the federal set-up at the top—dividing power between the States and the Centre—and the three-tier system at the bottom, namely, Panchayats, Block Committees and Zilla Parishads, there is at present a gap in the continuity of political institutions. If there were no emotional, administrative or geographical entity in between, an extra step in the hierarchy of political institutions might not have been necessary. But where people do feel a sense of belonging on the basis of a common region, why should they be denied political expression?

There need not be any uniformity or rigidity about the pattern at the intervening level of a region within the State. But as the conventions under which principal political offices were rotated or shared between the regions are becoming unworkable with the collapse of one-party domination, institutional devices for equitable dispersal of political power would become necessary.

By providing a sense of belonging and participation to all sections of the people within a State, sub-State regional autonomy is likely to ensure a volun-

tary, harmonious and sound basis for its unity. It would also act as a check on State chauvinism; thus reducing inter-State or State-Centre tensions. The net effect would not only be greater democratisation but also greater integration in the country.

Much of the foregoing analysis is based on deductive reasoning. There are very few experiments within the country or elsewhere to draw on. It is in this sense that abrupt abandonment of the Meghalaya experiment, so soon after it was launched, must be regretted all the more.

MARKETS

Nine-Point Plan for Cotton

Nishtar

COTTON continued to make headlines throughout the week, suggesting a crisis of unprecedented magnitude. Unless one is to dismiss the Cotton Textile Consultative Board's latest crop estimate of 57 lakh bales (put up at its meeting on December 7) as yet another wild guess, there is no reason to take an alarming view of the cotton shortage, though exorbitant raw material prices do pose a serious problem for weaker units in the industry. And if all the 13.25 lakh bales which are now planned for import arrive during the season, the overall supply could turn out to be somewhat better than in 1969-70. The way the cotton crisis has been worked up makes one wonder whether this is part of some grand design. The game has paid. The industry has succeeded in persuading the Government to arrange massive imports. Many outside the textile industry might wonder whether scarce foreign exchange is being judiciously spent. Raw material shortages are hampering production in many sectors of the economy.

The strategy spelt out by the Union Minister of State for Foreign Trade L. N. Mishra, for resolving the cotton crisis without resorting to block closure seriously mooted by the industry about a fortnight ago has set at rest the market's worst fears about drastic measures like seizure of stocks and introduction of rationing. Mishra's 9-point plan consists of measures aimed at (a) easing speculative pressures on demand, (b) ensuring equitable distribution of available (scarce) supplies and (c) augmenting supply through imports of cot-

ton/staple fibre on an emergency basis.

The suspension of futures trading in 'kapas' and the squaring-up of all outstanding contracts at the closing rates on December 3, reduction of the period for non-transferable specific delivery contracts from six months to three months and the requisitioning of a proforma in respect of all details of daily transactions by the Forward Markets Commission and the move for tightening the credit screw are the measures belonging to category (a) which is concerned mainly with easing speculative pressures. Welcome as it is, closing the futures market in 'kapas', the Forward Markets Commission has only made amends for its past mistake. In view of the continuing ban on hedge trading in cotton, there can be no justification for forward deals in 'kapas'. Equally welcome is the reduction in the duration of the *NTSD* contract as it will help restrict avoidable speculation; six months is too long a period in the context of mills' stock limits. As for credit curbs, the Reserve Bank does not need to be apologetic for having to tighten the screw so soon; market conditions over which it has hardly any control warrant a more restrictive policy.

Measures designed to reduce the pressure of demand on current tight supply comprise lowering of statutory stock limit of mills (from 1-1/2 months' requirements to one month's in the case of Bombay and Ahmedabad mills, from 4 months to 2-1/2 months for mills in Assam and from 2-1/2 months to 1-1/2 months for mills elsewhere;

mills which export 20 per cent of their production will be allowed to hold 2-1/2 months' requirements of cotton; no change has been made in the case of growers' co-operatives) and the voluntary scheme for mutual help, to be evolved by the Indian Cotton Mills' Federation, to needy mills to ensure availability of cotton either by way of loan or otherwise. Mills having stocks in excess of the new limits will not be allowed to buy more cotton till their stocks come down below the ceiling. Both mills and traders are required to submit immediately special stock returns to the Textile Commissioner and erring mills are to be "severely dealt with". The State Governments have been asked to take similar action in respect of co-operative marketing societies and traders under their control.

The current shortage is also sought to be relieved through speedier movement of the crop to the market and hurried imports on a commercial basis of one lakh bales of cotton from the US and 1.5 lakh bales of staple fibre. Special measures have also been initiated to secure the expeditious release of the balance quota of 60,000 bales of global cotton and 3.12 lakh bales of US cotton under PL 480. Out of the original import programme for 8.25 lakh bales, 4.53 lakh bales have already been released. Imports against earlier releases depend on shipment schedules already contracted. The staple length limit for imports against the current release has been reduced from the usual 1-1/16 inches to one inch in order to make available this type of cotton which has been in short supply for the weaker and exporting mills.

The 9-point plan is thus quite comprehensive in nature and, if effectively implemented, it should help "maintain uninterrupted production without prejudicing the legitimate interests of the growers". Effective implementation cannot, of course, be taken for granted. Stock limits have not always been properly observed in the past and there have been umpteen instances when mills and traders have not submitted their periodic returns of stocks and consumption and got away with it without any penalty. The Textile Commissioner has been found to be very soft on the mills.

That cotton prices should have recovered very quickly from the setback in the wake of FMC's intervention and continued to rule around the highest levels even after the announcement of the 9-point plan suggests that the situation calls for the strictest possible discipline. The trade and industry will

do well to extend their full co-operation to the Government and be thankful to it for not resorting to drastic measures like the quota system, price control and rationing. New Delhi could not have been more generous to the industry. It might be too much to expect the industry to treat the poor consumer of cloth kindly; but the 600-odd members of the textile family should not misbehave. The cotton supply position is not comfortable but it is certainly not so very serious as is made out by the industry. It should be possible to tide over the current shortage resulting mainly from the delay in normal arrivals in certain areas if the more affluent mills showed a measure of concern for the weaker units.

Ban Stays, But...

FINANCE Minister Chavan announced in Lok Sabha the other day that there was no proposal at present to lift the ban on forward trading in shares and that the Government had come to this conclusion after considering the Anjaria Committee's report. This should set at rest speculation about the future of forward trading in shares though the words "at present" might not be altogether without any significance. That the Government should have taken some six months to take a decision on the findings of a committee which had been asked to submit its report "expeditiously and in any case in not more than two months" seems rather odd, but prompt action has seldom been New Delhi's strong point.

If the stock exchanges, which thrive mainly on speculative activity, have not reacted sharply to Government's decision not to lift the 18-month old ban, it is partly because markets had ceased to entertain hopes of a favourable verdict and partly because they have evolved their own system — the ingenious 10-day settlement — which provides full scope to buy and sell on forward account not only cleared securities but also some of the non-cleared securities and that also without having to pay any margins. Since markets have disproved by their own behaviour that the ban on forward trading had precipitated a crisis of confidence — the all-India index for equities stands well above its June 1969 peak — there may be no urgency in allowing resumption of forward trading in shares. But if the Government continues to tolerate the type of illicit forward trading that is going on in the market, it will not be able to escape the charge that the ban on forward

trading is not being lifted simply because it is considered politically inexpedient to do so.

Stock markets had no easy going last week. They were not only unable to keep up the previous week's pace but were forced to beat a retreat. The higher carry-forward charges at the turn of the 10-day settlement made for caution. But selling was seldom heavy and it was mostly in the nature of tired bull liquidation. Fresh support was negligible. The corporate news was good but that was about all; there was little else to keep the market in good humour.

Foreign Trade Minister Shukla's hints about a cut in nylon and rayon yarn prices, reports about tightening of the company law provisions, Prime Minister Indira Gandhi's attack on big business in her inaugural address at the annual meeting of the Associated Chambers of Commerce and Industry, the indefinite strike in the jute industry and the Naxalite onslaughts — all these had an unsettling effect on the general trading sentiment. Revenue and Expenditure Minister Shukla's statement that the forthcoming budget was unlikely to show a huge deficit and nor would there be any heavy taxation failed to impart steadiness to the stock market. But does one expect the market to take such observations seriously?

FROM OUR CORRESPONDENTS

NEW DELHI

States Ask for More

IN the face of the resources stringency, the mounting pressure of the State governments for upward revision of their plans and for increased allocation of Central funds for this purpose is becoming a serious problem for the Union Finance Ministry and the Planning Commission. As many as seven State governments are clamouring for more funds and the Finance Minister is finding it difficult to cope with these claims.

The reasons advanced in support of claims for increased Central assistance are quite revealing in many cases. The Andhra Pradesh Government has asked for an additional outlay of Rs 110 crores on the State's Fourth Plan for meeting what it describes as "inescapable commitments" on irrigation and power projects. These include the Nagarjunasagar and Pochampad projects and some new schemes for which the

Bumper Crop to No Avail

THE oilseeds market moved on to a new high point last week. Castor, linseed and cottonseed futures, and groundnut oil, have recorded further sizeable gains and there is no knowing how far prices might rise. Groundnut oil arrivals have been quite normal and very satisfactory but offtake has kept on the higher side this time. Vanaspati manufacturers have remained keen buyers. Apart from its considerably stepped up capacity, the vanaspati industry has now to rely almost entirely on groundnut oil because the supply of soyabean oil remains suspended and cottonseed oil is not so easily available.

The bullish fervour might not have assumed such proportions if the Gujarat State Agricultural Marketing Federation and the Food Corporation of India had not appeared on the scene. The former bought groundnut oil and the latter groundnut (in shell); purchases were effected at market prices. How can one expect prices to come down if such agencies continue to effect purchases at market prices? It seems clear that the bumper groundnut crop is not going to bring any relief to the common man. The way the prices of essential items of daily life keep soaring, makes a mockery of Government's solicitude for the common man.

The Government of Gujarat has come forward with the claim that it should be entitled to a share in the special accommodation from the Centre given to some deficit States. The Union Budget for 1970-71 had made a provision for special accommodation to help States which suffered from chronic deficits in their revenue budgets. The provision had become a matter of controversy when the budget was discussed in Parliament and the Prime Minister's critics had held that the provision would be used with an eye to political advantage. The Gujarat Government is trying to bring the controversy to a head by pitching its demand for a share of the special accommodation. The Gujarat Finance Minister has proposed that the issue be brought before the National Development Council.

The Government of Madhya Pradesh has requested that the Fourth Plan outlay for the State be raised from Rs 393 crores to Rs 450 crores—that is, an addition of Rs 57 crores. In the case of Madhya Pradesh, however, the increase is not proposed to be entirely financed by Central assistance and the State Government has offered to raise at least a part of the proposed increase in outlay. The approved State Plan outlay of Rs 393 crores was to be financed through Central assistance of Rs 262 crores, the balance was to come from the State's own resources, including Rs 93 crores of additional resource mobilisation. The State Government has now suggested that the additional Plan outlay of Rs 57 crores could be financed through Rs 20 crores of additional resource mobilisation by the State and Rs 37 crores as the State's share in the additional resource mobilisation to be undertaken by the Centre during the Fourth Plan period. In this case there is no request for additional Central assistance and the State Government's proposal is under consideration of the Planning Commission and the Finance Ministry.

Punjab too had earlier asked for additional assistance for flood control. The Planning Commission declined to entertain it on the same grounds as those on which it has rejected the Assam Government's request. The Punjab Government now appears to have reconciled itself to this position and has not repeated the request. The demand of the Rajasthan Government is for an increase in the Plan outlay from Rs 302 crores to Rs 316 crores. This is a comparatively small sum and the Ministry of Finance is trying to accommodate the State.

The Tamil Nadu Government has raised the question of additional Cen-

tral assistance in the context of formulating the Annual Plan for next year; it has supported its claim by reference to the erosion of State resources on account of increase in pay and allowances of State Government employees. The State Government has proposed that the Centre should make up the expected shortfall of about Rs 119 crores in States' resources. Unless this was done, the State Government would not be able to achieve even the approved Plan outlay of Rs 519 crores, let alone enlarge it. It is not easy to dismiss the case of a powerful State out of hand and the Tamil Nadu Government's demand is under the examination of the Planning Commission and the Ministry of Finance.

The last to enter the field for additional Central assistance is the new Chief Minister of UP, T N Singh. He has asked for special accommodation of Rs 52 crores on the ground that a large gap in the State's resources has developed on account of certain new items of expenditure as well as loss of revenue because of withdrawal of some taxes by the State Government. As regards the additional expenditure, T N Singh's case is that the acceptance by the Central Government of the Pay Commission's recommendations regarding interim relief to its employees has had repercussions on the States and the UP Government has had to pay more to its employees. Another item of additional expenditure is the extension of prohibition in the State. On the other hand, there has been loss of revenue on account of reduction of land revenue on uneconomic holdings — a political decision taken under pressure from some of the parties constituting the ruling United Front in the UP legislature, specially the Samyukta Socialist Party which made abolition of land revenue on smaller landowners a condition for joining the Front. The UP Government also has had to abolish the profession tax. It is also incurring larger

expenditure on account of reorganising the system of collection of fees and payment of salaries for school teachers. The UP Government is obviously being too optimistic in seeking special accommodation on these grounds. The Centre can hardly agree to bale a State Government run by its political rivals out of financial difficulties created by political moves. The Finance Minister has in fact bluntly rejected the UP Chief Minister's demands.

In his reply to the Chief Minister, Finance Minister Y B Chavan has pointed out that whereas UP had been given a target of mobilising Rs 175 crores by way of additional resources for its Fourth Plan, the progress made in this direction had not been satisfactory. He has advised the Chief Minister to consider raising fresh resources to make up for the losses resulting from withdrawal of existing taxes rather than approach the Centre for assistance. Chavan has also rejected the request for assistance to meet expenditure on increase in pay or DA of State Government employees or teachers. The question of larger pay for State Government staff had to be decided by the States concerned based on their own appreciation of their resources situation.

Before making this latest request for special accommodation, the UP Government had asked for additional assistance of Rs 181 crores for enlarging its Fourth Plan through inclusion of new programmes. This demand, too, has been rejected. But the case of UP highlights the problem which has now become all too general in respect of resources for the Plan. The political authority of those running the government in UP and elsewhere is so weak that they are unable to withstand pressures for relief to the more organised sections of society while, at the same time, they are in no position to raise additional resources. The result is, inevitably, erosion of resources earmarked for the Plan.

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New Alliances in Tamil Nadu

Mohit Sen

EXTRAORDINARILY important developments are taking shape in Tamil Nadu. The municipal elections have compelled the formation of two broad types of alliances which could become the model for alliances throughout the country. And since India seems determined to evolve through paradox it is interesting to note that these developments are taking place in a State where the strongest regional party in India's modern history has its home.

LINGUISTIC DEMARCATION

It would be as well to focus attention on this point to start with. The DMK became the power that it did by emerging as the party of the Tamil bourgeoisie with strong petty bourgeois emphasis and links. It acquired a huge mass base through this type of class conjuncture and by taking full advantage of the particular type of caste configuration that characterises the State. The middle, emerging *jatis* came together on something like the continuation of the self-respect movement which had started during the late 1920s. Another factor encouraging strong regional sentiments in Tamil Nadu was the linguistic demarcation in the South which led to the cession of large portions of the erstwhile Madras Presidency to Kerala and Andhra. Tamil Nadu emerged shorn as a result of that very linguistic nationality feeling which was to provide such an emotional thrust to the rise of the DMK. As a matter of fact, it was this that also largely explains the power of Kamaraj in Tamil Nadu—it was, after all, only the united front that brought about the precipitous decline in seats but without anything like a commensurate diminution of votes. And it is precisely this character of the DMK which made it reasonably easy for it to know its place when the split in the Congress took place. Through the regional emphasis and through the Congress split the DMK is getting absorbed into the mainstream of Indian development. Those who talk glibly about unitary India as the framework for the establishment of the Indian identity or who adopt the pose of gloomy prophets following the

split in the Congress, should take some time off to study the changing contours of Tamil Nadu's politics.

An important feature of the DMK's changed line is its abandonment of its long-standing alliance with the Swatantra party. This is an interesting episode which tells us a great deal about how classes and strata articulate themselves. After all, it is not only the working class which has to convert itself from a class in itself into a class for itself. And the necessity of class interest asserts itself through a maze of "accidental" manifestations and a host of transitional forms. The link-up with the Swatantra was, largely, a link-up with Rajaji. It, too, was part of the process of the hurt Tamil Nadu petty bourgeoisie finding itself, part of the process of integrating with the national mainstream by first bitterly opposing the preponderant Centre. There was a danger that this alliance would lead the DMK to lose itself, thus creating a lag in the evolution of Indian politics. The pressure of events and the good sense of the C Subramaniam section of the Congress(R) in Tamil Nadu have led to the shedding of shackles.

MODEL FOR WHOLE COUNTRY

Why, however, has the DMK not decided to go it alone? Perhaps the most important reason is the compulsion of choice imposed by the Congress split and the consequent pressures emanating from the integration into national politics in such a conjuncture. And the Congress(R) in the State, realising that it had not the ghost of a chance of standing up to the Syndicate on its own, produced the necessary spirit of accommodation. Another helpful factor was the similarity between the DMK and the Syndicate of Kamaraj. In politics like might attract like but the same repels the same if only to avoid total submergence of identity. Not only did Kamaraj pose a powerful threat to the continuation of DMK power but the latter could gain an edge only by

bringing to the forefront the whole problem of alliances at the national level.

At the present movement the alliance exists only for the purpose of contesting the municipal elections. But it cannot remain confined to that. It can only retain its *raison d'être* by acquiring a programme for change and intervention in both Tamil Nadu and throughout India. And it is here that considerable difficulty will be encountered. There can be no doubt that the defence of the *status quo* is no basis on which to try to repel Right reaction. The crisis in India is far too deep and pervasive to be papered over by demagogic declarations and makeshift marginal changes. Radical democratic transformations cannot be avoided if India is to survive. Quite obviously programmes mean nothing if they are devised in such a way as to be only declaratory. It is not a matter of programmes being time-bound which can mean anything or nothing. What is required is good hard thought which would yield programmes that transform society to the maximum extent possible at the present historical conjuncture and which would as a result change that conjuncture, the present balance of class forces in the direction of democratic transformation.

VERY SHARP STRUGGLE

It scarcely needs to be underlined that this will not be a smooth process at all. It will entail very sharp struggle at various levels. Above all, it will require the masses to be drawn into a continuous momentum of action on the basis of which organisations of strength would also get established. It will not be at all easy to get the DMK to see all of this, much less to get it involved in all this. Corruption, repression of independent mass actions and indulgence in demagoguery have been its style for these years of administration and even before. But there is the pull of its mass base and the history of its birth and existence which give rise to reasonable hopes that it can become an important part of this radical democratic transformation. Unity and struggle and struggle to compel it to unite for the purpose of accomplishing these democratic reforms will, surely, be part of the new developments that are clearly in store for Tamil Nadu. In this, too, there would be portents and lessons for the whole country.

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Quick End of an 'Experiment'

(From a Correspondent)

THE whittling away of Assam goes on: Nagaland, Meghalaya, NEFA. And if Indira Gandhi's statement, in reply to criticism in Parliament, that she did not consult the State Government before announcing the acceptance in principle of the demand for full statehood for Meghalaya, is any guide, the process is to continue. A newspaper report of her statement said: "Obviously in reply to demands for statehood for other areas in Assam, especially Cachar, as elsewhere, that followed her announcement, Mrs Gandhi said that these did not denote fissiparous tendencies in Assam, which had 'special problems', and that no section should feel that its just demands were being ignored." "As elsewhere" connotes the demand for full statehood that has long been voiced by the moderate faction of the Mizos: a similar demand now voiced by the people of Mikir and North Cachar districts which have opted to stay out of Meghalaya; and the demand of the Ahom Tai Mongolia Parishad (ATMP) for a separate State comprising the two districts of Lakhimpur and Sibsagar where the Ahoms claim to be a major force. (The ATMP has recently announced its decision to field candidates in the next general elections on the issue of a separate State for Ahoms.)

Adding to these regional pulls, the recent decision of the Central Government to locate the second oil refinery at Bongaigaon in Goalpara district in the west (the 'popular' demand was for the establishment of the second refinery near the oil producing area, i.e., in Sibsagar district) has caused jubilation among the people of Goalpara and ill-concealed resentment and frustration among the people of the eastern districts. The 'All-Party' Oil Refinery Sangram Parishad, which includes all the major parties, except Congress(R) and CPI(M), has yet to make a definite statement on the GOI announcement and its lukewarm reaction to the news about the location of the refinery at Bongaigaon has angered the people of Goalpara. The President of the Goalpara DCC has been muttering threats about reviving the demand for separation of Goalpara from Assam. Goalpara's longstanding complaints about neglect directed against the State Government are only a microcosm of the complaints of the State Government against New Delhi.

The process of the disintegration of Assam is indeed very much at work, but no one expected the process to be so swift; there seems to be an indecent hurry about the whole thing. Ten years ago, there was not even the separate State of Nagaland; even in 1964, the Assam Pradesh Congress Committee (APCC), while prepared to accommodate the demand for 'larger autonomy' for the hill areas, was at the same time demanding the "administrative and emotional integration of NEFA with Assam". The *Assam Tribune*, a paper fairly representative of middle class Assamese opinion, was, in an editorial entitled "The Centre and Assam", sternly declaring that "The Nehru Plan has been already much discussed and we would only ask the delegation (of the APCC) to impress New Delhi that the Plan, as it is, is utterly unacceptable to Assam" (June 26, 1964). Even as late as January 1968, public opinion in Assam was totally opposed to the constitution of the hill districts into a separate State. Dulal Barua, an opposition MLA was warning the Union Home Minister that the plains people would resist 'at all costs' any Central plan to separate the Hill districts of Assam. Even Chaliha, the Chief Minister, had delivered a fighting speech on Republic Day, 1968, at Sibsagar in which he had said: "We cannot allow a division of Assam and we shall fight to the last for maintenance of the *status quo* of the present state" (*Assam Tribune*, January 28, 1968).

Less than three years later, gone are the plans, Nehru's and Asoka Mehta's; gone too, the experiment of an autonomous state within a state (only the Election Commissioner plods on with duplicate electoral rolls for Meghalaya and Assam). The announcement of the 'acceptance in principle' of the demand for full statehood for Meghalaya caused remarkably little fuss in the plains districts. No heartburn whatsoever; on the contrary, there was a barely concealed sense of relief that the experiment of 'a state within a state' had been abandoned. The whole experiment had received only qualified support, and one never completely overcame the suspicion that the experiment was a subtle attempt to denigrate the status of the State of Assam itself. The mood here is now one of genuine regret that the hill people have decided to part com-

pany; but there is also anger, anger directed towards the Centre. Delhi is held responsible for the many 'experiments' with the administrative set-up of the State and for the fact that the most elaborate and complicated of these constitutional experiments devised by Delhi has been abandoned even without the concept of the 'autonomous state' being given a fair trial. This has caused a certain amount of cynical joy, too. There is nothing strange in this: most of us seem to have reached such a state of political frustration that about the only thing that cheers a 'provincial' is the trouble Indira Gandhi lets herself into.

A cliché of political writing on Assam is that Assam is a miniature India. Assam, we are informed, is verily a melting pot of various cultures, languages, religions, etc. Perhaps it is so; but twisting the metaphor a bit, one can say that so many things have been melting in the pot for so long a period, that the pot itself might start melting. There is no need here to go into the problems arising out of a contradiction between the geographical and cultural identities of Assam; but the fact is that even this contradiction is getting less pronounced, what with the continuing reorganisation of the eastern region. In the long run, it might make for some kind of stability, but the immediate consequences of this process of reorganisation might be a spot of trouble. For long, the middle classes in Assam had the satisfaction of exercising some sort of political control over people who were 'different'. But with the emergence of sub-regionalism as a force in Indian politics, the whittling away of 'geographic' Assam was just a matter of time. The creation of Nagaland started the process of Assam being cut down to size; and it is difficult to believe that Meghalaya has completed the process. What with Indira Gandhi anxious to see that "no section should feel that its just demands were being ignored", what with her discovery that the only 'dangerous' trend in Assam was that represented by the 'Assam for Assamese' slogan, one cannot be sure that even the six valley districts are going to be left alone. The separation of Cachar is only a matter of time, and probably no tears are going to be shed on that count in the Brahmaputra valley. But would that be the end of the 'reorganisation' process? The controversy over the site of the second public sector refinery suggests that the answer to the question lies as much in Delhi as in Gauhati and Sibsagar.

MALAYSIA

Changes in Foreign Policy

Harish Chandola

SINGAPORE: Important changes are taking place in Malaysian foreign policy since the new Prime Minister, Tun Razak, took office in September. The three spheres in which the changes are most noticeable are: Malaysian policy towards China; its changed attitude towards defence arrangements with Britain, Australia and New Zealand; and its increasingly closer relations with Indonesia.

There is no doubt that establishment of diplomatic relations with China has become a matter of top priority for Malaysia. The first move in this direction was made by Tun Razak in September, two weeks before he assumed the Prime Ministership, while he was on an official visit to Rumania. There he declared his desire to establish ties with China and is reported to have asked the Rumanian Government to help him in finding out, through its mission in Peking, China's reaction to the Malaysian move.

PREPARING THE GROUND

Soon after his return from his African and East European tour Tun Razak went up to Kuantan to address a large rally of the ruling party, the United Malay National Organisation, on why Malaysia wanted to establish diplomatic relations with China. This was his attempt to prepare the ground at home for normalising relations with Peking. Then last month the Deputy Prime Minister, Tun Ismail, while at the UN had talks with Canadian officials. He told them that his Government was keen to establish diplomatic relations with China (Canada had just announced its agreement with China on establishment of diplomatic relations between the two countries). Tun Ismail later said that he had asked the Canadians to find out from China its reaction to the Malaysian move.

Why is Malaysia suddenly keen to establish ties with Peking? One reason, of course, is its new commitment to non-alignment (it was only last year that Malaysia was included among the non-aligned nations and this year, for the first time, it attended the summit conference of non-aligned countries). It now wants to have good relations not only with the West, which it already has, but also with the East. It is, there-

fore, establishing economic and cultural ties with the Soviet Union and wants to establish relations with China.

The Malaysian Government feels that after the American withdrawal from Indo-China, it will come under heavy pressure from its own armed communist rebels, now restricted to its northern jungles. It has absolutely no confidence that after Indo-China, Thailand will try to resist the mounting pressure of communist insurgency and suspects that Thailand might make a compromise with them. The next country to face the problem of communist hostility will be, it feels, Malaysia. It, therefore, calculates that if Malaysia establishes relations with China, then China might not be in a hurry to activate the Malaysian communist fighters and its support to them might not be overt, which it is bound to be if there are no diplomatic relations between the two countries.

WINNING OVER THE CHINESE

But Malaysia's most important reason for seeking relations with China is the need to appease the vast mass of its own Chinese population. The Chinese in Malaysia who must now number nearly half of its 11 million population, were alienated from the leadership of that country last year by the Malay-Chinese racial riots. Today, let alone the poor, even the rich and middle class Chinese have no love for the Malaysian leadership. This situation helps the communist elements in Malaysia who are openly in revolt against the present Malaysian leadership and whose leadership is still largely Chinese. The rich and middle class Chinese have no sympathy for the communists, but the communists are the only people openly opposed to the Malaysian Government and, therefore, the Chinese who feel that they are being discriminated against by the Government consider the communists as their allies. But if the Malaysian Government manages to establish diplomatic relations with China, the attitude of the well-to-do Chinese towards it will change at once. The Malaysian Government knows this. It also wants to isolate the hard-core Chinese rebels from the mass of the Chinese in the country. And to achieve this it can do no better than make friends with China.

There has been, however, no response yet from China to the Malaysian overtures. It is quite possible that Malaysia might initiate direct talks with China on this matter in some quiet corner (for instance, the Malaysian Ambassador to Cairo might discuss this subject with the Chinese Ambassador there), instead of sending feelers to China through third parties.

China must certainly have taken note of Malaysian intentions. It must now be examining the effect its action of establishing diplomatic relations with Malaysia might have on the Malayan Communist Party (MCP), a party which for the last twenty years has been waging an armed struggle, first against the British and then against the Malaysian Government. The MCP neither accepts the concept of Malaysia, which came into being after the incorporation of the northern Borneo territories of Sabah and Sarawak with Malaya, nor the separation of Singapore from Malaya. Will the Chinese then go against this policy of the MCP and accept Malaysia as it is? If they do, they are bound to come into conflict with communists not only in Malaysia but also in Singapore and Indonesia, all of whom support the MCP policy in this regard.

CLOSE TIES WITH INDONESIA

There is no doubt at all that the new Government of Malaysia does not want foreign troops to be based on its soil. It has stated that it does not expect an invasion from any quarter and that it has enough troops of its own to meet its internal requirements (which are mostly fighting the communists at the moment). To make it clear that all military bases in Malaysia are now owned by the Government and that none of them belong to a foreign power any more, the Australians who have 42 Mirage fighter-bombers at Butterworth, would have to pay for the use of the facilities at the base. Malaysia will make its attitude towards defence pacts or arrangements clear at the next Five-Power (Britain, Australia, New Zealand, Singapore and Malaysia) defence talks in spring next year.

Co-operation between Malaysia and Indonesia is developing rapidly in all fields, including defence. The forces of the two countries are now jointly operating against communists in Borneo; and the forces of the one frequently come under the command of the officers of the other when in pursuit of the guerillas they cross from the territory of one country to that of the other.

Malaysia has placed its facilities for processing primary products and minerals at the disposal of Indonesia and the latter now sends its tin for processing to Malaysia. Malaysia has plans to establish free trade zones at its ports of Penang, Port Swettenham and Malacca for Indonesian traders so that they could bring in their produce for sale and buy their requirements there without paying Malaysian duties. Two months ago the two countries signed a trade agreement which almost amounts to establishment of a common market. They are also running a number of common programmes for development of their export trade, family planning, establishment of industries, shipping, mass communication, etc.

Last year, when Malaysia decided to

make Malay the medium of instruction in most of its schools, it found that it had no teachers to teach mathematics and science in that language. Indonesia then promptly loaned it nearly 300 teachers who are now teaching in Malaysia (the Malay and the Indonesian languages are the same).

Tun Razak will pay an official visit to Jakarta to further strengthen the ties between the two countries at the end of this month. There are authoritative reports that Tun Razak will discuss the Malaysian approach to the proposed Five-Power defence arrangements with Indonesian leaders and it is almost certain that the final Malaysian attitude towards such arrangements will be known only after these discussions.

Statisticians in Conclave

(From a Special Correspondent)

THE Seventh Conference of Commonwealth Statisticians was held in New Delhi from November 16 to 26. Forty-five delegates from 22 Commonwealth countries, two observers from the United Nations and one from the Commonwealth Secretariat attended the Conference. A number of statisticians from the Central and State Governments also attended the sessions of their interest and participated in the discussions. Inaugurating the Conference, Indira Gandhi, who incidentally also holds the portfolio of statistics, stressed India's interest in the survival of the Commonwealth on the principles of mutual co-operation and equality and exhorted statisticians in this country to present a clear picture of development to enable the authorities to chart out the course of purposeful advance in keeping with the policy of growth with social justice and equality. P C Mahalanobis, in his introductory remarks, dwelt on some aspects of the concepts and measurement of unemployment, national income, etc.

In its plenary session the Conference elected Mahalanobis as the Chairman replacing Duffet of Canada who had the chair in the Sixth Conference which met at Ottawa in 1965. For the first time, in view of the expanded list of Commonwealth countries, three vice-presidents were elected to assist the President in conducting the various sessions. These three were the delegates from Canada (Duffet), Ghana (Tandoh) and Jamaica (Dexter L. Rose). In all 128 papers had been contributed. A long list of subjects to be discussed had also been prepared, but in the end

some topics like commodity classification, statistics relating to production, construction, tourism and productivity and personnel training and population projections were given up and the subject of computers, being of topical interest, was added to the list.

NO UNIFORMITY

The review of statistical activities since the Sixth Conference had been allotted half a day but occupied one and a half days. The discussion brought out some common experiences—mainly organisational. Several countries had made considerable advances in statistical activities of conducting censuses and surveys and implementation of statistical Acts for collection of data, etc., during the last five years, although statistical offices in many countries had to contend with domineering administrations and with the whims of politicians. It was interesting to learn that even smaller countries were making considerable use of computers. However, more about computers later.

Organisationally, there was no uniformity within the groups of large and small, developed and undeveloped countries. Experiences of different countries in the matter of running their organisations were usefully exchanged. At different places, statistical organisations were under different Ministries. In one country, it had been actually under the Ministry of Justice before being placed under a more appropriate Ministry! The consensus seemed to be that a central statistical office should appropriately be under the Prime Minister.

Activity-wise, an interesting feature

was that even small countries were carrying out large-scale distributive trade surveys whereas in India sample surveys through the *household approach* were being conducted through the National Sample Survey. Our obsession with repetitive surveys in the NSS has apparently left us far behind others in the matter of organisation and collection of useful data over a wide range of subjects and particularly in the field of small industries and distributive trades. On the other hand, while we have now realised the limitations of conducting unemployment surveys, several developing countries were conducting such surveys with varying definitions of unemployment. In some countries, unemployment on the basis of their own definitions ranged from 10 to 15 per cent or even more! Interesting advances in census and survey methodologies were being made in Canada and UK. Australia seemed to be going in for integrated economic censuses and surveys and integrated registers of business establishments had been established and put on the computer system.

IRRELEVANT DISTINCTION

The subject of "analytical and research content of the programmes of statistical offices" was discussed at some length. It seemed, however, that developed countries were among those who wanted to define and distinguish the terms 'analysis' and 'research'. Perhaps, this was necessary in the context of the degree of specialisation achieved by them. By and large, for developing countries such distinctions were hardly necessary. It was the consensus that research and analysis should form an active function of the statistical office. Perhaps our Central Statistical Organisation could pick up the thread and pursue this line of thought with some advantage. It was observed that this activity should be related to the requirements of the users—the planners, the administrators, the economic analysts, etc. Research in the sense of evaluating (i) relevance of statistical programmes, (ii) technical quality of data and operations, and (iii) arrangements for communication and dissemination of information was called for on a continuous basis.

The subject of short-term forecasting evoked very little discussion, relatively speaking. This was largely because only developed countries like UK, Canada and Australia had anything like general systems for econometric forecasts. New Zealand was making a start in this direction. While some work was being done in India in the fields of investment, plan expenditure and annual budget forecasts, no general system had

been evolved. Limitations of data and the directions in which the data base had to be developed were indicated.

NATIONAL ACCOUNTS

A topic of common interest was the system of national accounts (revised) and also the related subject of regional income accounts. The SNA (R) devised by the United Nations is an extremely difficult system to implement. Even the developed countries have not been able to fully implement this system of presentation. While one view, particularly that of the advanced countries, was that this was an ideal to be kept in view, others, among them an Indian delegate, held the view that the needs of the developing countries in evolving such a complicated system of national accounts were not given sufficient consideration. A chapter dealt with the developing countries but this was not enough. With the problems of large imputations in evaluating incomes, self-consumption of not only final but even intermediate goods, existence of a large non-monetised part of the economy alongside the monetised part, made the SNA (R) almost inapplicable to countries like India.

Regional income accounts were discussed in a group. It was interesting to see that by and large the problem of allocation of operating surpluses of enterprises cutting across the boundaries of regions or States, of trade and finance flowing across these boundaries, and of persons working across the boundaries of a State and residing in another State were common to almost all countries including advanced countries. Considerable interest was shown in the pattern of organisation for computation of State incomes in India, which required close and active co-operation and co-ordination between the Central Statistical Organisation and the State Statistical Bureaus. Standards and rules of allocation of operating surpluses were required to be supplied by the Central Statistical Organisation and the State statistical agencies carried out computations making use of the best sources of data available to them and adhering to common concepts and standards.

Collection of industrial and distribution statistics from small, unregistered units was a subject of some importance at least for developing countries where this sector contributed a sizeable part of secondary incomes. For this task, area sampling with interview methods were preferred. Given the unorganised nature of activities and record-keeping, it was felt that sound methods of proper quality checks were needed. This

aspect was itself a subject of discussion at a separate session. It was clear that whereas even small countries preferred to have establishment lists as their frames of sampling, at least in selected areas, India so far mostly satisfied itself with the household approach as part of the multi-purpose surveys conducted by the NSS. It was, therefore, a refreshing change to learn that India was also trying to evolve establishments lists in each State.

USE OF COMPUTERS

Computers held sway in one of the final sessions. Computers had been installed in several countries since the last Conference in 1965. Some developing countries had even third generation systems. Optical scanning devices as also key to tape equipment which eliminated punching of cards and saved considerable time had begun to be used. From the organisational point of view, the patterns varied. In several countries, computers were installed initially for accounting purposes and came to be used for data processing incidentally. In such circumstances, the computer systems were installed outside statistical offices. In some advanced countries, the burden of all types of processing for other departments was with the Central Statistical Offices. Some did not like this system and would prefer a separate system for the Statistical Office itself and a Computer Centre for all other uses. India which came in possession of a particular type of computers, perhaps more by accident than by design, had set up a Computer Centre. A few other official organisations had also the same system as the one installed in the Computer Centre and co-ordination in technical matters and personnel training was being achieved. The Indian Statistical Institute, Calcutta, has had a system since long but unfortunately processing of National Sample Survey data was still being done through mechanical equipment leading to enormous delays or even non-availability of processed data for years on end. That is one tragic part of the National Sample Survey.

It was, however, sound advice that underdeveloped countries should not imitate the advanced countries in the use of computers. Keeping in view the problems of unemployment, their use would be justified only when complicated computations were to be carried out or bulk data processing was to be completed with speed. Surely, for National Sample Survey data processing with all its cumbersome procedures for 'fractile' analysis, as well as bulk data input, computers would be ideal. An important

observation made by a delegate from a developed country was that one should begin to think of upgrading the currently installed system as soon as one reached 50 per cent utilisation of computer time. Also, it was important to have good turn-around time as otherwise programmers trying out new programmes would sit idle. Investment on programmes and systems personnel was as important as that on hardware.

HOW CONFIDENTIAL?

Confidentiality of records was also discussed at length. The general view was that individual records should be kept strictly confidential and should not be made available to administrators or outsiders. Otherwise, the confidence of suppliers of data will suffer and as a result the quality and timeliness of data would be adversely affected. This applied to raw data in the schedules as well as to data stored in the computer or on tapes or discs. A solitary view, having a lot of merit, was that in developing countries a government came in actively to support industry and business and it had all the right to have the information it needed from these units. One could understand the case for preserving confidentiality of data of trade and industry, but it was difficult to appreciate why census of population registers which did not contain any economic data on incomes, expenditures, etc, were required to be treated as confidential documents. Surely, one family would not vie with another in demographic characteristics like size of family, number of sons, etc, if they were to read through each other's particulars. And yet the view that census of population registers should be treated as confidential was in fact expressed.

A few other topics were discussed, but it is difficult to scan the entire spectrum of subjects covered and range of views expressed in the discussion on each subject. In the end, one must compliment the Central Statistical Organisation for the excellent arrangements made for the Conference. The documentation was almost complete and the draft reports were very ably done. The discussions never lost their seriousness and were well attended throughout. The Conference was not meant for theoretical discussions at highly technical levels, and no resolutions were to be passed. The main purpose was to exchange each other's experience in several fields of statistical activity and this was achieved in ample measure. And so one can now look forward to the Caribbean shores where the next Conference is likely to be held in 1975.

Doubtful Disengagement

Nireekshak

WILL there be a general election before 1972? The Press has speculated upon the possibility ever since the Congress split last year. Comments have varied, quite naturally, depending on the commentator's own individual predilections and on whether or not a particular newspaper had editorially committed itself to supporting one or the other of the splinter parties. For the many eager-beavers who advocated an early poll there were an equal number of others who counselled patience. Yet the predominant impression left on the reader probably was that a mid-term poll was unavoidable.

With the formation of the SVD Ministry in Uttar Pradesh, however, it is now generally believed by many journalists, though not by many politicians, that the prospect of a poll before 1972 has receded. Yet the poll is still a very live issue. And to this has now been added another topic of engaging speculation: will the two divided halves of the Congress reunite to become one again? No one, of course, claims to have any certain answers but many have suggestions for the future. And the next election itself is now thought to hinge on the progress or otherwise of the unity moves.

"It is a curious fact of political life today", wrote S Nihal Singh of *Statesman* as early as on November 13, "that even as the prospects of an early General Election a year ahead of schedule are receding, most members of Mrs Gandhi's Congress are in the grip of fear." And why? "Partly it is the fear of the unknown, the direction in which the country is heading. But largely, it is fear of Mrs Gandhi springing a mid-term poll on them and the country." The writer then went on to discuss the prospects of various multi-party alliances only to find them discouraging. "A way out of this dilemma," he concluded, "would be for the two Congresses to become one again. But Mrs Gandhi's advisers seem more interested in getting men like Mr Kamaraj and Dr Sanjiva Reddy on their side than to see the two Congresses merge, an eventuality that would rob Mrs Gandhi of much of her propaganda advantages in presenting a new Congress to the country."

Some commentators who had welcomed the split and declared their prefer-

ence for the ruling party as being the more 'progressive' of the two are frankly disillusioned by the new talk of unity. Ranajit Roy of *Hindustan Standard*, sympathiser of the ruling Congress, explained the new development as a certain pointer to the decline of Congress(O). "Many in the Congress(O) are feeling", he reported, "that the party is fighting a losing battle against Mrs Gandhi and that, in the process, it is only throwing her into the arms of the CPI and the Muslim League. The unity talk in an increasing section in the Congress(O) springs from this understanding of the political developments during the past year." This understanding, it seems, is shared also by what Roy calls "the dominant group of businessmen" but apparently not, at least he makes no mention of it, by anyone in the Congress(R) itself.

Others, like "Pertinax" of *Mail*, who had never seen any good in the Congress split took a different view. "The split in the Congress appears to have outlived the temper in which it was created", commented Pertinax. Leaders like Indira Gandhi, Kamaraj and Morarji Desai may not be the kind who "forget and forgive easily". But "even they cannot stand against the logic of compulsions. [A new kind of logic, that!] Indeed the forces which warn against the fragmentation of democratic parties are so implacable that the leadership of the democratic groups has to face them some time". This was more or less the view that *Nagpur Times* also expressed, though in a more forthright manner. Reunification of the two Congresses, it wrote, was "inevitable". Also, "a unified Congress may become more acceptable to the nation than the old undivided one with its monolithic impudence". In ordinary circumstances it did not really matter, wrote *Tribune*, if one party rose or another fell in a democracy. "But the viability of the Indian political system, especially at the Centre, is presently tied up with the fortunes of the Congress. And if the leaders in both the Congress camps do not rise beyond their petty personal grudges and place the interest of the nation first, the time may not be far off when the country will not forgive them even if it would be glad to forget them as a bad dream." *Tribune* hoped, there-

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fore, that the unity move "will gather momentum".

Besides Congress politics and the poll, subjects that attracted the critical interest of the Press in recent days ranged from the resumption of American bombing of North Vietnam to the role of Governors in the Indian political system. And the death of C V Raman brought forth a stream of tributes to the great scientist. The bombing of North Vietnam was described by *Mail* as "American provocation". It was "bad enough", it said, that after "proclaiming from the housetops its resolve to pull out of Vietnam the Nixon Administration decided to raid a communist camp perilously close to Hanoi". But the subsequent attempt of the US Defence Secretary to "rationalise it was infinitely worse, if not positively perverse". It was not likely, the Madras daily averred, that such "foolhardy raids" will serve any purpose. Equally strong criticism was voiced by *Statesman*, which said the raids "make little sense". The American action "will raise grave doubts whether the Nixon Administration is sincerely committed to its policy of disengagement".

It was hardly surprising to find that no two newspapers agreed on the role of Governors. Everyone agreed, however, that it was impossible to lay down guidelines for Governors designed to meet every situation and contingency. Guidelines "may be effective in a limited range of the Governor's functions" observed *Times of India*, "but at the root of all his problems is the instability caused by defections and the fragmentation of parties... These are basic problems which have to be tackled first before Governors can be expected to perform their constitutional functions". Not quite so, *National Herald* seemed to argue. "The question whether the institution of Governors is necessary can be firmly answered now" for events have shown that "some head of state rising above party is necessary to preserve stability by discharging certain constitutional duties". Governors could not, of course, be "prancing proconsuls like Lyttons and Pentlands of the old regime". And it may not be possible to provide guidelines "for every contingency". But, *Herald* added quite abruptly, "fortunately, there is stability at the Centre and the President is the rock of that stability". A somewhat strange footnote this, to an otherwise interesting discussion!

"Having a profitable time in Maharashtra. Wish you were here".



say industrialists who have come from all over India and who list profits and prosperity high among Maharashtra's charms.

Talking of profits.

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Chaff on Communist Movement

J Mohan

Myself and the Communist Party of India, 1920-1929 by Muzaffar Ahmed; National Book Agency, Calcutta 12; pp 527; Rs 20.

EVEN after splitting a number of times, the Communist movement in India remains an important factor in the political life of the country. During the last three years, Communists have participated in, or even led, State governments. Within Parliament and the State legislatures they command attention; and outside the legislatures too, in the trade unions and other mass organisations, they are a force to be reckoned with. Naturally, the need for an objective history of the Communist movement in India has been felt for some time, but the task has not been attempted yet by Indian scholars. The only existing publication that partially fills the bill is the work of two American research workers, Overstreet and Windmiller, entitled "Communism in India".

Before the split, the Communist Party had decided on a number of occasions — even through formal resolutions adopted at Party Congresses — to produce a history of the Communist Party of India. But nothing came of these decisions, mainly because there was complete absence of consensus within the Party on the assessment of past policies and events. Even on the question of the date of birth of the Party there was no agreement. Objectivity has never been the strong point of the Communists, and, whenever any project to produce a history of the Party was taken in hand, subjective ideas, feelings, and differing impressions of different leaders prevented any progress. The publication of M N Roy's Memoirs, in 1964 lifted the curtain on some of the important events connected with the early period of the Communist movement in India — especially the role played by the Communist International and Roy himself in introducing Communist literature and ideas into India and establishing the first contacts with Indian revolutionaries. But Roy's Memoirs stop short of the period of the New Economic Policy in the Soviet Union, in 1921, and are, therefore, of little use as far as a study of the Communist movement within India is concerned.

The publication of Muzaffar Ahmad's Memoirs had aroused hopes that at last

one would get something that would fulfil, even if partially, the requirements of a history of the Party by supplying the essential data and facts. Unfortunately Ahmad's Memoirs do nothing of the sort. They are, indeed, a classic sample of the natural proclivity of Communists to be subjective. One looks in vain for a Marxist interpretation of the social forces that gave birth to the Communist movement in India, the impact of the national movement or — to put it in Marxist terms — the anti-imperialist national liberation struggle on the working class and peasant movements of the time. Surely it was the confluence of these streams that gave birth to the Communist movement and not a series of chance phenomena. Yet the author has viewed events precisely as a series of isolated incidents, presenting them as a sequence of events unrelated to the current social and political movements of the time.

OBSESSION WITH MINUTIAE

Apart from a narration of events in his personal history, which one can very legitimately expect in any book of memoirs, there is an obsession with the minute and rather insignificant details about a host of individuals and events. Take, for instance, his long-winded biographical notes on the Mujahirs who left India for religious reasons, by a series of accidents happened to find themselves in Tashkent in 1920, and suddenly as Roy says, "transferred their fanatical allegiance from Islam to Communism" forming themselves into a group that styled itself the Communist Party of India. Whether this event took place because the group was impatient and not fully aware of the implications of what they were doing (as Roy suggests) or whether it was Roy himself who suggested the idea to them (as Muzaffar Ahmad tries to show), is hardly very relevant. One cannot but agree with the assessment of the event in Roy's Memoirs that, "there was no sense in a few emigrant individuals calling themselves the Communist Party"; but Muzaffar Ahmad seems to attach tremendous importance to the event and insists that it was at this meeting that the Communist Party of India was formed.

The names of a large number of individuals connected with the early period of the Communist movement in India figure in Muzaffar Ahmad's narrative. The connection of many of them with the main thread of events is often remote but that does not prevent the author from going into elaborate detail about events in their lives. Take, for instance, Lotvala: the only reason why he gets mention in the book is that he helped Dange and other early Communists in Bombay. Yet three whole pages are devoted to him.

Other personalities who were more directly connected with this period of the Communist Party history are, of course, treated in even greater detail. This is as it should be. But as character after character is taken up, subjected to the author's scrutiny, and declared either a British spy or a pseudo-Communist or a renegade, one begins to wonder how a movement built in the main by agents of British imperialism or fake Communists could grow in the course of a decade or two to such vast proportions.

It is here that the subjective bias of the author is so conspicuous. Take the example of Abani Mukherji. On the basis of recent researches in the Soviet Union, Abani Mukherji has been hailed as one of those early revolutionaries who helped to lay the foundations of the Communist movement in India. But Muzaffar Ahmad says about him: "Abani was an outsider in the terrorist revolutionary movement, he knew nothing of what happened inside it. Considering the times, Abani was nothing more than a daring vagabond. He had another special qualification: he was a supreme liar". He goes on to show that Abani was really an imperialist agent, though the evidence produced is rather slender. In one place he says that, after coming to India from abroad, Abani Mukherji "was able to work freely". He also says that, while in India, he worked against M N Roy and "those of us who were working for him [Roy]". It is, of course, quite possible that the British might have wanted to take advantage of the differences between Roy and Abani Mukherji and refrained from arresting Mukherji. Muzaffar Ahmad has in fact quoted a letter from the Viceroy of India which shows that such precisely were the tactics of the British. But, surely, that does not prove that Abani was a British agent. By that same logic, when the British in 1942 allowed the Communists

to work openly because it was part of their strategy in that period to pit the Communists against the "Quit India Movement", that should *ipso facto* prove that Communists were British agents! Muzaffar Ahmad would certainly not agree to such a conclusion. Why does he come to sweeping conclusions then about a figure who, as he himself admits in one place, has been popularly known in Bengal as "Revolutionary Abani Mukherji" since 1923-24?

Many other personalities are dealt with in the same way, and it would be tedious to take up each case in turn and show how on the basis of entirely subjective estimates many of them are dubbed British agents. What emerges clearly from this book is that the author was in the early period, about which he is writing, very much under the influence of M N Roy. Consequently, those persons who ran foul of Roy get short shrift at the hands of Muzaffar Ahmad. Although M N Roy in his memoirs, while making no secret of his personal animosity towards Abani Mukherji, has tried to give him the benefit of the doubt in the charge of espionage and claimed that he defended Mukherji when this charge was brought against him, Muzaffar Ahmad has made no bones about roundly condemning him as a vagabond, a "supreme liar" and an imperialist agent. The irony of it all is that, at the place where the charge against him was originally made, Moscow, Abani Mukherji has now been fully exonerated and declared a true revolutionary.

VALUABLE DOCUMENTS

This criticism of the memoirs of Muzaffar Ahmad should not be taken to mean that these memoirs shed no light at all on the history of the early Communist movement. There are, indeed, quite a number of valuable documents, many interesting details and a lot of information scattered throughout the book which will be extremely useful when the history of the Communist movement is attempted by an Indian scholar. But the scholar will have to sift a lot of useless chaff before coming to genuine grain. Even *People's Democracy*, the organ of the Marxist Communist Party, in its review of the book has not been able to give unqualified acceptance to all the assessments in Muzaffar Ahmad's book. While eulogising the author and his effort, the reviewer in *People's Democracy* admits that these formulations and assessments need to be examined carefully before a final verdict can be given.

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Hindu Conservatism in the Nineteenth Century

Sudhir Chandra

On the basis of relatively untrustworthy modern Indian historiography, sweeping generalisations, highly favourable to the Hindus and the reverse for the Muslims, are being attempted to prove that in the task of nation-building in India, the Hindus have a dominant role to play because they have a continuing tradition of progressive reformism and dynamism.

On the basis of his researches the author maintains that history offers no ground for such a generalisation. This article attempts to provide a corrective to the prevailing belief among both scholars and laymen that 19th century Indian social history, for some only in relation to the Hindus, offers a record of reformism.

A SOCIETY impregnated with reformism is the image of 19th century India that spontaneously conjures up before us. Volumes have been written to delineate, in borrowed terms, the 'Reformation' and 'Renaissance' that began during this period of national awakening. The result is that while the revivalists and the reactionaries of the period have come in for more than their due share of criticism, the reformers have managed to be painted in beautiful colours in spite of their warts which are either not detected or are deliberately ignored.¹ The reason maybe is that though reform movements have been studied, reformers of all shades have not been studied in relation to their private lives. What follows is a rather random survey of a few samples, yet one can venture the submission that the key to the understanding of the 19th century Indian society is provided by conservatism.

SPECTRUM OF RESPONSES

The western impact produced a whole spectrum of responses in India. Representing a variety of attitudes from abhorrence to fascination, these were complex responses in each one of which rejection and acceptance of the West coexisted to varying degrees. Reacting to the impossibility of avoiding change, and to the urgency of preserving their communal moorings, the Hindus, to whom this paper is confined, endeavoured, to evolve rationally defensible and practically effective *via media*. In the event, the Hindu society changed and yet stuck to its traditions. What made this persistence possible was the instinctive conservatism of the average Hindu. In fact the loving gaze of even the most ardent admirer of the West was turned to his own traditions.² Thus was created, besides a recurring ambivalence, a belief, real or simulated, in the superiority of the Indian culture which provided a defence mechanism against the

western cultural onslaught.

The instinct to survive made the educated Hindu discover "many reasons", though not always convincing, to accord "his preference to the system in which he was born and bred and not that with which circumstances have brought him in contact".³ No nation, he knew, could shine in borrowed feathers; as Keshab Chandra Sen said, it had to "stick to its own nationality for ever and ever".⁴ At the same time, to quote Rajendralal Mitra, "intelligent love for the welfare and advancement" of the country required the abnegation of "everything" that hindered progress and adaptation of "whatever is calculated to raise her in the scale of nations".⁵

The delicacy of conception necessary for a balance between preservation and adaptation often gave way to cultural chauvinism. For example, co-operation, claimed as the chief characteristic of the Hindu, "the most distinct of Asiatic civilisations",⁶ was inordinately rationalised to justify not the idealised Hindu way of life but the contemporary popular Hindu institutions. Joint family was upheld in spite of the adjunct evils of the *zenana*, infant marriage and idleness.⁷ Infant marriage was even denied to have been an evil, and with nostalgic regret for what had since happened it was suggested that Raja Radhakant Deb's "memorable letter" to Lord Bentinck in defence of *sati* had remained "up to this time unanswered and un rebutted".⁸ Defence of caste, the ideal superstructure built on the foundation of co-operation, was for such persons a mere plaything.

As against this, Europeans confounded civilisation with material prosperity to an extent that they were incapable of appreciating an order that did not comprise "railroads, meat rations and universal suffrage". Thus the distinguishing feature of the English, "a fair specimen of European civilisation" was

competition. This led the *Hindoo Patriot*, the leading Indian weekly in the mid-nineteenth century, to opine that if the two civilisations were compared morally, aesthetically, intellectually and religiously, Munro's verdict would be justified that in an exchange of civilisations between England and India the former would be a gainer.⁹

REVIVALISM, NATURAL RESULT

Revivalism was the natural result. So along with theology, philosophy and art, which did afford some ground for claims of greatness, the "wisdom and excellence" of ancient Hindus in science and politics also were hailed as "unparalleled". Separation of powers was claimed to have been the order of the day in ancient India. Raja Peary Mohan Mukerji, an educated zemindar, said:¹⁰

Even in those early times people were so keen about political rights that the question whether legislative powers should be united in the same person or body of persons who exercised the executive powers was put in issue in some deadly battles in which Poroosram, the son of Jambhagni was at the head of the liberal party and the king on the opposite side. The result was that the legislative power was withdrawn from the hands of the executive and entrusted to Brahmin counsellors.

Such glorified history, "the strongest incentive to the loftiest patriotism", was utilised to inspire the upcoming generations. Here is an illustration from Surendranath Banerji, one of the best orators of the time:¹¹

... what Hindoo is there, who does not feel himself a nobler being altogether, as he recalls to mind the proud list of his illustrious countrymen, graced by the thrice-immortal names of a Valmiki and a Vyasa, a Panini and a Patanjali, a Gautama and a Sankaracharya? For ours was a most glorious past.

The nostalgia thus produced imparted an acuteness to the realisation of

the existing degradation. The *Sadhara-ni*, a leading Bengali weekly, bemoaned:¹²

We Hindus have borne, and do still bear the hardships and misery which follow the downfall of the prestige of a nation. In every bone, vein, and pore of our bodies, this sense of national degradation works as a slow consuming fire.

National consciousness was implicit in such awareness, and it seemed logical that the people "must not abandon their religion and must not forget their past history, if they again wish to rise in the world".¹³

SPELL OF THE PAST

Without subscribing to indiscriminate worship of the past, even cold, calculating, educated Hindu politicians felt inspired by their ancient glory. Kristo Das Pal, the phlegmatic Bengali politician, offers a typical example. Speaking before the leading official and non-official Europeans of Calcutta he could go into ecstasy about India, the elder sister of Britain and "the mother of the world's ancient civilisation, literature and arts".¹⁴

Past cast its spell on the Hindu reform movements also; it often was the driving force behind them. Debendranath Tagore, for instance, hoped that through Brahmoism "all India" "would be united in a common brotherhood, her former valour and power would be revived and finally she would regain her freedom."¹⁵ He expected to remove existing dissensions by conceiving of the Brahmos as belonging to "the great Hindu community" whose duty it was "by example and precept to hold up as a beacon the highest truths of the Hindu Shastras".¹⁶ Only in their light had the Brahmos to "purify our heritage of customs, usages, rites and ceremonies", and to avoid "proceeding too fast in matters of social change, lest we be separated from the greater body whom we would guide and uplift".¹⁷ This cautious reformism found institutional expression in the Adi Brahmo Samaj. The conformism of its members became evident in their opposition to the Special Marriage Bill which was aimed at legalising the reformed Brahmo marriage ceremony.¹⁸ Even Keshab Chandra Sen, instrumental in the introduction of the Special Marriage Bill, once suspected to be a Christian at heart and, therefore, the best bet of the Christian missionaries in India, and the leader of the revolt against the circumpsection of the older Brahmos, ultimately sparked off by his revivalism the second schism in the

Brahmo Samaj. It may be stressed that to attribute this split to the marriage of Sen's daughter with the minor Maharaja of Kooch Behar is to oversimplify things. For, besides his megalomania, it was the influence on Sen of Ramakrishna Paramahansa that brought about the second schism in the Samaj.

EVEN CONVERTS...

Even the apostates whose disillusionment with Hinduism had taken them to the fold of Christianity were fascinated by their cultural heritage. These restless, gifted souls discovered a spiritual void within themselves. But centuries of a continuing religious tradition had made scepticism that followed loss of faith a terrifying state of mind. As Mahesh Chandra Ghosh, the first convert of Rev Alexander Duff, wrote, "Scepticism has made me too miserable to wish my dear brother the same".¹⁹ Isolation from near and dear ones aggravated the torture of spiritual vacuum. Something more positive than scepticism seemed necessary to escape the terror of negation. But what they would accept depended on their immediate circumstances which were mainly fortuitous. While Debendranath Tagore fell upon a *sloka* from the *Upanishads*, and Tarachand Chakravarty came across Rammohan Roy, the young persecuted Hindus who accepted Christ as their Saviour happened to be under the constant and solicitous care of Christian missionaries. No sordid considerations motivated these early converts; visions of Luther and Knox had inspired them. "Blessed are we", they believed, "that we are to reform the Hindoo nation".²⁰

Acceptance of Christianity was the rejection of an unsatisfying religion, not the renunciation of their own culture. Rev K M Banerji, one of the first converts, used his profound knowledge of Sanskrit to reconstruct the Indian past. As Rammohan Roy went back to the *Upanishads*, and Dayananda to the *Vedas*, Banerji argued in his "The Aryan Witness" that the Bible had been anticipated in the *Vedas*, the sacrifice of Jesus had its forbear in Prajapati.²¹ He appealed to his countrymen to give up caste and idolatry, and advanced "the Testimony of Aryan Scriptures in corroboration of Biblical History and the Rudiments of Christian Doctrine".²² This was an indigenous Christian call to return to the *Vedas*. Continuing his Brahman-Pandit family tradition, Banerji edited and wrote works on ancient Indian religion and philosophy. Instead of being cut adrift from his community,

he became one of its venerable leaders. He along with L B Day, K C Banerji and G M Tagore also started an infructuous movement for a National Church of India.²³

... AND OUTSPOKEN CRITICS

It may thus be seen that implicit faith in the richness and superiority of their culture was a common constituent in the mental makeup of Hindus of all shades of opinion. It was this that produced and sustained the fundamental conservatism of the Hindu mind, and held the community together in spite of a variety of conflicting views regarding social and religious reform. It also acted as a bulwark against the alien cultural onslaught. Politically it acted as an incentive to the creation of a national sentiment. But the strong cultural component in the national consciousness of the 19th century Hindu carried within it inconvenient implications for the secular Indian nationalism that was also emerging simultaneously.

The Hindu society in the 19th century presented an amalgam of latitudinarianism and adherence to the old ways. Even the most outspoken critics of Hinduism and reformers remained emotionally keeled on the old values. Debendranath Tagore discovered this after the death of his father. True to his Brahmo principles, which forbade idolatry, he refused to observe the *shraddha* in the prescribed Hindu manner. His uncle Ramanath warned him, "Look here, don't make a fuss now by harping on Brahma. Dada's name is too well known." Prasanna Kumar Tagore, though an admirer of Rammohan Roy, refused to attend the caste feast and stipulated, "If Debendra never does so again we shall accept his invitation." Thereupon Girindranath, Debendranath's brother and himself a Brahmo, performed the *shraddha* according to the traditional idolatrous rites. The only Brahmo who stood by Debendranath during this period of trial was Lala Hazarilal, a non-Bengali.²⁴ This exhibits the hold of conformism behind the facade of reform.

Not only moderate reformers, even the rebels who seemed to have burned their boats while denouncing the Hindu society remained bound to it. The career of Ram Gopal Ghosh, whose apotheosis was claimed to symbolise the progress made by the Hindu society,²⁵ illustrates the hold of tradition. Born in 1815, young Ram Gopal was one of the fiery followers of the meteoric Derozio. Delighting in outraging the orthodoxy, and professing to be an

atheist, he became such a notorious nonconformist that marriage with him caused his wife's family the forfeiture of a pension from the millionaire Day family. Subsequently, however, he saw the infusion into the Hindu society of a good deal of tolerance. Caste came to mean a "simple refraining from the open embracement of Christianity", and the Hindus became "a community of vast latitudinarian principles and habits". Beef was openly eaten without losing social influence by "some of the foremost" Bengali Hindus.²⁶ These were, however, deviations from externals which failed to produce a genuine radicalism or to touch the essence of the Hindu social and religious system; and in the bargain the Hindu society reclaimed most of its rebels, and it did so not without exacting a price from them.

COMPROMISE WITH ORTHODOXY

Even Ghosh's apotheosis was not without a compromise with orthodoxy. This becomes clear from his role in the burning *ghat* controversy of 1864. Viewing as an outrage on "public health and decency" the burning of dead bodies at the Nimtalla and Cassey Mitter's *ghats* in the heart of Calcutta, Sir Cecil Beadon, the Lieutenant Governor of Bengal, addressed the chairman of the Justices of the Peace about the immediate "necessity of putting a stop to the practice of burning the dead within the limits of the Town, or on the bank of the River... also to prevent the skinning of animals at Nimtolla Ghat or elsewhere".²⁷ Earlier, through talks with notable Hindus, he had been led "to believe that though the measure would be distasteful to the Hindu Public on the ground of inconvenience and perhaps of sentiment, yet if another suitable place of cremation were provided the proposal would be acquiesced in".²⁸

Ram Gopal Ghosh was not consulted for, as Beadon explained to Sir John Lawrence, the Viceroy, the Lieutenant Governor should as soon have "thought of consulting... any European justice as Ram Gopal who has long abjured Hindooism, drinks freely and otherwise affects European manner and himself avowed in his speech at the meeting that he did not care whether his body was burned or buried or what became of it".²⁹

But the sanguine Lieutenant Governor overlooked the anxiety of the Hindu Justice of the Peace to make his peace with the society that had ostracised him. Supported by Prasanna Kumar Tagore,

Ramanath Tagore and Ishwar Chandra Vidyasagar, all of whom, it may be noted, affected to be or were social reformers, Ram Gopal successfully employed his forensic prowess to oppose the measure to Beadon's discomfiture.³⁰

Here was a compromise between the rebel and the Establishment. Neither had retained in the 1860s the rigidity of the 1830s and 1840s. Both had shown resilience to make possible the *rapprochement*. But whereas the rebel had thrown "himself at the feet of *dolopotees* for the sake of caste",³¹ the Establishment had just winked at insignificant, though spectacular, "offences".

IN WESTERN INDIA

In western India, though young Bombay derived inspiration from young Bengal, the orthodox phalanx faced a much feebler challenge. Early in the 1860s the Maharaja libel case highlighted the superstitious character of sections of the Bombay Hindus. A debate to resolve a protracted controversy about widow remarriage was arranged between the reform party led by Narmadashankar, Umashankar Javerilal Yajnik and Karsondas Mulji, and the orthodox party led by Jadunath Brijratanji Maharaja. This ended in a deadlock following the Maharaja's insistence on accepting the authority of the *Shastras*, and Narmadashankar's refusal to do so if these were inconsonant with reason.³²

The deadlock was broken by a strife. Karsondas, writing in his paper, the *Satya Prakash*, accused the Maharajas of having "wilfully altered to their own advantage the fundamental rules and practices of their religion" and "systematically perverted their actual position (which in the eyes of their bigotted followers is that of deified humanity) to the most gross and infamous debauchery". Brijratanji, who was named in the article, was stung into bringing an action for libel. In his deposition Karsondas, elaborating the charges, said:³³

It is a matter of general reputation in the sect that all the Maharajas have carnal discourse with the wives and daughters of their more zealous devotees. Girls are sent to the Maharajas before being touched by their husbands... During the 'Ras' festival, wives and husbands collect promiscuously in a room, and have carnal intercourse promiscuously among them. The 'Ras' festival is held three or four times in a month. The Maharaja has actual sexual intercourse with many women.

Medical practitioners of unimpeachable character like Dr Bhau Daji and Dr Dalpatram, who had earlier attended on

Brijratanji Maharaja, deposed that he had been suffering from syphilitic ulcer on the *glans penis*; the former also disclosed to have attended on three Maharajas for venereal diseases.³⁴

Unruffled by such revelations some prominent Hindus supported the Maharaja. Varjivandas Madhowdas, a leading *seth* and a member of the Bombay Association and also a JP, was the Maharaja's chief supporter.³⁵ On his own evidence he was castigated as "the thoughtless driver of a Maharaja's coach".³⁶ But the crowning piece of the show was the deposition of his brother, Gopaldas Madhowdas, who said: "If the Shastras enjoined the offering of women, I would believe in the doctrine."³⁷ Equally, if not more, shocking was the action of Narayan Dinanathji, that early bloom of English education in Bombay, who abused his official position as an interpreter in a vain bid to protect the high priest; unfortunately for him, he only managed to earn censure from Sir Joseph Arnold in the judgment.³⁸ As for smaller men, the crowds of Bhatias who thronged the court during the trial "saw in Jadonathjee Brizruttonjee nothing morally offensive". Rather, they seemed to regard him "as a precious individual raised above common mortality".³⁹

Though the case was described at the time as "one of the first fruits of education and the free press",⁴⁰ its actual effects were later discovered to have been negligible.⁴¹ Even those who had appeared for the defendant in the case were orthodox Hindus. One of them, Mangaldas Nathubhai, another rich *seth* and member of the Bombay Association, was a confirmed conservative who simply aimed at avoiding reactionary excesses for which Gopaldas Madhowdas worked as a missionary. Thus when in 1873 an excommunicated Kapol Bania died, leaving behind him a seven-year old daughter, Gopaldas insisted on *prayaschita* by the child; but Nathubhai advocated her entry without the silly fuss.⁴² That more than a decade after the Maharaja case such trifles were magnified into public controversies engaging the foremost caste men indicated the measure of the achievements of education and free press.

BRAHMANS: SCARCELY MORE PROGRESSIVE

While the Banias thus behaved, the Brahmins were scarcely more progressive. In 1861 the return from England of Mahipatram Rupram, a Nagar Brahman, caused considerable excitement because the treatment accorded him

would set the pattern for future.⁴³ The verdict, not surprisingly, turned out to be guilty, and the inevitable sentence banishment from the community. It was seven long years later that Mahipatram Rupram was readmitted to caste on paying a fine of one thousand and five hundred rupees and holding a caste feast. He was also subjected to the indignity of having his moustaches shaved off, and of undergoing a penance that entailed the partaking of the *panch-ganya*, the five products of the cow including dung and urine.⁴⁴

The reform party was outraged by this apostasy.⁴⁵ The controversy found its echoes in Calcutta also where the *Indian Mirror* dismissed Mahipatram Rupram's defence as stereotyped.⁴⁶

Yet Bombay was not static. As late as the 1850s, young reformers, wanting courage to "openly say a word against idolatry", had to hold clandestine confabulations.⁴⁷ That within a decade reforms had begun to be discussed in public constituted a significant advance denoting the infusion of both courage and tolerance in the Hindu society of western India. But the reformers there were particularly effete. Here is a telling illustration. In 1869 seven leading Hindus, who had arranged the marriage of a Brahman widow were dragged to a court of law on a false criminal charge and later on excommunicated. To decide the issue a great council of Shastris was convened by the Shankaracharya in March 1870 at Poona. This lasted nine days. At the end three arbiters belonging to the reform party voted for remarriage; but two were either cowed down by threats of ostracisation or lured by pecuniary promises.⁴⁸ But the denouement was the penance performed by Gopalrao Hari Deshmukh, president of the Widow Remarriage Association, for his part in the marriage of the Brahman widow.⁴⁹ The reform movement could be little more than a laughing stock if its president was to undergo penance for doing what was explicit in his position. It has been suggested that Deshmukh was forced to do this because the relations of his only married daughter had threatened to turn her out of the house if he refused to retrace.⁵⁰ In any case this serves to reveal the effective sanctions possessed by orthodoxy to check transgression. In Deshmukh's case its success was complete. When asked to give evidence before the Finance Committee in England, he declined to cross the seas. He had been persecuted, he said, for having sheltered his England-returned son. So obstinate was the Hindu orthodoxy in

western India that this persecution was in spite of Deshmukh having taken his son immediately to Benares for the requisite purification.⁵¹ So successful, in fact, was the deterrent that not even Ranade and Mandlik could fulfil their desire to visit England.

It is this synchronisation of progressivism and anachronism, not in different persons or groups of persons, but in the same person that offers a key to the understanding of the 19th century Hindu mind.

What made this possible, besides the instinct to survive and the human proclivity to avoid radical change, was the fact that most of the reformers belonged to the upper privileged castes. They might, in response to the ideas imbibed from the new contact, talk of reform. But in the absence of total emotional commitment to the cause, limited, often only intellectual, advocacy of reform sufficed to keep their conscience clear. Yet somewhere at the back of their mind, on the subconscious plane, maybe they felt not unhappy that their privileged position continued. This supposition gains strength from the fact that the only radical Hindu reformer of the last century was Jyotiba Phule, who, a mali by caste, stood low in the caste hierarchy.

Moreover, the slow pace of industrialisation and almost non-proliferation of professions kept incipient group contacts that would cut across caste affiliations. People from different castes but belonging to one class or profession did meet, more so when required to safeguard some common material interests. But the major portion of their life continued to move within the age-old caste grooves, making them vulnerable to the pressure of the caste sabha or panchayat. Excommunication then did not mean just a social slight that could be compensated by a self-satisfying awareness of dedication to a noble cause. It meant, for self and the biological family, isolation from near and dear ones, an isolation that became a living nightmare because of the near impossibility of forging relationships outside the caste group. For life even in the 19th century Indian cities was in many respects an extension of the caste-based communal life of the villages. The logic of gregariousness, after all, is invincible.

NOTES

- 1 An exception is Pradip Sinha, "Nineteenth Century Bengal", Calcutta, 1965.
- 2 Sir Richard Temple observed that

though during his Indian career India had changed more than any other region or nationality, the loving gaze of Indians was turned towards their own traditions. "The Story of My Life", vol II, p 61, London, 1896.

- 3 *Hindoo Patriot*, April 13, 1857.
- 4 "Keshub Chunder Sen in England", Calcutta, 1938, p 412.
- 5 Speech on "Vernacular Education", February 27, 1868, in R J Mitter, "Speeches by Raja Rajendralala Mitra", Calcutta, 1892, p 30.
- 6 *Hindoo Patriot*, April 13, 1857.
- 7 *Calcutta Review*, LXXIII, 1881, pp 275-300.
- 8 "Selections from the Writings and Speeches of Raja Peary Mohan Mukerji", p 1.
- 9 *Hindoo Patriot*, April 13, 1857.
- 10 "Selections from Peary Mohan Mukerji", pp 1-2.
- 11 "Speeches of Surendranath Banerji", Madras, n.d., p 1.
- 12 Report on the Native Press, Bengal, January 5, 1878.
- 13 *Arundodaya*, a Marathi weekly from Thana, in G W Kurkaray's report, June 24, 1880, *Home Public Proceedings B* July 1881, No 181.
- 14 R C Palit, ed., "Speeches and Minutes of the Honble Kristo Das Pal, 1867-81", Calcutta, 1882, p 316.
- 15 "The Auto-Biography of Maharshi Devendranath Tagore", Calcutta, 1909, p 40.
- 16 *Ibid* p 152.
- 17 *Ibid*.
- 18 Tagore's *National Paper* refuted Sen's claim to represent to government the wishes of all Brahmos, *Native Opinion*, October 18, 1868. At a meeting held on October 18, 1868 the Adi Brahma Samaj resolved that the proposed law was unnecessary as the greater number of the Brahmos observed Hindu customs and institutions, *ibid* November 22, 1868.
- 19 G Smith, "The Life of Alexander Duff", London, 1879, vol I, p 158.
- 20 *Ibid*, vol I, p 156.
- 21 S K De, "Bengali Literature in the Nineteenth Century", Calcutta, 1962, pp 588-89.
- 22 Smith, *op cit*, vol I, p 207.
- 23 *Native Opinion*, August 2, 1868; L B Day, "Recollections of Alexander Duff", London, 1879, pp 240-43; "Indian Christians", Madras, n.d., p 23.
- 24 *Auto-Biography*, pp 46-51.
- 25 M N Ghosh, ed., "Selections from the Writings of Krish Chunder Ghose", Calcutta, 1912, p 36.
- 26 *Ibid*.
- 27 Beadon's Minute, June 1, 1864, *Home Public Proceedings A* June 14, 1864, Nos 27-8.
- 28 Beadon to Lawrence, June 3, 1864, "Lawrence Collection", National Archives of India microfilms, 7, 19, 17.
- 29 *Ibid*.
- 30 *Hindoo Patriot*, March 14 and 21, April 4 and 11, 1864.
- 31 *Ibid*, January 27, 1868.
- 32 *Times of India*, February 28, 1862.

- 33 *Ibid*, February 5, 1862.
- 34 *Ibid*, April 29, 1862.
- 35 *Ibid*, February 28, 1862.
- 36 *Ibid*, March 4, 1862.
- 37 *Ibid*, March 6, 1862.
- 38 *Ibid*, April 29, 1862.
- 39 *Ibid*, March 3, 1862.
- 40 *Ibid*.
- 41 *Native Opinion*, September 3, 1871.

- 42 *Ibid*, November 30, 1873.
- 43 *Times of India*, January 1, 1862.
- 44 *Native Opinion*, September 22, October 20, 1867.
- 45 *Rast Goftar* and *Indu Prakash*, Bombay Anglo-Vernacular weeklies representing the reform party, assailed Mahipatram Rupram; *ibid*, October 6 and 20, November 3,

- 1867.
- 46 *Ibid*, November 17, 1867.
- 47 *Ibid*, November 8, 1868.
- 48 *Indu Prakash* in *Hindoo Patriot*, May 15, 1876.
- 49 *Native Opinion*, June 5, 1870.
- 50 I am indebted for this information to N R Phatak.
- 51 *Native Opinion*, January 11, 1874.

Wings for Sociologists?

Report on an ICSSR Seminar

Satish Saberwal

FOR the social sciences in India, the creation of the Indian Council of Social Science Research (ICSSR) is an event of historic importance (see "Indian Council of Social Science Research: Its Promise and Dilemmas" by Yogendra Singh, April 18, 1970, pp 671-6). Social research in recent decades has drawn financial support from the researcher's institution's own budget, from assorted foreign agencies, and from the Planning Commission's Research Programmes Committee. The first source helped only a few, for most academic institutions have been impoverished, while the other two were both unpredictable and less than fully legitimate: it is among the peculiarities of the academia that the class of potential beneficiaries approves of a largesse only if its members have also shaped, to start with, the mechanisms for its distribution. The RPC as well as the foreign agencies have been perceived as distant, not subject to due academic control, and sometimes inspired by mysterious motives.

A promise of change is implied in the emergence of ICSSR as India's premier underwriter for research and publication in the social sciences. From Rs 25 lakhs in the current year, its budget is planned to rise to a crore in four years, fully funded by the Central Government. Regulating the flow of this affluence is a tricky issue, for academics too can act like the new rich: fears are often expressed that easy money will breed fake research. Yet, the disbursement of funds for research has to be controlled by academics themselves, for no one else is competent to assess their work. The ICSSR mechanisms, now being shaped for this task, will leave the key levers clearly with practising academics, but how these men are to be selected remains a difficult problem. In comparable situa-

tions elsewhere, the professional associations do this selecting, but ours are still weak: and when, at a recent gathering of social scientists, someone described these associations as "cesspools of authority", he struck a responsive chord.

To this problem, the ICSSR is now engaged in making a complex response. Its operations hitherto have been conducted largely by its Member-Secretary, J P Naik, with guidance from the Council whose members are nominated (in effect by the Education Minister) to represent the several social sciences and some important institutions. The Council also has nominated panels for several tasks, among them that of taking stock of social science research in the country and projecting perspectives for the future. About a hundred scholars are now doing this for one or another segment of the social sciences. A set of these research survey Reports is then submitted to a seminar of concerned academics (whose members, in turn, are nominated largely by the surveyors themselves) on the basis of their interest in the particular segment; and then the Reports, revised in the light of criticism received, are to be published—beginning, hopefully, late in 1971. Much labour and money are going into these Reports, but these should help both the Council and the academic community whom it serves in orienting future research more fruitfully. Meanwhile, the seminars assembled to discuss the Reports are also being used to nurture a consensus, as gently as possible, in favour of creating Standing Committees which would

help oversee the Council's work in each discipline. The membership of these Standing Committees would be nominated, partly by the Council and partly by the respective professional associations.

Nine Reports in sociology were discussed at a seminar in the Delhi School of Social Work from November 16 to 18. The reports examined Rural Studies (Chauhan), Caste Studies (Surajit Sinha), Urban Studies (D'Souza), Industrial Sociology (Sheth), Sociology of Economic Development (Dube), Sociology of Education (Chitnis), Social Demography (Roy-Burman), Research Methodology (Madan) and Social Work (Ranade). While grateful for the conscientious labours of their authors, the fifty or so participants examined the Reports closely for their analytic and bibliographic adequacy and made a very generous lot of suggestions for improvement. For ascertaining priorities for the future, various criteria were proposed, and these were summed up neatly in the following terms: in basic work, priority had to be judged by reference to its likely contribution to theory and methodology; in applied work by its relevance to issues of national significance.

During its three days the seminar talked for about twenty hours. This review is best concerned not with the details but with the dimensions of the debate. One was reminded, first of all, of the sobering complexity of Indian society: metropolitan cities, district towns, industrial towns, small towns, towns over two thousand years old and others less than twenty years old, towns in tribal areas and elsewhere; and villages, especially in terms of the quality of their exposure to this great variety of towns. In this context some complained that the categories employed—say, community,

* Personal integrity is the critical element here. If the participants in the system have it, such nomination procedures are democratic, equitable, productive, etc; if integrity is lacking, sterile cliques are a consequence.

rural, urban, etc—were not defined neatly enough, and others, asked whether census-type categories of this sort had any place in the analytic task of sociology. Some are ambitious, reaching out to such tasks as regional planning; others are selective, limiting their domain in terms either of received competence, or available manpower, or a certain image of the proper tasks of the sociologist. Communication between the home-grown empiricists (and theorists) and those who derive their basic perspective from either Marx or Western social science was unimpeded; but whether a line exists between sociology and social anthropology—and if it does, how far it need be pressed—continued to be matters of inconclusive bargaining.

Concerning the relationship between the social scientist and his society, one speaker mentioned three roles which the economists had identified for themselves: the Sage, who is basically a critic of the contemporary setting; the Theoretician, who offers a model of what the contemporary setting is like; and the Technician, who accepts the values of the Establishment as given and provides such services as are commissioned. Those in power normally find the last category the most congenial. A social critic is often identified

with social philosophy regardless of his credentials in sociology.

Except one brave participant who wanted sociologists to develop techniques for breaking the caste system, nothing in the proceedings would suggest that they were itching for radical changes in their society: implicitly they defined their role rather as that of analysts of changes of others' making. Within the bounds of their discipline, however, there is promise of growing activism. Given the nature of the exercise, the reports, of course, sought comprehensiveness, cutting across the discipline's factions; and the tide seems to be running towards more sustained, imaginative enterprise. Research published in the regional languages demands attention and the ICSSR is in the process of establishing centres for each regional language which would serve both the region and the cause of interchange between regions. Men who are known to measure their words against what can be done spoke of introducing such skills as annotating, abstracting, bibliographic work, and coherent writing into our college and university training programmes. Text-books employing Indian material—and written in regional languages—are urgent needs. Why should the univer-

sity teachers in an area not be able to involve the area's college teachers in some research tasks? Few of our studies transcend the local communities while masses of data concerning the larger society lie buried in the Census reports, the National Sample Surveys, and the reports of countless Commissions: long overdue are models of our large-scale social processes, which would make us relevant to the national scene.

Such then are the concerns of our sociologists as the constraints of academic poverty are stripped. Our concepts and methods are almost entirely derivative, yet appear to be adequately domesticated; some ascribe this to an easy-going unconcern with one's tools and procedures. Still, the scale of local initiatives is now growing. For their work, the sociologists do not seek legitimacy in reference to the Hindu scriptures, as a small minority has occasionally advocated; nor need one's work go to patrons abroad for approval. Data are sought in historical depth, but concepts are designed primarily to aid an understanding of contemporary but small-scale phenomena. If it was the dearth of resources alone that made this tradition prosaic, we should now be able to grow wings.

The Indian Economy: 1970-71

A Mid-Year Review

V S Bhawe

An attempt was made in February to forecast economic trends in 1970-71. This paper proposes, on the basis of data that have since become available, to review the conclusions of the earlier forecast. An obvious limitation is that the data—drawn mostly from contemporary non-official sources—are at times conflicting and, there being no means to cross-check, one has to depend on subjective assessments.

Broadly, the present study confirms the major trends forecast by the February study, but with two exceptions. First, foodgrains production, it now appears, will be marginally higher than originally anticipated. Secondly, the rate of growth of industrial production is likely to be slightly lower. The sector by sector conclusions of the present study are presented in this paper.

I

IN February this year, an attempt was made to forecast economic trends in India for 1970-71. Based on data which have since become available on the actual behaviour of the Indian economy over the first six months of the current year, it is proposed in this paper to review the conclusions of the original study. Care has been taken, however, to ensure that the present paper is complete in itself and that reference to the original study is not a 'must'.

For a review of this type, availability of data is not a serious problem. Our economic dailies and journals publish a lot of relevant information from time to time. But one has no means to cross-

check the correctness of the information and when the data is conflicting, as it often is, one has to proceed on the basis of subjective assessment. This approach has obvious limitations. But there is perhaps no other alternative, because it may take months to ensure great accuracy. That would defeat the very purpose of a mid-year review.

Broadly speaking, the current study confirms the major trends which were forecast earlier, except in two respects. It now appears that production of foodgrains would be marginally higher than originally forecast. On the other hand, the rate of growth of industrial production is likely to be slightly lower. The main conclusions of the present study are presented below:

II

Production of Foodgrains

The influence of the monsoon is more predominant in the Kharif crops which together represent around two-thirds of total foodgrains production in the country. This year, by and large, total precipitation has been very satisfactory. As a matter of fact, this year's monsoon has been described as among the best in the past several years. The various estimates made from time to time have forecast a bumper Kharif harvest in 1970. The Agricultural Prices Commission (APC) has estimated the crop at around 68.0 million tonnes. Commerce, in its issue of October 10, 1970, put it at 69.0 million tonnes. The *Economic Times* (October 8, 1970) estimated it at around 67.0 million tonnes. The Union Ministry of Food and Agriculture, however, estimated the Kharif crop at only 66.0 million tonnes in its mid-September review, but its latest estimates put the figure at over 72.0 million tonnes.

Serious flood damage to the standing crops in the various States occurred after the publication of the APC Report, so that even if one agrees with APC's approach one would want to prune their estimates in view of the later developments. As regards the estimates of Commerce, we find that there are some internal contradictions. Thus the figure mentioned in the headlines, viz, 69.0 million tonnes, cannot be easily reconciled with what is given in the detailed State by State analysis. Careful scrutiny of *The Economic Times* data also reveals a similar disparity. Its estimates published on October 8, 1970, put the overall foodgrains production in 1970-71 at 103.5 million tonnes, 4.0 million tonnes higher than in 1969-70. However, a study of the State by State production prospects published by it on the following day, i.e., on October 9, 1970, shows that 1970-71 production would be higher at

MAIN CONCLUSIONS OF THE STUDY

Selected Indicators	Forecast
Foodgrains production	There may be a marginal increase in the total foodgrains production which may amount to 102.0 million tonnes.
Production of some important cash crops	Production of: (a) Cotton may increase from 58.0 lakh bales to 60.0 lakh bales. (b) Jute and mesta will decrease from 68.0 lakh bales to 63.0 lakh bales. (c) Sugarcane would be 13.20 million tonnes against 13.44 million tonnes in 1969-70. (d) Total oilseeds [excluding cottonseed] would go up from 7.6 million tonnes to 8.5 million tonnes.
Index of industrial production	The average would be a rate of growth of less than 6.0 per cent.
GNP at constant prices	There may be a growth of 3 to 4 per cent.
Per capita income in real terms	There may be a growth of 2 per cent maximum.
Wholesale price index	The average may show a rise of 5 to 6 per cent.
Bank deposits	They may rise by 15 per cent.
Credit conditions	The organised industrial sector would experience a serious squeeze.
Foreign exchange position	The position would deteriorate, but in the short run, i.e., during 1970-71, it would not have any adverse impact on the economy.

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TABLE 1: TOTAL FOODGRAINS OUTPUT IN 1969-70 AND 1970-71

(million tonnes)		
States	1969-70	1970-71
Andhra Pradesh	4.70	5.00 (a)
Assam	2.10	2.10
Bihar	7.50	7.50
Gujarat	3.20	3.50
Haryana	—	— (b)
Jammu and Kashmir	1.15	1.15
Kerala	1.76	1.89 (c)
Madhya Pradesh	9.80	10.00
Maharashtra	6.90	7.20
Mysore	5.90	5.00 (d)
Orissa	5.00	4.90
Punjab	6.93	6.00 (e)
Rajasthan	4.70	6.80
Tamil Nadu	6.20	6.90
Uttar Pradesh	17.50	—
West Bengal	6.30	7.00 (f)
Total	89.64*	91.44*

(a) Paddy only; (b) Outlook for Haryana is stated to be moderately good; (c) Rice only; (d) Kharif outlook is mentioned as bleak. Hence it is assumed that overall production may be 5.0 million tonnes against 5.90 million tonnes in 1969-70; (e) Kharif outlook is stated to be not good. Hence, production in 1970-71 is assumed at 6.00 million tonnes; (f) Production of rice only.

* The actual foodgrains production in 1969-70 is now put at 99.5 million tonnes. In the Table, however, either some States have been omitted or all items of foodgrains have not been covered. For purposes of comparison, whatever figures have been quoted in the body of the survey under reference have been taken. The survey was published in *The Economic Times* of October 9, 1970.

Source: *Economic Times*, Bombay.

most by 2.0 million tonnes, as can be seen from Table 1. Even this increase may have to be scaled down if estimates for Rajasthan, which appear to be over-optimistic (an increase of 50 per cent over last year), are adjusted.

Though it has not been overtly stated by the Union Food Ministry, the more cautious estimates made by it in mid-September appear to have been influenced by two considerations:

(a) The additional foodgrains production would, to a very great extent, depend on the extension of the new agricultural strategy which, among other things, envisages greater use of chemical fertilisers. The picture seems to be rather gloomy in that respect. In a New Delhi despatch dated June 26, 1970 (which has not attracted much public attention), *The Economic Times* published that, for the first time since 1960, there has been a reduction in the consumption of all three types of fertilisers, from a total of 18,50,000 tonnes of nutrients in 1968-69 to 16,96,000 tonnes in 1969-70. This contradicts a

statement made by Annasaheb Shinde, Minister of State for Food and Agriculture (*The Economic Times* of May 2, 1970) that, as per reports received by his Ministry at the end of March 1970, the consumption of fertilisers in 1969-70 was 14 per cent more than in 1968-69. The ideal time for application of fertilisers is when the monsoons are good, because adequate supply of water is one of the prerequisites for their successful adoption. The monsoons in 1969-70 were considered quite good, and yet, according to the above reports, there was a fall in the consumption of chemical fertilisers in that year. If true, this is a very disturbing development. Even granting that efforts have been made in the current season to reverse this trend, it may be that the actual consumption of chemical fertilisers in the Kharif season of 1970-71 is much smaller than the corresponding target. This information may have been available to the Food Ministry when it made its forecast.

(b) Even while talking about the monsoons, further analysis indicates that the picture is not all that rosy. In terms of total precipitation, the rainfall has no doubt been highly satisfactory. But what about its spread? The following information is revealing:

June 1 to July 1, 1970

Excess : 19 sub-divisions.
Normal : 10 sub-divisions.
Deficient : 2 sub-divisions

June 1 to July 29, 1970

Excess : 1 sub-division.
Normal : 21 sub-divisions.
Deficient : 4 sub-divisions.

[*Economic Times* 8.10.1970]

It would be observed from the above that, by the end of June 1970, 19 sub-divisions had excess rainfall and only 10 sub-divisions had normal rainfall. The corresponding figures for June and July together were: 'Excess', 1 and 'Normal', 21. This means that the rainfall in June was above normal over a large part of India and that it was deficient during July. This is not a particularly happy situation because, whereas the excessive rains in June would adversely affect sowing operations, deficit rains in July would tend to stunt the normal growth of crops. Thus, even though overall rainfall in the first two months may appear to be normal, the pattern of rainfall cannot be looked upon as optimum from the point of view of actual foodgrains production. Coupled with this was the occurrence of heavy rains towards the end of the season over a wide area causing exten-

sive damage to the standing crops. It is possible that the Union Food Ministry took into account this fact also, while making its earlier estimates.

In conclusion, it appears that the total production of Kharif foodgrains is more likely to be 66.0 million tonnes, as estimated by the Food Ministry earlier.

As regards Rabi, one can reasonably expect a good harvest this year. Late and plentiful rains would enable adequate moisture to be retained in the soil and the Rabi sowing operations can proceed in full swing. Last year's Rabi production is estimated at about 34.0 million tonnes, which was an all-time record. Nothing has happened to indicate any spectacular improvement in this, and it would be quite in order to put the estimates for this year at around 36.0 million tonnes giving a total of 102.0 million tonnes for 1970-71. (That Government continues to be rather guarded in its estimates is seen from the observations of Fakhruddin Ali Ahmed, Union Food Minister, reported by AIR on November, 28. He said, "we are expected to cross last year's record production of 100 million tonnes this year". One would note that he scrupulously avoided referring to any specific figure.)

One cannot help making an observation at this stage that the country-wide jubilation over our 'good' performance on the agricultural front is bound to prove unfortunate. Most of us, including the national Press and the leaders, exhibit great satisfaction at the prospect of what we call a bountiful harvest. It has been overlooked almost universally that what we are about to achieve represents an annual growth rate of hardly 2 per cent which is totally inadequate to attain the Fourth Plan targets. We have today almost all the physical inputs — water, fertiliser, pesticides, adequate credit and so on — to sustain a much faster rate of growth. Perhaps what is missing is the thrust, which can come only from the political leadership, from stable, clean and efficient Central and State Governments. If the latter have to constantly keep on fighting for their very survival, the nation will pay the price by way of low economic growth.

Production of Cash Crops

Oilseeds:

Conventionally, 'oilseeds' include groundnut, sesame, castor seed, linseed, rapeseed and mustard. According to the latest estimates, the actual production of the above for 1969-70 is likely

TABLE A

Period	Area (in '000 Hectares)	Production (in '000 Tonnes)	Yield Per Hectare (in kg)
First Plan average	4927	3535	717.5
Second Plan average	6222	4726	759.6
Third Plan average	7140	5095	713.6
1966-67	7299	4411	604.3
1967-68	7553	5731	758.7
1968-69	7088	4631	653.3
1969-70 (Estimates)	7219	5143	712.4

to be 7.61 million tonnes. Among the various oilseeds, the one which is most important and fluctuations in the production of which really affect the figure of overall oilseeds production is groundnut. The trends in area under cultivation and production of groundnuts in the last several years are given in Table A.

Experiments are in progress for increasing the yield of groundnuts per hectare. But we have not achieved a uniform success in that direction. Only from UP had some reports emanated to suggest that certain package practices had led to an increase in the average yield per hectare of groundnuts to the extent of even 200 per cent. The target for adoption of these practices in UP in 1969-70 was 13.0 lakh hectares. In 1970-71, it was to rise to 17 lakh hectares. Even if this was fully achieved (which is doubtful) the increase in groundnut production on that account between these two years would not exceed 3 lakh tonnes. Other States have not reported any special progress in this direction. Groundnut is essentially a Kharif Crop. The course of the monsoon and the ruling prices this year have been favourable for this crop, which has perhaps led to increased acreage under it as compared to last year when it was 72.19 lakh hectares. Assuming this year's figure to be 75.5 lakh hectares which is the highest ever reached, and the yield per hectare to be around 825 kg which is also one of the best, the total production of groundnuts would be around 62.0 lakh tonnes.

Commerce on October 10, 1970, puts this figure at around 69.0 lakh tonnes which appears to be an overestimate. (It may be interesting to note that the trade estimates themselves do not put the figure at more than 64.0 lakh tonnes.) There may not be much of a change in respect of other oilseeds and we are, therefore, inclined to put the overall production of (the five above-mentioned) oilseeds in 1970-71 at 8.5 million tonnes.

Cotton:

We have been chronically short of cotton, but have failed to attain a spectacular breakthrough in the production

of this important cash crop. The following Table gives the total area under cotton and its yield per hectare over the last few years:

Year	Total Area (in lakh hectares)	Total Production (in lakh bales of 180 kgs each)
1964-65	81.54	54.08
1965-66	79.42	47.62
1966-67	78.36	49.73
1967-68	79.95	54.54
1968-69	75.96	51.44
1969-70 (estimates)	77.12	52.33

In terms of yield per hectare, our performance is the lowest in the world. For example, in 1967, ours was only 120 kg per hectare, whereas the corresponding figures for the other countries were: Pakistan 290, Sudan 370, Iran 410, USA 500, Australia 810, and USSR 840.

The official estimate about the cotton production in 1969-70 is 52.3 lakh bales. The trade puts it much higher at 62.5 lakh bales. Both appear to be tending towards unreal extremes in opposite directions. In actual practice, it may be somewhere between 56.0 lakh to 58.0 lakh bales. There has been no special development which would boost the production this year and a marginal increase of 2.0 lakh bales is about all that may be expected.

Sugarcane:

The total acreage under sugarcane has been fluctuating quite widely over the past years and the total production of cane in any year appears to be essentially a function of the actual acreage under the crop. During the sugar year which has just ended, we produced a record tonnage of sugar. However, in spite of a relatively low average price, the consumption of sugar did not show a commensurate increase and huge stocks accumulated in the factories. As a result, finances of the sugar factories were under heavy strain. They are at present hardly in a position to continue

financing their own stocks. They can carry on with the crushing of the new crop in full swing, only if Government takes over the responsibility of carrying the sugar stocks on its account.

The general atmosphere was not therefore very congenial for continuing to grow sugarcane on a large scale. But it seems that, either because the cane growers felt confident of getting a continued remunerative price with the help of the strong sugar lobby existing in the country, or because they felt that even the reduced prices likely to be offered by the factory owners would give them a better return as compared to that from any other crop, there was no report of any large-scale diversion of land under sugarcane to any other crop. In the circumstances, production of sugarcane this year may be only marginally lower than the 13.44 million tonnes estimated for 1969-70. We are inclined to put it at 13.20 million tonnes.

Jute and Mesta:

The actual production of jute and mesta in 1969-70 is now put at 67.5 lakh bales. In 1970-71, the progress of the monsoon has turned out to be unfavourable to sowing operations. The acreage under the crops has reportedly gone down. The latest estimates put the jute and mesta crops at 62.5 lakh bales, about 5.0 lakh bales less than in the last year.

III

Industrial Sector

For assessing the likely rate of growth of industrial production, the conventional method is to go more by such indicators as investment trends, changes in the purchasing power of the community, fiscal and monetary policies of Government, etc. On the other hand, we would prefer to go according to industry-by-industry estimates. We would get a more up-to-date picture thereby, and mistakes, if any, in the assessment can be isolated and hence rectified more easily. The industry-by-industry assessment follows:

Coal Mining:

In coal mining, the National Coal Development Corporation (NCDC) dominates the scene. According to the Chairman of NCDC (*Statesman*, April 29, 1970), almost the entire increase in coal output, from 68.0 to 73.0 million tonnes, in the past three years was contributed by NCDC whose production went up from 9.61 million tonnes in 1967-68 to 13.75 million tonnes in 1969-70.

According to the latest estimates, the

total production of coal in 1970-71 is likely to be 77.0 million tonnes against 74.0 million tonnes in 1969-70, representing a rate of growth of around 4 per cent. The share of NCDC in the above would amount to 1.25 million tonnes or so. In the beginning of the year, coal production was estimated to grow at the rate of 7 per cent. The shortfall from the original estimates has been caused by the tardy performance of the steel plants which consume about 20 per cent of the total coal production and of the Railways which consume around 30 per cent of the total. The power houses may take slightly higher quantities, but since, in any case, their offtake does not represent more than 12 to 13 per cent of the total coal production, in absolute terms, it would not make too much difference to the total.

Metal Mining:

In metal mining, the most important mineral is iron ore. We had thought that the demand for iron ore from the main steel plants would go up by about 10 per cent during 1970-71. The actual production of steel has unfortunately registered no growth at all. As a matter of fact, in the first half of 1970-71, there has been a marginal decrease in the production of mild steel ingots in the main steel plants. It is not likely that, in the remaining six months of the year, the loss in production would be made good because the labour problems at Durgapur and Indian Iron, which were mainly responsible for the above fall in production, continue to be out of control. Fortunately, in the total iron ore which is mined (in 1969 it amounted to 28.8 million tonnes), the share of our own steel plants is rather small. We export significant quantities of this item. Fortunately, on this front, MMTC is doing reasonably well. It is expected that its exports of iron ore in 1970-71 would amount to Rs 98.0 crores against Rs 69.0 crores in the previous year. Thus, even an absolute shortfall of 10 per cent in the offtake by the steel plants, will have a relatively small effect on the index. In metal mining, therefore, we are inclined to retain our estimate of 20 per cent rate of growth made in the beginning of the year.

Iron and Steel:

It was earlier expected that the steel plants would make a determined effort to increase their production to cater to the increased demand, as well as to take advantage of the price increase which was granted to them with effect from January 1, 1970. As pointed out

above, this hope has been belied because of the deplorable performance of Durgapur and Indian Iron plants. The total production of ingots in the first six months of 1970-71 (April-September) was 29,77,861 tonnes — a reduction of 4 per cent over the production in the corresponding period of 1969-70. It is likely that this trend will persist over the remaining months and, instead of having a 10 per cent growth, there may be fall of about 5 per cent in the production of iron and steel.

Aluminium:

The total installed capacity of aluminium production is 1.70 lakh tonnes—made up of 80,000 tonnes of Hindustan Aluminium, 73,000 tonnes of Indian Aluminium, 14,000 tonnes of Madras Aluminium and 9,000 tonnes of Aluminium Corporation of India. Considering the production trend of these four companies over the last six months, it appears that the actual production of aluminium ingots in 1970-71 may amount to 1,65,000 tonnes, against production of 1,35,000 tonnes in 1969-70. Thus, the rate of growth in aluminium production would amount to 22 per cent or so.

Engineering:

The overall picture of the engineering industry continues to be somewhat hazy. *The Economic Times*, in its leading article on April 20, 1970, stated: "...It is clear that in 1970-71 engineering production as a whole would be at least 15 per cent higher than in 1969-70". If one concentrates on the export angle alone, it appears that the above optimism is justified. Total export of engineering goods in 1969-70 amounted to about Rs 106.0 crores. The target for 1970-71 is Rs 140.0 crores representing a rate of growth of 30 per cent. In the first six months of the current year, the actual rate of growth was around 15 per cent. The shortfall was, to a great extent, due to an extraneous reason namely the 66-days strike at Calcutta port, and the industry is still hopeful of reaching the target.

The official index of "all engineering industries" is unfortunately not in consonance with the above optimism. The figures for the first four calendar months of 1969 and 1970 are given below:

Months	1969	1970
January	230.00	229.30
February	214.40	212.90
March	234.5	229.8
April	211.9	208.1
Average	222.7	220.02

It would be seen from the above that the index in each of the first 4 months

of 1970 was lower than the figure for the corresponding months of 1969. Nor was there a consistently rising trend in 1970. It is, however, still possible that the year as a whole would witness an increase in the production of engineering industries by about 8 per cent. The main problem faced by the industry is shortage of steel. It may be partly offset by imports and partly by greater concentration on avoiding wastage of raw materials.

Transport Equipment:

The total production of scooters in 1969 was 47,270 numbers. In the first six months of 1970 it was 29,972. The production of motorcycles at 22,965 rose by over 50 per cent in the first six months of 1970 over the corresponding period of 1969. Production of bicycles which was around 19.5 lakh numbers in 1969 is also showing an increase. Telco which produced 20,497 vehicles in 1969 are working to full capacity of 24,000 per year from the beginning of the current year. Barring Premier and perhaps Hindustan Motors, the other truck manufacturers are also faring better than last year. The same is the trend in tractor production. The only area which does not show any growth is wagon building. On the whole, the industry promises to have a rate of growth of 10 per cent.

Basic Industrial Chemicals:

One of the important chemicals in this group is soda ash. The installed capacity for it in some of the major units is as follows:

	(lakh tonnes)
Tata Chemicals	2.16
Saurashtra Chemicals	1.80
Dhrangadhra Chemicals	0.45
Sahu Chemicals	0.40
Total	4.81

This represents 97 per cent of the total installed capacity for soda ash in the country. Production of soda ash has been rising from year to year. In 1967 it was 3.59 lakh tonnes; in 1968, 3.97 lakh tonnes; in 1969, 4.22 lakh tonnes which gave a capacity utilisation figure of 87.7 per cent. In 1970, the two major manufacturers, viz, Tata Chemicals and Saurashtra Chemicals are reported to be running to full capacity.

Another important chemical in this group is caustic soda. Production of this chemical has also maintained an upward trend. In the second half of 1969, it was higher by 13 per cent over the corresponding figure in the first half. During the first two months of 1970, there was further growth. Thus, the overall performance of this industry during the current year may be taken

as being 10 per cent higher than in 1969-70.

Chemical Fertilisers:

Among chemical fertilisers, the ones which influence the index most significantly are nitrogenous fertilisers. Considering such facts as that (a) the existing plants were working at very low capacity, (b) the total demand was growing very fast, (c) a significant percentage of it had to be met through costly imports, and (d) many more new plants were likely to be commissioned during the year, it was estimated in the beginning of the current year that the likely rate of growth of nitrogenous fertilisers during the year would be 100 per cent.

This expectation has not come true. Last year, the total production amounted to 7,16,000 tonnes. Taking into account the current performance plant by plant, the estimate for this year would come to 10,50,000 tonnes only, representing an increase of about 47 per cent.

Rubber Products:

In the beginning of the year, it appeared that the manufacturers of tyres and tubes who constituted the major sector of this industry were slated for a steady rate of growth. Unfortunately, this industry seems to be plagued by labour unrest and for quite some time past, one or the other unit has been seriously affected by this malady. As a result, the rate of production of tyres and tubes did not pick up very significantly—in spite of several favourable factors. According to competent industrial sources, production of tyres is likely to pick up from September and would be around 3.75 lakh numbers per month against 3.25 lakh numbers which was the prevalent rate in the earlier months.

Another reliable indicator for assessing the growth of this industry would be its consumption of rubber. In 1969-70, the consumption of all types of rubber came to 1,30,734 tonnes which, according to the industry, may rise to 1,39,000 tonnes in the year 1970-71. This would represent a 6 per cent rate of growth.

Cement:

The installed capacity in this industry has been going up from year to year. At the end of 1969, it amounted to 1,57,43,430 tonnes. In 1970, an additional 17,00,000 tonnes capacity is expected to become available. For the first six months of 1969, the figures of rated capacity and production of all the members of the Cement Marketing Association together, were

71.64 and 64.05 lakh tonnes respectively. The corresponding figures for the first half of 1970 were 78.76 and 66.15 lakh tonnes respectively. The industry expects total production in 1970-71 to reach approximately 147.0 lakh tonnes, representing an increase of about 8 per cent over the previous year. We feel that this is a reasonable expectation.

Cotton Textiles:

The figures for the actual production of cotton cloth and yarn for the first six months of 1969 and 1970 are given below:

Months	Production of Cloth (in million metres)	Production of Yarn (in million kg)
	1969	1969
January	360	82
February	324	75
March	348	79
April	355	79
May	343	76
June	352	79
	2082	470

The above figures indicate that there is a distinctly rising trend, but that the rate of increase is somewhat lower than 5 per cent which was the estimate in the beginning of the year. According to the industrial sources, the total mill consumption of cotton would be 66,00,000 bales in 1970-71 against 64,00,000 bales in 1969-70, representing an increase of about 3 per cent. We expect that the current crisis would blow over and that, at least during the remaining four months of 1970-71, the mills will not be required to close down for want of cotton.

Sugar:

The total production of sugar in the season ending October 1970 amounted to 4.2 million tonnes. It was earlier envisaged that the production in 1970-71 will be more or less the same as in 1969-70. In view of the circumstances, discussed earlier, it is likely that the production in the current year would be marginally (about 2 per cent) lower than in 1969-70.

Drugs and Pharmaceuticals:

The drugs and pharmaceuticals industry has recently undergone a serious crisis of confidence. It would be difficult to say whether Government has bungled on price fixation or whether the industry was trying to pull a fast one and finally surrendered only to Government's strong-arm tactics. One fact is, however, clear: the margins of drugs and pharmaceutical companies are likely to shrink appreciably in the current year. In the developed countries, this industry has maintained an annual rate

of growth of about 10 per cent over the past few years. In a developing country like India, it was estimated earlier that the industry would have a rate of growth of 15 per cent instead. But essentially because of the unsettled conditions mentioned above, the rate of growth of 7 per cent is the one likely to be actually achieved during 1970-71.

Jute:

This year, the crop of jute and mesta is likely to be lower by about 5.0 lakh bales, as compared to the previous year. The shortfall could have been made good by imports. But there may be

relatively less incentive for imports because exports of finished jute products have also been causing serious concern. Exports of all the jute products together, came down to 5.71 lakh tonnes in 1969-70 and there does not appear to be any reason to feel that the trend would be reversed in 1970-71. The American markets still continue to be sluggish. Competition from Pakistan and also from the synthetic fibres persists unabated. Though the exports to the East European countries have increased, they represent a very small figure in absolute terms. Based on these, we are inclined to stick to the earlier estimate of a reduction of 5 per cent in the production of finished jute goods in 1970-71, as compared to that in 1969-70.

Man-made Fibres:

For man-made fibres, a rate of growth of 20 per cent was estimated earlier. The index for this industry in 1969 was 223.1. In the first three months of the current calendar year, the index was 258.5 228.4 and 254.6, respectively. In the subsequent months also, the increasing trend has been maintained though official figures are not readily available. For the estimate of 20 per cent rate of growth to come true, it would need the average index to be at 260. It seems that the industry would be able to touch this figure.

Paper:

In the beginning of the year, we had estimated a 10 per cent rate of growth for paper. The index of production of this industry stood at 200.12 in 1969.

TABLE 2: INDEX OF INDUSTRIAL PRODUCTION

Industry-Groups	Weight (Per Cent of the Total)	Estimated Rate of Growth [Per Cent (+) or (-)]	Contribution to the Overall Index to [Per Cent (+) or (-)]
A Mining and Quarrying :			
Coal Mining	7.27	+ 4	+0.291
Metal Mining	1.66	+20	+0.332
B Manufacturing :			
Basic Metals			
Iron and steel basic industries	6.23	+ 5	+0.312
Aluminium manufacturing	0.57	+22	+0.125
Intermediates :			
Engineering (excluding transport equipment)	13.94	+ 8	+1.115
Transport equipment	7.77	+10	+0.777
Basic industrial chemicals	2.20	+10	+0.220
Fertilisers	0.46	+47	+0.216
Rubber products	2.22	+ 6	+0.133
Cement (hydraulic)	1.17	+ 8	+0.094
Jute textiles	3.97	— 5	—0.198
Cotton textiles	21.18	+ 3	+0.635
Man-made fibres	0.64	+20	+0.128
Sugar and refinery	3.58	— 2	—0.072
Paper and paper products	1.61	+10	+0.161
Drugs and pharmaceuticals	2.20	+ 7	+0.154
Matches	0.50	+ 5	+0.025
Cigarettes	2.15	+ 8	+0.172
Soaps, glycerine and Synthetic detergents	0.95	+15	+0.142
C Others, not included above :	19.73	+ 5	+0.986
Total:	100.00	+5.7	+5.748

In the first three months of the current calendar year, it stood at 219.2, 219.9 and 228.7, respectively. The industry may be able to achieve the overall growth figure estimated earlier.

Matches :

A rate of growth of 5 per cent was estimated for this industry. There has been no change in the picture to suggest any alteration.

Cigarettes :

In the earlier forecast, a rate of growth of 8 per cent was envisaged for this industry. The average production of cigarettes is about 60 million numbers per year and the annual rate of increase in the same is stated to be around 3 to 5 million numbers. The optimistic section of the industry (Golden Tobacco for example) expected at one stage a rise in demand of about 15 per cent per year, but that has not been borne out by the facts. The total production of cigarettes in 1969 was in fact lower at 59,714 million numbers, as compared to 60,432 million numbers in 1968. But this seems to have been a freak occurrence and it is envisaged that, in 1970-71, the overall rate of growth of 8 per cent established in the last few years would be maintained.

Soaps :

A rate of growth of 15 per cent was

envisaged for this industry in our earlier study. In the last four years, the total production of soaps in the organised sector of the industry has been as follows :

Year	Lakh Tonnes
1966	1.81
1967	1.77
1968	1.95
1969	2.25

It would be observed that, in 1968 and 1969, the rate of growth was around 10 and 15 per cent respectively, though there was a slight fall in 1967. But with relatively easier supply of its basic raw materials—oilseeds and soda ash—and the general increase of affluence because of the good monsoons, this industry is likely to register a rate of growth of not less than 15 per cent during 1970-71.

Estimated Rise in the Index of Industrial Production :

The above discussion is quantified in Table 2. The Table contains the industry-wise growth estimates made above, the weightage allotted to each for computing the overall index of production, and its contribution in absolute terms:

IV

Investment Climate

New investments in the economy during the past few years have been extremely tardy and, unless they are stepped up appreciably, the rate of economic growth would suffer badly. We had anticipated that being aware of this situation, Government might allocate around Rs 300 to Rs 350 crores more for the planned development in the budget proposals for 1970-71. We were, however, not hopeful of any pick-up in the investment activity of the private sector due to several constraints.

The budget proposals for 1970-71 did allocate Rs 2,637.0 crores for development (an increase of Rs 400.0 crores over the previous year). In fact, the Annual Plan for 1970-71 has targeted for an outlay of Rs 2,822.0 crores against Rs 2,270.0 crores provided for in the 1969-70 Plan—an increase of about Rs 550.0 crores. In addition, several other steps were taken during the year to spur new investment, especially in small-scale industries. Some of them are listed below:

(a) Industrial licensing regulations have been relaxed with the result that small entrepreneurs proposing to set up new industrial units with an investment of less than Rs 1 crore in fixed assets, no longer need an industrial licence. They are also given protection against competition from bigger industrial houses by diverting the attention of the latter to the heavy investment sector.

(b) Nationalised banks and financing institutes have been directed to give maximum consideration to small entrepreneurs and to give greater attention to the feasibility of the investment proposals rather than to the credit-worthiness of the promoters.

(c) Positive encouragement is being given for the setting up of ancillary industries around bigger units and large public sector undertakings have started fanning out their orders to small-scale manufacturers.

One may also mention that various State Governments have been vying with each other in giving incentives to attract new industrial units to their States. The above, together with reasonable political stability and four successive good agricultural years, spreading relative prosperity to the rural areas, should have normally encouraged new investments even in the private sector. But the available evidence does not indicate that the investment activity

has picked up to any appreciable extent during the year.

Among other things, the following appear to be the main reasons for this phenomenon:

(a) Investment in the public sector has been stepped up on paper but perhaps the actual expenditure is much below the corresponding provision.

(b) In a fairly large-size economy like ours, the increased activity in the widely scattered small sector will show its impact only after a substantial time lag.

(c) Though the large houses are encouraged to enter the heavy investment sector, there is simultaneously a strong indication that almost all the new industrial units in this area will have to be in the 'joint sector'. The concept of the latter is rather hazy, but it is clear enough that the promoters will have less say in the management of joint sector projects than what they were accustomed to have so far. The private sector industrialists are also haunted by the fear that in any case they will have to live with the Directors, nominated by the public sector financing institutes, who will be much more active than in the past.

(d) The heavy investment sector is intrinsically more complex and proposals for new ventures in this area take much longer time for finalisation. In some segments of it, for example in heavy engineering, there is enough surplus capacity and new investments are not called for at this stage.

(e) There is a fast growing demand for many consumer goods. But the entry of bigger houses in this area is discouraged.

(f) The pricing policy of the Government appears to be influenced not by the long-term interests of the economy, but by the exigencies of the situation.

(g) As a nation, we generally talk more and do much less. For example, if enough steel was made available at international prices on a guaranteed basis, that would have undoubtedly given a fillip to the setting up of new steel-based industries besides helping better utilisation of capacity in the existing ones. Decision was taken long ago to import necessary quantities of steel, but, for one reason or another, actual imports have been extremely inadequate. The same story is repeated on industrial licensing. Time and again, government spokesmen have declared that applications for new industrial licences would be cleared within

a stipulated period, but according to newspaper reports, hundreds of applications have been pending with different agencies, for months on end.

In view of such factors, we continue to hold to our earlier opinion that the new investments in the private sector will not show any appreciable increase during the year 1970-71. In an otherwise drab investment climate a rather comic interlude is provided by the small car projects. India is a very poor country and is likely to remain so for some more time yet. Not many individuals here can afford to spend Rs 10,000 for a car (which is perhaps the rock-bottom price for a new small car in India). Fewer still can afford to spend over Rs 400 per month on its maintenance. Thus, it is rather futile to imagine that within 3 or 4 years, we can turn out, and sell, year after year, over 50,000 new cars! And yet, Government has decided to have a new car project in the public sector. Two private sector parties have been granted letters of intent and several more are in the waiting list. Who can say that the investment climate in India is not good?

V

National Income

National income calculation is an extremely involved subject, and in a review like this it would be unwise to deal with the same very rigorously. Broadly speaking, the agricultural sector contributes about 50 per cent to the national income. The industrial sector which includes mining and quarrying, large and small-scale manufacturing, construction, electricity, gas and water supply, contributes another 20 per cent or so. In the agricultural sector, food-grains production has a weightage of about 66 per cent; oilseeds (of which roughly one half constitutes groundnuts) of about 10 per cent; fibres 4.5 per cent (cotton and jute being 2.8 and 1.4 per cent respectively); and sugarcane 8.7 per cent.

We have earlier discussed the likely increase in the production of (a) food-grains, (b) certain cash crops, and (c) different industries. Taking into account the weightages they have, their contribution to the growth of national income during 1970-71 comes to around 2.5 per cent. As mentioned earlier, together they account for about 70 per cent of the net national product. Assuming that the remaining sectors contribute *pro rata*, their contribution would work out to 1.07 per cent giving a total in-

crease in the national income to be slightly over 3.5 per cent.

The Deputy Chairman of the Planning Commission is reported to have observed recently that he expected a growth rate of 5.5 per cent during the current year. It is difficult to share his optimism.

VI

Money, Credit and Prices

Money Supply with the Public :

The money supply with the public grew by over Rs 400 crores every year during the past five years ending March 1969. The increase between September 1968 and September 1969 was as high as Rs 521.0 crores. Earlier, we had thought that the increase in money supply during 1970-71 would follow a similar trend and we put it at Rs 500.0 crores and odd. Subsequently, more data have become available with regard to the actual increase in money supply during the year 1969-70. The *RBI Bulletin*, August 1970, put the above at Rs 601.76 crores.

The growth in the money supply with the public is influenced, among other things, by the amount of budgetary deficit, increase in the bank credit, and changes in the foreign exchange balances held by Government. In 1969-70, total deficit finance incurred by the Centre and States together has been remarkably low. On the other hand, the deficit for 1970-71 is likely to be of a much higher order. The bank deposits are likely to increase by over Rs 750.0 crores. Any change in the foreign exchange balances held by Government would not be very appreciable because the increase in imports may be balanced by available foreign aid and SDRs and the variation in exports, in either direction, is likely to be marginal in absolute terms. Based on this, we feel that the increase in the money supply with the public, during 1970-71 may turn out to be Rs 600.0 crores or thereabout.

Budgetary Deficits :

On the budgetary front, the picture is rather confusing. The Centre and the States together had budgeted for a total deficit of Rs 544 crores for 1969-70. Of this, Rs 254 crores were on account of the Centre, and the balance by the States. At the time of presenting the 1970-71 budget, it was given out by the Central Government that the actual deficit during 1969-70 may be even higher, i.e., of Rs 290.0 crores. However, within four months, i.e., in

August 1970, the picture once again changed and it was given out that the overall deficit of the Union Government in 1969-70 would be around Rs 58 crores only. There has been a corresponding reduction in the actual deficits incurred by the State governments as well, and the total deficit of the Central and the State Governments for 1969-70 is now put at Rs 49 crores only, as against Rs 544 crores expected earlier. For 1970-71, the Centre had budgeted for a deficit of Rs 225 crores and the States for Rs 180.0 crores, making a total of Rs 405.0 crores. It is difficult at this stage to predict what precisely would be the picture at the end of the year. On the plus side, it may be mentioned that the Central revenues have been more buoyant, and the expenditure, particularly on the capital account, has been lower than envisaged earlier. On the negative side, the following are some of the significant developments: (a) The Centre has incurred an additional liability of Rs 106.0 crores by accepting the recommendations of the Third Pay Commission *in toto*. (b) The two Central loans which together complete the borrowing programme of the Union Government for 1970-71 have resulted in a lower cash accrual to an extent of Rs 31 crores, compared to the budgeted figure. (The Central Government can, of course, come out for a new loan if it so chooses.) (c) While putting up the supplementary demands for grants in the month of August this year, it was given out that the net cash outgo in the current year arising from those demands would amount to Rs 36.12 crores. (d) The Railways are heading for a deficit of Rs 70.0 crores and odd. (e) Ultimately, the Government may have to hold buffer stocks of sugar to the extent of 3 lakh tonnes, because the industry may find it impossible to finance its growing stocks. All these developments indicate that the actual deficit may turn out to be much more than the originally budgeted amount.

Growth of Bank Deposits:

It was envisaged in the beginning of the current year that the commercial banks would be able to maintain a rate of growth of 15 per cent in their deposits during 1970-71, representing in absolute terms an increase of about Rs 700 crores. In the 12-month period, July 1969 to June 1970, the total deposits of all the commercial banks had increased by Rs 649.0 crores. If one concentrates only on the first four months of the current financial year, i.e., April to July, the increase has been Rs 229.0

crores. The target for opening new branches has been exceeded. Between the period July 1969 to June 1970, 1,185 new branches were opened. Though the increase in deposits due to opening of new branches is reported to have been rather low, it is certain that when the new branches are stabilised, their performance on the deposits front would improve. Considering the above factors, we feel that an increase of Rs 700.0 crores in the overall bank deposits during 1970-71 is quite on the cards.

Distribution of Bank Credit:

If the estimated credit needs of various sectors, other than organised industry, were to be fully met (Rs 200 crores for the rural sector; Rs 225 crores for procurement of 3 million tonnes of food-grains; Rs 75 crores for buffer stock of 4 lakh tonnes of sugar and 5 lakh bales of raw jute; and Rs 75 crores for increase in the total advances to small-scale sector), hardly anything would have been left over for the organised industrial sector.

Fortunately, the former have not required (or have not been granted) the amounts envisaged earlier, and to that extent, the difficulties of the organised industrial sector were relatively less. This, however, does not mean that the latter, i.e., the organised industrial sector is out of the woods. As a matter of fact, during last year, the total increase in advances has been higher than the first time in several years. Obviously, this trend cannot be continued for long. The Reserve Bank has increased the statutory liquidity rate some months ago. RBI has also shown its unwillingness to extend any special accommodation to the banks to meet their needs during the forthcoming busy season. On all accounts, it thus appears that the next few months shall be very critical with regard to the availability of new bank credit.

Prices:

The wholesale price indices (average of months/average of weeks ended Saturdays) for the first five months of 1969-70, and 1970-71 were as follows:

Year	April	May	June	July	August	Average
1970	176.1	178.8	180.9	181.9	182.0	179.9
1969	165.1	166.5	171.7	174.2	174.2	170.3

It would be observed from the above that the average increase for the first five months of the current year, over the average for the corresponding five

months of the last year, has been 4.7 per cent.

The reasons for the above price rise are quite well known (the studied innocence of government spokesmen notwithstanding) and we do not propose to repeat them here. It may, however, be stressed that developments contributory to the inflationary pressure have accentuated further. Central Government employees have been given a rise amounting to Rs 106 crores over the year; the employees of the commercial banks would get about Rs 20 to Rs 25 crores more during the year; the earnings of steel workers will go up by about Rs 25 crores, and of the LIC employees by about Rs 5 crores. There have been further increases (over what was granted early this year) in the earnings of the tea garden workers by about Rs 10 crores. Such examples can be multiplied.

As mentioned in earlier discussions, the corresponding growth in real output has been much less than anticipated. This is an ideal situation for inflation to grow and we feel that our estimate of a likely increase of 5 to 6 per cent in the wholesale price made in the beginning of the year may have to be revised upwards.

VII

Foreign Exchange

We had envisaged earlier that, over the year, the foreign exchange situation may not change in either direction in such a way as to create any harmful effect on the rate of growth of the economy which may be otherwise feasible. This situation remains more or less the same even today. The rate of increase in the exports has been much lower than what the Plan desires to achieve. As a matter of fact, in absolute terms, there has been a reduction in exports in the first half of the current year instead of the planned increase of 7 per cent per annum. Imports have been somewhat higher and this trend may continue with the small pick-up in the industrial activity. All the same, both these changes are relatively less steep and with the adequate foreign exchange

reserves that we have at the moment, we do not envisage any special difficulty on this score at least over the next few months.

Bank Deposits in the Indian Economy

A Comment

M Siddappa

V G PENDHARKAR, in 'Bank Deposits in the Indian Economy: A Note on Creation and Leakages' (Special Number, August 1967, pp 1567-72), has discussed deposit expansion in a situation where the increment in bank credit to Government repeats itself regularly a given number of times. Here, the first assumption is that, such expansion of bank credit to Government gives rise to an exactly equal increase in bank deposits. This can be achieved if Government makes all its payments by credit to the private sector's bank deposits and makes no payments in currency. The second assumption is that, on each occasion, the increment comes at the same time as the beginning of a new cycle of deposit-credit-deposits.

On the above assumptions, a formula for the total expansion of deposits after the n^{th} increment, in a situation with no leakages is given as:

$$Y_n = \frac{\Delta D}{1 - R_c} \left[n - \frac{R_c (1 - R_c^n)}{1 - R_c} \right] \quad \dots (1)$$

where ΔD = increment in bank credit to Government leading to an increment in bank deposits to the same extent;

R_c = overall cash ratio which consists of vault cash plus cash balances with the Reserve Bank of India;

n = number of increments; and

Y_n = total expansion of deposits after n^{th} increment.

If hypothetical numerical values are given to these variables as, say, $\Delta D = \text{Rs } 100$, $R_c = 0.1$, and $n = 1, 2, 3$, and are substituted in formula (1), the deposit expansion will be:

Case 1: when $n = 1$

$$Y_1 = \frac{100}{0.9} \left[1 - \frac{0.1(1-0.1)}{0.9} \right] = \text{Rs } 100 \quad \dots (a)$$

[The author is grateful to Sampath S Iyengar for fruitful discussions.]

Case 2: when $n = 2$

$$Y_2 = \frac{100}{0.9} \left[2 - \frac{0.1(1-0.1^2)}{0.9} \right] = \text{Rs } 210 \quad \dots (b)$$

Case 3: when $n = 3$

$$Y_3 = \frac{100}{0.9} \left[3 - \frac{0.1(1-0.1^3)}{0.9} \right] = \text{Rs } 321 \quad \dots (c)$$

So, according to Pendharkar,

At the end of first increment total deposit expansion will be Rs 100 $\dots (a)$

At the end of second increment total deposit expansion will be Rs 210 $\dots (b)$

At the end of third increment total deposit expansion will be Rs 321 $\dots (c)$

If the total deposit expansion at the end of first, second and third increments is computed, with the same hypothetical numerical values for the variables, from the basic principle:

Case 1: when $n = 1$

The total deposit expansion at the end of the first increment, in absence of leakages will be:

1st increment (ΔD) = Rs 100 $\dots (a_1)$

$Y_1 = \Delta D$ $\dots (i)$

Case 2: when $n = 2$

The total deposit expansion at the end of the second increment, in the absence of leakages will be:

1st increment's first expansion $\Delta D(1 - R_c) = \text{Rs } 90$

2nd increment (ΔD) = Rs 100

The total deposit expansion at the end of

2nd increment $= \Delta D$

$+ \Delta D(1 - R_c) + \Delta D$

$= \text{Rs } 290 \dots (b_1)$

$Y_2 = \Delta D + \Delta D(1 - R_c) + \Delta D$ $\dots (ii)$

Case 3: when $n = 3$

The total deposit expansion at the end of the third increment, in the absence of leakages will be:

1st increment (ΔD) = Rs 100

1st increment's first expansion $\Delta D(1 - R_c) = \text{Rs } 90$

2nd increment (ΔD) = Rs 100

1st increment's second expansion $\Delta D(1 - R_c)^2 = \text{Rs } 81$

2nd increment's first expansion $\Delta D(1 - R_c) = \text{Rs } 90$

3rd increment (ΔD) = Rs 100

The total deposit expansion at the end of third increment =

$\Delta D + \Delta D(1 - R_c) + \Delta D$

$+ \Delta D(1 - R_c)^2 + \Delta D(1 - R_c)$

$+ \Delta D = \text{Rs } 561 \dots (c_1)$

$Y_3 = \Delta D + \Delta D(1 - R_c) + \Delta D(1 - R_c)^2 + \Delta D(1 - R_c) + \Delta D$ $\dots (iii)$

3rd increment (ΔD) = Rs 100

The total deposit expansion at the end of third increment =

$\Delta D + \Delta D(1 - R_c) + \Delta D$

$+ \Delta D(1 - R_c)^2 + \Delta D(1 - R_c)$

$+ \Delta D = \text{Rs } 561 \dots (c_1)$

$Y_3 = \Delta D + \Delta D(1 - R_c) + \Delta D(1 - R_c)^2 + \Delta D(1 - R_c) + \Delta D$ $\dots (iii)$

Thus the total deposit expansions obtained from Pendharkar's formula and those derived from the basic principle, for the hypothetical values of the variables $\Delta D = \text{Rs } 100$, $R_c = 0.1$ and $n = 1, 2, 3$, will be:

Where

$n =$ According to Pendharkar's Formula (Rs)

According to the Basic Principle (Rs)

1 100 ... (a) 100 ... (a₁)

2 210 ... (b) 290 ... (b₁)

3 321 ... (c) 561 ... (c₁)

According to Pendharkar, the total additional deposit created at the end of the first increment will be Rs (100—100) = Rs 0, where Rs 100 represents the first injection into the stream; the second increment will be Rs (210—200) = Rs 10, where Rs 200 represents the two injections into the stream; and the third increment will be Rs (321—300) = Rs 21, where Rs 300 represents the three injections into the stream.

But, according to the basic principle the total additional deposit created at the end of the first increment will be Rs (100—100) = Rs 0, where Rs 100 represents the first injection into the stream; the second increment will be Rs (290—200) = Rs 90, where Rs 200 represents the two injections into the stream; and the third increment will be Rs (561—300) = Rs 261, where Rs 300 represents the three injections into the stream.

Pendharkar's formula underestimates the additional deposit creation, and such underestimation increases at a faster rate with the increase in the value of 'n', i.e., the number of increments.

The formula for the total expansion of deposits at the end of n^{th} incre-

ment can be derived from the basic principle as given below:

$$Y_1 = \Delta D \quad \dots (i)$$

$$Y_2 = \Delta D + \Delta D(1-R_c) + \Delta D$$

$$= \Delta D + [\Delta D(1-R_c) + \Delta D]$$

$$= \Delta D + \Delta D \left[\frac{1-(1-R_c)^2}{R_c} \right]$$

$$= \Delta D \left[1 + \left(\frac{1-(1-R_c)^2}{R_c} \right) \right] \dots (ii)$$

$$Y_3 = \Delta D + \Delta D(1-R_c) + \Delta D$$

$$+ \Delta D + \Delta D(1-R_c)^2$$

$$+ \Delta D(1-R_c) + \Delta D$$

$$= [\Delta D] + [\Delta D(1-R_c) + \Delta D]$$

$$+ [\Delta D(1-R_c)^2 + \Delta D(1-R_c)$$

$$+ \Delta D]$$

$$= \Delta D [1 + \{1 + (1-R_c)\}$$

$$+ \{1 + (1-R_c) + (1-R_c)^2\}]$$

$$= \Delta D \left[1 + \left(\frac{1-(1-R_c)^3}{R_c} \right) \right]$$

$$+ \left(\frac{1-(1-R_c)^3}{R_c} \right)]$$

$$= \Delta D \left[1 + \left(\frac{1-(1-R_c)^2}{R_c} \right) \right]$$

$$+ \left(\frac{1-(1-R_c)^3}{R_c} \right) \dots (iii)$$

$$Y_n = \Delta D \left[1 + \left(\frac{1-(1-R_c)^2}{R_c} \right) \right]$$

$$+ \left(\frac{1-(1-R_c)^3}{R_c} \right)$$

$$+ \dots + \left(\frac{1-(1-R_c)^n}{R_c} \right)]$$

$$= \Delta D \left[1 + \frac{n-1}{R_c} + \frac{(1-R_c)^2}{R_c} \right]$$

$$\left(1 + (1-R_c) + (1-R_c)^2 \right.$$

$$\left. + \dots + (1-R_c)^{n-2} \right)$$

$$= \Delta D \left[1 + \frac{n}{R_c} - \frac{1}{R_c} \right.$$

$$\left. - \frac{(1-R_c)^2}{R_c} \left(\frac{1-(1-R_c)^{n-1}}{R_c} \right) \right]$$

$$= \frac{\Delta D}{R_c} \left[n - (1-R_c) - \frac{(1-R_c)^2}{R_c} \right.$$

$$\left. \left(\frac{1-(1-R_c)^{n-1}}{R_c} \right) \right]$$

$$= \frac{\Delta D}{R_c} \left[n - \frac{(1-R_c)}{R_c} \right.$$

$$\left. \left(R_c + (1-R_c) - (1-R_c)^n \right) \right]$$

$$= \frac{\Delta D}{R_c} \left[n - \frac{(1-R_c)}{R_c} \left(1 - (1-R_c)^n \right) \right] \dots (2a)$$

If the same numerical values are given to the variables as in the previous cases and if these are substituted in equation (2a), the deposit expansion will be:

Case 1: when $n=1$

$$Y_1 = \frac{100}{0.1} \left[1 - \frac{0.9}{0.1} (1 - (1-0.1)^1) \right]$$

$$= \text{Rs } 100 \dots (a_1)$$

Case 2: when $n=2$

$$Y_2 = \frac{100}{0.1} \left[2 - \frac{0.9}{0.1} (1 - (1-0.1)^2) \right]$$

$$= \text{Rs } 290 \dots (b_2)$$

Case 3: when $n=3$

$$Y_3 = \frac{100}{0.1} \left[3 - \frac{0.9}{0.1} (1 - (1-0.1)^3) \right]$$

$$= \text{Rs } 561 \dots (c_2)$$

A comparison of the total deposit expansions obtained from the basic principles with those obtained from equation (2a) as given below.

When $n=$ According to Basic Principles (Rs) According to Equation (2a) (Rs)

1	100 ... a_1	100 ... a_2
2	290 ... b_1	290 ... b_2
3	561 ... c_1	561 ... c_2

shows that the total deposit expansion in both the cases are identical. This implies that the equation for total deposit expansions at the end of 'n' increments, in the absence of leakages, should be

$$Y_n = \frac{\Delta D}{R_c} \left[n - \frac{(1-R_c)}{R_c} (1 - (1-R_c)^n) \right] \dots (2a)$$

and not

$$Y_n = \frac{\Delta D}{1-R_c} \left[n - \frac{R_c(1-R_c^n)}{1-R_c} \right] \dots (1)$$

as given by Pendharkar.

We may now examine why the formula as derived by Pendharkar underestimates the total deposit expansion after each increment, with an exception in case 1 where $n=1$. It appears that the additional deposits created have been derived by using R_c (the overall cash ratio) as the multiplicative factor instead of using $(1-R_c)$. Such a multiplicative factor (R_c) gives the formula for total deposit expansion after 'n' increments as:

$$Y_n = \frac{\Delta D}{1-R_c} \left[n - \frac{R_c(1-R_c^n)}{1-R_c} \right] \dots (2b)$$

This formula (2b) is identical to the formula given by Pendharkar (1).

The reason for identity in the total deposit under both the formulae [(2a) and (1)] at the end of period one, that is in case 1 where $n=1$, is that during period one question of deposit expansion does not arise at all. During period one, our concern is only with the additional injection and hence the use of R_c in the place of $(1-R_c)$ as a multiplicative factor has no bearing on the total deposit expansion.

II

In the second stage a formula for total deposit expansion after the n^{th} increment, in a situation with leakages is given as:

$$Y_n = \frac{D^*}{1-p} \left[n - \frac{p(1-p^n)}{1-p} \right] \quad (3b)$$

where $p = (1-R_c)(1-L)$

$L = \text{Leakages}$

The formula for total deposit at the end of the n^{th} increment with L as leakage, as derived from the basic principle will be:

$$Y_n = \frac{\Delta D}{1-p} \left[n - \frac{p(1-p^n)}{1-p} \right] \dots (3a)$$

Finally, in the third stage, the author assumes a situation where leakage (L) is high and thus p is low, and reduces his formula for deposit expansion after the n^{th} increment to:

$$Y_n = \frac{D^*}{1-p} \left[n - \frac{p}{1-p} \right] \dots (4b)$$

On extending the formula from basic principle, taking into account the additional characteristic of L being high, we get the formula for total deposit expansion after the n^{th} increment as:

$$Y_n = \frac{\Delta D}{1-p} \left[n - \frac{p}{1-p} \right] \dots (4a)$$

At stage II and stage III, we see that (3a) is identical to (3b) and that (4a) is identical to (4b), although they are not identical. This is because in second and third stages the author correctly takes $(1-R_c)(1-L)$ as the multiplicative factor. Had the author merely extended stage I, that is (1), in his formulae at the second and third stages he should have taken $R_c(1-L)$ as the multiplicative factor. This would have caused a continuation in the differences in total deposit expansions obtained under (3a) from (3b) and (4a) from (4b).

In conclusion, one would like to emphasise that, although there are divergences in the initial stage bet-

* Please see the last paragraph.

ween the formula for computing the total deposit expansion, such divergences have little bearing on the final conclusion derived. The author uses the formulae mainly to compute the leakage in the Indian economy. Ap-

parently, this is done by using formula (4b) which is similar to the one derived from the basic principle (4a).

Another point to be noted is that the author uses ΔD and D interchangeably (on page 1571, column 2)

including in formulae (3b) and (4b). We believe that there is a difference between ΔD and D . If so, all D 's on page 1571, column 2, are to be taken as ΔD 's. Perhaps this could be the work of the printer's devil!

FROM THE CHAIR

The Bombay Gas Company Limited

Address of the Chairman, Shri B L Jalan

THE following are extracts from the Address by the late Shri B L Jalan, Chairman, at the Annual General Meeting of the Bombay Gas Company Limited, held on Monday, November 30, 1970:

GENTLEMEN,

It gives me much pleasure to welcome you to the 11th Annual General Meeting and to present to you the Balance Sheet and the Annual Accounts, together with the Directors' Report, for the year ended 31st December, 1969. These have been in your hands for some time now and, with your permission, I shall take them as read.

FAR-REACHING CHANGES IN POLITICAL AND SOCIO-ECONOMIC CONTEXT

Before proceeding to discuss the Company's affairs, I would like to offer a few observations on the far-reaching changes that have been taking place in the general political and socio-economic context which would profoundly affect the functioning of the entire economic system. The emergence of powerful new groups and parties has seriously dislocated the general political equilibrium and stability of the country, and this would certainly generate unpredictable trends and movements in the economy. Against the background of the newly developing milieu, several far-reaching economic measures have been or are being taken which are avowedly intended to promote the development of a new type of welfare society. Most important among these measures are:

- (1) Nationalisation of fourteen dominant commercial banks;
- (2) The move towards a radically altered Licensing Policy; and
- (3) Enactment of the Monopolies and Restrictive Trade Practices Act.

Taken together, they would tend to alter the functioning of the country's

economy root and branch. Most of these large industrial houses have substantially grown within the last twentyfive years. They have certainly established most of the large industries and, with foreign technical co-operation and, in not a few cases, capital participation in terms of foreign exchange contribution, have set up several sophisticated industries. This has most certainly brought about a considerable increase in investment, production, and employment of skilled workers and enlarged and diversified the cadres of modern technologists and managerial experts, industrial economists, analysts and accountants. They have developed the export trade and have been earning by far the larger part of foreign exchange and at the same time, extending the production of an increasing range of consumer goods, capital goods and intermediate products, thereby enlarging the area of import substitution. It is true that practically all the large industrial houses and the majority of the dominant undertakings have been developed under the then existing managing agency system which partook of the nature of family or group management. This kind of industrial development largely promoted by a few outstanding families and groups, has, also, characterised remarkable economic growth in most other developed and developing countries, for various historical and socio-economic factors.

FORMIDABLE PROBLEM OF UNEMPLOYMENT

India is still a slowly developing country. The percentage of unemployed and partially employed workers is still frightfully big and, what is worse, it is growing rapidly from one Five-year Plan period to the next. According to recent estimates, economic development from 1951 to 1969, created 43 million new job opportunities, and yet it left an unemployment backlog of 35 mil-

lions. Let us also ponder the outlook at the end of the next ten years, when there would be 60 million more job seekers, three-fourths of which arising from rural migrants to the urban centres. This, certainly, is going to be a most formidable problem whose solution must be given the first priority, so that there may be fuller employment which would remove the basic cause of the deep discontent among the young persons all over the country. And, let us also remember that the national economy has to go far forward and that soon, to provide the fast growing population with the means of a tolerably decent standard of life.

SECOND CONSECUTIVE YEAR OF MODERATE PROFIT AFTER A SEVEN-YEAR SPELL OF HEAVY LOSSES

Turning now to the affairs of the Company, it is a matter of satisfaction that the Company has witnessed the second consecutive year of moderate profit, after a spell of heavy losses spreading over a period of seven years prior thereto. The Company's profit from its main operation for the year is Rs 3.37 lakhs, and with the addition of an extraneous income of Rs 0.84 lakh derived from its investments, the aggregate net profit for the year amounts to Rs 4.21 lakhs. This net profit of Rs 4.21 lakhs, conjointly with a sum of Rs 3.57 lakhs, being excess provision of the previous year written back, reduces the accumulated losses of Rs 54.51 lakhs carried forward from 1968 to Rs 46.73 lakhs to be carried over to 1970.

PROSPECTS FOR 1970

As regards 1970, as can be currently visualised, the Company is likely to achieve a further improvement in its financial base. The Company was entitled, pursuant to the Bombay Gas (Fixation of Price Limit) Rules, 1967, to increase the sale price of Gas by

13 Paise per unit, with effect from 1st January, 1970, on account of increase in the landed cost of coal, as also in Wages and Salaries etc, during 1969 compared to 1968. The Company has, however, not yet been able to so increase the Gas price due to certain procedural requirements. But necessary steps in this behalf have duly been taken. It may be stated, as explained in the last year's Report, that such increase in the price of Gas being based on, and equated to, increase in the cost of production, the increased revenue, if and when realised, will be mostly absorbed by the increased expenditure. Besides the above increases in expenditure, railway freight went up by Rs 1.06 per tonne with effect from 1st April, 1970, and octroi on coal increased by 40 Paise per tonne with effect from the same date. There has also been an increase in the Employees' State Insurance contribution from 3 per cent to 4 per cent, and the cost of living index, on which dearness allowance is based, is going up gradually. All these multifarious increases will further increase the Company's expenditure.

PROGRAMME OF ISSUE OF NEW GAS CONNECTIONS PURSUED WITH VIGOUR

The programme of issue of new Gas connections continued to be pursued with vigour. Having installed 5,377 new connections in 1965, 1966 and 1967, the number of consumers further increased by 1,584 in 1968; 2,291 new consumers including 61 bulk consumers were connected during 1969 bringing the total number of consumers to 26,825 at the close of the year 1969. Further connections issued upto 30th September 1970 totalled 830. It may now be claimed that the reduction in gas sales suffered at one time due to complete abolition of public gas street lighting which accounted for nearly 17 per cent of total gas sales has been fully made up; according to the present trends, the gas sales for 1970 would be higher than any previous year. 1,855 gas meters from abroad and 660 from indigenous sources were procured during 1969 as against 4,123 from abroad and 1,559 from a local source in 1968.

CONSUMER SERVICE

With a view to improving the station pressures, the two district gas holders were interconnected and an enlarged inlet main was provided to the booster station. Provision has been made for additional standby booster to serve all the low pressure districts; a second rebooster has been provided to serve

Central and South Bombay area. The boosting capacity of two of the district booster stations has been increased. The installation of one more boosting station to effect substantial improvement in the pressure conditions in Malabar Hill area is under implementation.

A few vehicles were added to the transport fleet to improve consumer service.

OPERATION SCHEDULES HAMPERED DUE TO NON-AVAILABILITY OF GAS METERS

Operational schedules of the Company had been greatly hampered on account of a total non-availability of gas meters for a considerable length of time. An application was made to the Government of India in October, 1968 for the grant of a licence to import gas meters. The licence was not granted, and the Company was directed to obtain the required meters indigenously. Since the quality of gas meters, which are precision instruments, supplied by a local firm which had recently been set up for the manufacture of gas meters was, however, not up to the standard, meters in required quantities could not be obtained indigenously.

On further representation by the Company, the indigenous manufacturer was directed by the Government of India to rectify the defects found in the earlier supply of sub-standard meters, and the Company compelled to accept 25 per cent of the required number of meters from the indigenous manufacturer in question, the Government of India agreeing to grant a licence for the balance. The directive has been complied with and a purchase order on the local firm has been duly placed for the supply of the specified 25 per cent of the required number of meters. The licence unfortunately has not yet come to hand, resulting in increased difficulties for the Company and more so for consumers. When imported and indigenous meters, as mentioned above, become available, it would enable the Company to pursue the Expansion Programme undertaken earlier, as also issue good and serviceable meters to existing consumers wherever necessary. It may be added that a fresh application has also been filed for the grant of a licence to import meters during the current licensing year. (The Company's total further requirement of meters for replacement and new connections is 10,000.)

Resolutions on Disarmament

THE First Committee (Political and Security) of the United Nations adopted on November 25 three draft resolutions relating to disarmament.

The first, sponsored by 26 States and adopted unanimously, requests the Secretary-General to prepare a report on the economic and social consequences of the arms race and of military expenditures, calls on Governments to extend full co-operation in the preparation of the study, and requests that the report be submitted to the Assembly by its next session.

The Assembly would also call on all States to take effective steps for cessation and reversal of the arms race, and request the Conference of the Committee on Disarmament to continue to pay urgent attention "to all questions meant to put an end to the arms race".

The second proposal, sponsored by 12 nations, relates to implementation of the results of the 1968 Conference of Non-Nuclear-Weapon States. It was adopted by 70 votes in favour to none against, with 8 abstentions (Bulgaria, Byelorussia, Czechoslovakia, Hungary,

Mongolia, Poland, Ukraine, Soviet Union).

Under this draft, the Assembly would draw the attention of member States of the International Atomic Energy Agency (IAEA) to the appeals made to increase the international sources of finance, keep under review their policies regarding the financing of "meritorious" nuclear projects, and invite the specialised agencies, the IAEA and other bodies "to pursue appropriately their action" concerning the recommendations of the Conference of Non-Nuclear-Weapon States.

The third draft resolution, sponsored by six countries, concerns the establishment, within the framework of the IAEA, of an international service for nuclear explosions for peaceful purposes. Adopted by a vote of 89 in favour to none against, with 5 abstentions (Algeria, Argentina, Brazil, Burma, Haiti), it would have the Assembly request the IAEA to continue and intensify its programme in this field and decide to include an item on this subject in the agenda of its next session.

INDIAN CATALYSTS FOR THE FERTILIZER INDUSTRY—A VITAL BREAKTHROUGH

The P & D Division of FCI, based on its own know-how, manufactures and sells the following catalysts for use in the fertilizer industry:—

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WEEKLY

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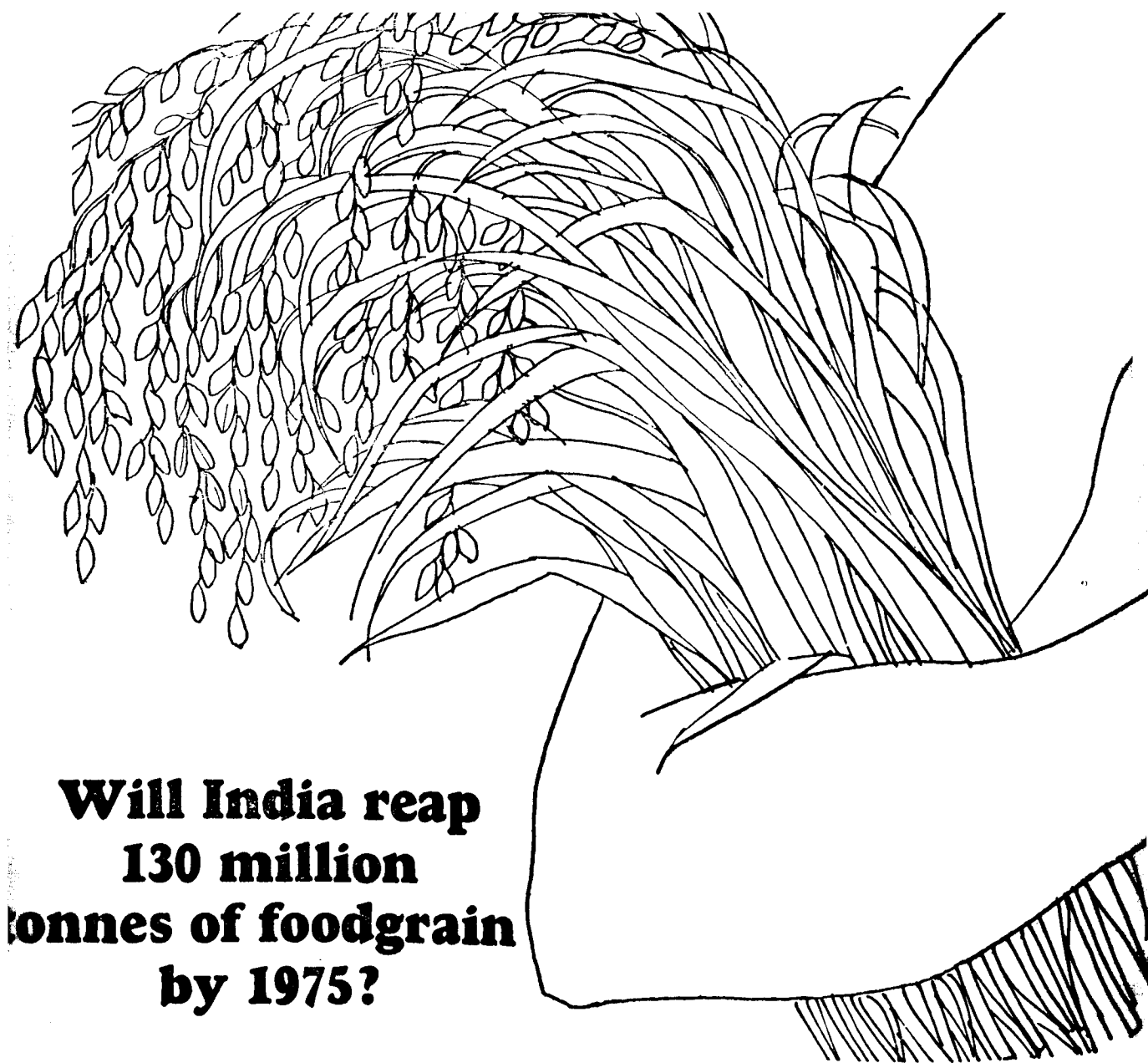
REVIEW OF AGRICULTURE

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ECONOMIC AND POLITICAL

WEEKLY

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Back to the Centre

AFTER the green signal given by the Congress(R) Working Committee on Thursday night, an election to Lok Sabha early next year may be taken for granted. It will be very much the Prime Minister's decision though it is being taken in her usual style. The appearance of involving the highest councils of the party is being maintained while reports had begun to appear in newspapers some days back that Y B Chavan was pressing for an election before the next Budget. Should she now decide to advise the President to dissolve the Lok Sabha, it will not be a gamble or a desperate bid to retain power, as some of the opposition parties in Parliament have sought to make out.

Sound political sense suggests the wisdom of an election to Parliament before a possible poor harvest next year well and truly queers the economic pitch by normal polling time in 1972. A second consideration is that detaching elections to Lok Sabha from those to the State Assemblies suits the Prime Minister's purpose rather well just now. With no party organisation to speak of in many States, the Congress(R) will have to be carried through a poll to Parliament on the strength of its image of a party committed to the uplift of the underdog and the Prime Minister's personal mass appeal. The chances of success of this strategy will be enhanced if voters in the relatively large and heterogeneous Lok Sabha constituencies exercise their choice uninfluenced by campaigns for Assembly seats which inevitably focus on more specific local issues and personalities.

Of course, the objective may not be entirely achieved. There is, first, West Bengal where election to the Assembly has been put off on the plea that the law and order situation there will not permit orderly polling. This argument will be difficult to sustain once an election to the Lok Sabha is ordered. Secondly, Congress(O), Jan Sangh and Swatantra may seek to defeat the 'Lok Sabha only' strategy by prevailing upon the Chief Ministers of States where they are in power to advise the Governors to dissolve the State Assemblies. This could mean State Assembly elections in UP, Bihar, Mysore, Gujarat and Orissa so that, together with West Bengal, roughly one-half of the electorate would be electing candidates to both Lok Sabha and State Assemblies. Of course, some of the State Chief Ministers may well decide to stay put, reasoning that their parties' interests in the Lok Sabha elections are not sufficiently important to justify their staking their present governments. This may happen, even in States where non-Congress(R) governments are apparently firmly entrenched.

While elections to State Assemblies in some States at least may provide some diversion, the focus of attention will be the performance of Congress(R) in the Lok Sabha poll. Here, the two rather obvious objectives of the Prime Minister will be, first, to improve Congress(R)'s position in the Lok Sabha, winning an absolute majority if possible, and, second, to use the elections to strengthen her own hold over the party. The two objectives are largely convergent. As mentioned above, in an election to the Lok Sabha the fortunes of Congress(R) will depend — more perhaps than even during the time of Jawaharlal Nehru and undivided Congress — on the personal appeal and popularity of the Prime Minister. Thus, should the party materially improve its position in the Lok Sabha the stature of the Prime Minister in the party will go up too. This need not mean that the Prime Minister will be persuaded to ride roughshod over State party organisations in matters like choice of party candidates, as some people might urge her to do. It will be quite contrary to her political style to seek to disturb the *status quo* in this fashion, especially when even otherwise she can profoundly influence the choice of candidates since in quite a few States the party virtually has no organisation.

Also likely to be disappointed are those in Congress(R), as well as outside, especially in the CPI, who have been hoping that faced with the reality of an election the Prime Minister will show a greater sense of urgency in pushing the party towards the so-called alliance of 'Left democratic forces'. While letting leaders like Jagjivan Ram carry the can for publicly opposing the idea, the Prime Minister herself has shown no great keenness for it. This is entirely understandable if her overall political purpose is, as it appears to be, to recreate for the Congress(R) the undivided Congress party's image of a broad based national party of the Centre with a national leader and representing some sort of a vague national consensus. A parliamentary poll early next year might show whether this strategy is at all viable or whether Congress(R) will have to eventually resign itself to accepting the status of a partner, albeit the major partner, in coalitions.

In this context the performance of Congress(O) will be relevant. At present there 65 Congress(O) MPs, to 35 of Swatantra and 33 of Jan Sangh. This distribution of seats very likely exaggerates the support for Congress(O).

and definitely that for Swatantra. In the circumstances, Jan Sangh is likely to be the gainer and any losses will be borne mainly by Swatantra and Congress(O). After its consistently dismal performance in by-elections and the hard knocks that it has taken recently in Gujarat and Mysore, the two States where it was considered relatively unassailable, it will surprise no one if a poll to the Lok Sabha reduces Congress(O) to a minor party in Parliament. This would leave Congress(R) more or less as the sole occupant of the wide central spaces of Indian politics. If in the process Jan Sangh wins a few more seats it would not matter much since it would still remain basically a regional party of the north.

No Role for Monetary Policy?

IN many respects the economic situation in 1969-70 showed considerable promise. The harvest was good, with foodgrain production rising from 94 mn tonnes in 1968-69 to 99.5 mn tonnes. National income is also estimated to have risen by about 5 to 5.5 per cent. Production trends were not, however, even in all sectors. In agriculture, output of cotton and oilseeds was not satisfactory. In industry, the overall rate of growth slackened from 7.4 per cent in 1968-69 to 5.8 per cent in the early months of 1969-70. And money supply and prices hardly behaved better. Even though the rate of growth of money supply slowed down, it was still 9.6 per cent up in 1969-70. And the price level which had shown some signs of levelling off in the earlier two years resumed its upward trend.

The Reserve Bank's annual report on Currency and Finance for 1969-70 brings out these trends in the economy with a measure of candour. Yet, one is not interested in economic history — except for the lessons it holds for contemporary economic management. And here the Report faithfully reflects all the inadequacies and policy misconceptions of the Reserve Bank and Government. Two of these need particular mention. Firstly, the Reserve Bank had evidently assumed

that an overall economic recovery would automatically follow an agricultural recovery; in fact, the Reserve Bank still blames the slow pace of industrial recovery on supply factors like raw material shortages, particularly of cotton, oilseeds and steel (p 3). It does not examine to what extent demand factors affected industrial recovery; nor has it yet established the relationship or linkage between agricultural output and demand for industrial goods to justify its total inertia in the monetary field, depending only on a rise in agricultural output to bring about an industrial recovery. In view of this, its discussion of prospects and policy for future on p 53 has little relevance.

Secondly, the Reserve Bank policy-makers' knowledge of monetary economics seems rather scanty as is evident from their statement attributing inflationary trends to the farmers clinging on to money and failing to deposit their savings with banks (in fact, the last paragraph on p 52 of the Report makes hilarious reading for its confusion between supply and demand factors in credit and their impact on prices). One had always been taught to believe that so long as money was immobilised (whether through bank deposits or by individual hoarding), it had little effect on the price level and that it was only when money created demand for goods that it affected production or the price level.

The money-price level equation is in fact becoming increasingly simple and obvious. With a 5/5.5 per cent rise in national income, a rise of 9.6 per cent in money supply led to a 4.6 per cent rise in price-level (the Indian Statistical Institute has worked out an equation which seems to have a remarkably good fit to actuality). Yet, what has the Reserve Bank done to meet this situation? Apart from its usual platitudes, the Report contains a long list of Reserve Bank measures and directives (pp 27-30 and pp 203-242) with the vague exhortations to bankers. This is hardly policy. Policy should consist of specific measures intended to achieve specific objectives, and must be judged by reference to the achievement of these objectives. By this test, it is evident that the Reserve Bank has no policy and the measures that it takes periodically are not geared to any specific objectives. This is evident from the mere narration contained in the Report. The main reason for the price-rise — Reserve Bank's own supply of finance to banks (*vide* p 24) — is sought to be glossed over. The

attempt is to shift responsibility to the Government. But last year at least the Government was hardly the culprit. Its budgetary deficit and its resort to net bank credit was much smaller than in the past (pp 9, 12 and 52).

Clearly, the Reserve Bank has lost the initiative in monetary policy by default. It has failed to work out a monetary policy accepting Government policies (including budgets) as a parameter. Its admonitions to government authorities have then little value — even as *alibi* for its own inertia.

Princely Privileges

Ashok H Desai writes:

BY a majority of nine to two the Supreme Court has struck down the order made by the President on September 6 under Article 366(22) of the Constitution withdrawing recognition of the princes. Much of the criticism which has followed misses the legal issues which arose before the Supreme Court. What was in question was an executive fiat derecognising all the rulers while the Constitution retained Articles 291 and 362 which relate to covenants with rulers.

Article 291, which is a financial provision, secures that privy purses assured or guaranteed by Government shall stand charged to and will be paid out of the Consolidated Fund of India. Article 362 enjoins the legislatures to have "due regard" to the guarantees and assurances under such covenants with respect to the personal rights, privileges and dignities of the rulers. It must be noted that Article 363 excludes the jurisdiction of any Court in any dispute arising out of the instruments of accession or any dispute in respect of any right, liability or obligation in any Constitutional provision relating to any such instrument. A "ruler" is defined by Article 366(22) as the person who entered into the covenant or as his successor *for the time being* is recognised as such.

In the earlier case of the Maharaja of Dholpur the Supreme Court had held that Article 366(22) confers a right on the President to recognise the rulers and the words "for the time being" indicate that the President has also the right to withdraw such recognition. Such power has been exercised in the past in individual cases to withdraw recognition from recalcitrant princes and accord it to their successor. The recognition of Pratapsingh of Baroda was withdrawn in 1961 for taking part in activities intended to upset the constitutional settlement (among other

grounds) and of his son in 1970 for insisting on the outdated settlement.

In the context of the actual decision, the important distinction between a legislative Act and an executive order has also to be borne in mind. Under the Constitution an act of Parliament is subject to challenge broadly on two grounds, *viz*, that it violates the Fundamental Rights guaranteed by the Constitution (or any other express prohibition in the Constitution) or that the State legislature alone and not Parliament is competent to legislate on the subject. If the legislature is so competent, the law cannot be assailed on the ground that it was *malafide* or enacted for a collateral purpose. However, so far as executive action is concerned, the question of *malafide* intention is material, for it vitiates the exercise of existing power.

The order of September 6 which followed the failure of the Government to amend the Constitution in spite of popular support, suffered from three infirmities — all of which arose because it was an executive act and not a legislative measure. Firstly, the President withdrew recognition *en masse* from all rulers without recognising any successors. Article 366(22) recognises the power to recognise or withdraw recognition of a ruler *for the time being* thus postulating a successor. Secondly, the Presidential order in effect meant that Articles 261 and 362 of the Constitution, which imply existing obligations, were rendered redundant by an executive action. Thirdly, the background namely the failure to get the Constitution amended (even though only by fraction of a vote) laid the order open to the charge that it was made for a collateral purpose to overreach Parliament.

It has been seen that the Constitution which charges the Consolidated Fund of India with the payment of privy purses and enjoins the legislature to have due regard to princely privi-

leges, also imposes a bar on the jurisdiction of the Court. The crucial stage in the case was whether at the threshold the petitioners were able to raise the bar of jurisdiction and go into the merits of the case at all. It is unfortunate that on a measure of this importance (and on detentions under the Defence of India Act) the strongest argument of the Government was that of the bar of judicial scrutiny.

The Supreme Court expressed its view in five judgments. Mr Justice Mitter and Mr Justice Ray held that Article 363 imposed a bar on the jurisdiction of the Court even though Mr Justice Mitter went on to observe that the action of the President was unjustified. The other Judges held that the Court had jurisdiction to entertain the petition. The majority judgment of seven judges given by Mr Justice Shah took the view that the provisions fettering jurisdiction had to be construed strictly and a dispute that an order of the executive body is unauthorised or a legislature measure is *ultra vires* does not fall within the prohibition of Article 363. The judges interpreted Article 291 as imposing a liability since privy purses were charged on the Consolidated Fund of India and held that the source of the obligation sought to be enforced by the Petitioner was under Article 291 itself and not the covenants to which the Article referred. The process by which the majority arrived at the judgment made it unnecessary for them to consider whether the Order was made for collateral purposes and they held that the President could not exercise power under Article 366(22) to nullify the provisions of the Constitution and that the power of recognition was related to derecognising the princes for "the time being". On the merits of the case, the judges could not accept the argument that the action of the President amounted to "an Act of State", a doctrine which has never been applied by a State in relation to its own citizens. The Court also rejected

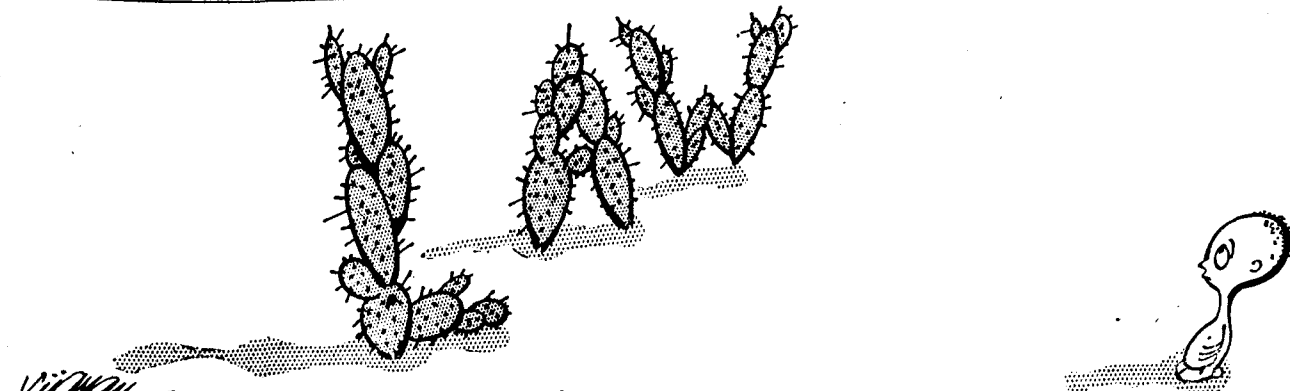
the contention that the exercise of presidential power was in exercise of paramountcy, a claim regarding which Chief Justice Hidayatullah, in his separate judgment, observed that the President of India was subject to the Constitution and could not claim the paramountcy of the Moghuls or of the British Crown.

Though the Constitutional scheme regarding Privy Purses and Privileges is not unequivocal, it is a little difficult to appreciate the majority view that the bar under Article 363 could be raised on the ground that a dispute to receive the Privy Purse is neither a dispute arising out of the covenant nor with regard to a right accruing or an obligation arising out of a provision of the Constitution relating to the covenant. Article 291 is not independent of the obligations under the covenant and is in fact only in the nature of financial provision for payment to the princes under the covenants.

In their judgment the Chief Justice and Mr Justice Hegde have characterised the purses as 'property'. The majority judgment describes the incident of Article 291 as a right to receive privy purse. The majority judgment does not preclude a legislative measure to amend the Constitution which the Government itself accepted as the proper manner of abolishing princely privileges. The implication of the judgment is that so long as the Constitution contains express provisions relating to the covenants and rulership, the rights springing from them can be abolished only by amendment of the Constitution and not by an executive act of derecognition of all the princes. The Court has only held that the Government could not render the provisions of the Constitution nugatory by executive orders.

In a society where the main concern of any Government must be to provide bare living conditions, the existence of privileges (whether of princes or ministers) is obnoxious. Even more objectionable than the privy purses are the

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The Letter of the Law

immunities and prerogatives of princes which accord them a special status. The Supreme Court was concerned with the limited issue of the validity of the Presidential Order and has not pronounced on the fairness or desirability of prince-

ly privileges. There is no reason to regard the decision as a challenge by the Judiciary; it is rather a reproof for a precipitate executive order which does not detract from the right of Parliament to change the Constitution.

BUSINESS

Punctual Post-Mortem

A MAJOR merit of the report of the Committee on Special Credit Schemes of Banks with particular reference to their employment potential is that it has been completed within the stipulated period of two months. The official summary of the Committee's findings and recommendations, however, suggests that there is little virtue in punctuality *per se*.

The Committee is at its best in pointing out deficiencies in existing schemes; its criticisms, incidentally, expose the exaggerated claims that have been made on behalf of banks recently in respect of financing of small industry and the so-called weaker sections. Given the shortcomings enumerated (the Committee was in serious danger of running out of alphabets for listing them), the banks' claim that they have provided Rs 200 crores to about 2,00,000 small enterprises (small-scale industries, transport operators, retail trade and small business and professional and self-employed persons) during the 14 months since June-end 1969 needs to be taken with more than a pinch of salt.

The Committee finds inadequacies in the existing schemes of banks and in the organisational and administrative set-up for operating them. The schemes are not well co-ordinated, are not integrated, are inflexible and are not comprehensive — they leave out various needs of the borrowers (for clean facilities, finance for spares, etc). The banks have been too cautious, require unnecessary details and, being 'over-burdened' with their existing operations, do not devote adequate time and resources to small proposals.

However, a post-mortem examination was not the sole, or even the major, purpose of appointing the Committee, especially since all the faults listed by it are wellknown. The value of the Committee's labours must be judged by its recommendations which, unfortunately, consist largely to exhortations to all concerned to behave well. The Committee asks for soft terms for small loans. This has the Finance

Minister's blessings and a parallel committee is, as they say in *officialese*, seized of the matter. The other recommendations of the Committee include longer grace periods, facility to accumulate interest, provision of workshop accommodation and other facilities, simplification of forms and continuing and wide-ranging help with problems like marketing. Most of these are now common coin of reports of such committees. The summary of the Committee's report also has a sentence or two about concessions and prompt payment of bills by Government and large industry. Finally, the Committee's contribution to the proliferation of institutions is the suggestion to set up a plant services agency to provide technical assistance, help procure raw materials, etc — and to provide publicity!

No doubt under the impression that its labours would be incomplete without a flourish of some appropriate kind, the Committee springs a formula to indicate the employment potential of bank credit: if all bank offices gave 50 loans a year, 3 million jobs would be created in five years. Unfortunately, the formula is incomplete: at the marginal rate of finance outstanding per proposal during the last 14 months, this would require about Rs 3,000 crores. The Committee does not explain how this money is to be found out of "the additional deposits mobilised by [banks]" bearing in mind "the genuine requirements of the other important sectors . . .".

This is just one instance of the Committee's strait-laced thinking. On many points — such as in regard to the idea of a gestation period, of tax benefit for ploughback of profits, of tax concessions under Section 80-J of the Income-Tax Act — the Committee was evidently applying concepts derived from large or corporate enterprises, which have little relevance to the small self-employed man. Its suggestions on equipment-leasing or provision of other facilities to small enterprises sometimes show ignorance of facts:

equipment-leasing in small industry by private parties is fairly common and, in any case, deferred credit financing of machine-tool sales is an effective substitute for equipment leasing. What is necessary is to prevent rack-renting practices on such activities. The Committee's faith in retail trade as a source of employment is touching but rather misplaced. Retail trade often provides the same kind of disguised employment as does agriculture. And while the Committee advocates delegation and risk-taking, it adds the rider that this "should not go out of control".

The Reserve Bank's impress is obvious as much on the Committee's thinking as on its drafting. Take, for instance, the recommendation that small industry is to be financed out of additional bank deposits (no doubt the Committee hoped that it had thus cleverly got round all problems of allocation of credit among competing demands). Or, again, the suggestion that bills due to small industry should be met promptly by Government and large industry. Why should not banks (who are apparently so keen to help the small man) be asked to discount such bills and recover the dues from Government and large industry.

Back on Growth Graph

AFTER four years' unsatisfactory working, Hindustan Machine Tools at last seems to be in sight of better days. For the current year, it expects to make a profit of Rs 1.5 crores on a turnover of Rs 20 crores. The company is also resuming the process of expansion which had been interrupted by the recession.

HMT expects to double its investment and turnover in the next five years. Its investment over the period is expected to amount to Rs 20 crores distributed over five factories: two to make watches (at Bangalore and Srinagar), one to make tractors (at Pinjore), one to manufacture printing machines (at Kalamassery) and one to make hydraulic presses (at Hyderabad). HMT's expansion drive is a good index of reviving confidence in industry and increasing demand for capital goods. Moreover, unlike in the past when HMT set up factories to

Owing to the large size of the present issue, its printing could not be completed on time. The delay is regretted. Ed

ECONOMIC AND POLITICAL WEEKLY

absorb its own output of machine-tools, some attention is being paid to market demand for the additional output. Demand for watches, particularly cheap watches, is large; printing machinery is in short supply and is still imported in large quantities; even on tractors HMT might come out right; hydraulic presses might be a problem, however.

Yet there are two major areas in which HMT's progress needs to be watched. Firstly, it proposes to start on some of the items like tractors on an assembly basis, importing components. The Government must require of HMT a clear local manufacturing programme and ensure that HMT adheres to it. Secondly, HMT has been expanding and diversifying almost entirely with foreign collaboration. Its distrust of local design became obvious in its determined opposition to the CMERI tractor and its insistence on foreign collaboration for its tractor project. Surely, one is entitled to insist on a greater degree of self-reliance in product and design development from a large unit like HMT which may be presumed to have accumulated a wide range of sophisticated skills over the years?

Encomiums to Live By

A Correspondent writes:

A RECENT report by the World Bank on the World Bank Group's assistance to India seems to have provided an opportunity for some self-congratulation in Government circles. The report concludes that the seeds of the green revolution have been firmly planted, that Indian industry has become highly diversified and that progress in other directions — infrastructure, health, education and social benefits — has been substantial. Overall, the report suggests that the preconditions for rapid development in the seventies exist in India today.

Given the nature of the report — it is a publicity effort by the World Bank on its own behalf — the complimentary references were to be expected. After all no creditor likes to advertise his association with a losing concern. Moreover, these references are incidental to the main theme, which is the Bank Group's role in financing India's development effort.

The Bank claims, to its credit, many firsts in India in its operations — the consortium approach, industrial projects loans, loans for seed development and tractor projects. It would be ungrateful to deny the Bank's role in many initi-

atives to help the country's development. The biggest initiative was the IDA experiment itself; today India accounts for 45 per cent of IDA lending. Yet IDA also reflects India's weakness. However much our civil servants may preen themselves on their success in negotiating IDA loans, our continuing dependence on foreign assistance on IDA terms is an index of our failure to set our house in order. And while the World Bank may pay us the compliment that the preconditions for growth in the seventies have been established, our own record in the last three years is hardly such as to inspire confidence that the opportunities for growth that have been created will be adequately exploited.

Incidentally, one particular achievement of the Bank has been received with mixed feelings in official circles. This is the Bank's success in inducing a measure of project consciousness among our civil servants. Even the Punjab tractor project — undesirable in many respects — has the justification of a pay-back period of a little over 15 months. Such discipline is not always liked and the bureaucrats' desire to escape it is reflected in the growing clamour for non-project aid, where benefits are less easily calculable and more easily fudged.

When New Delhi Collaborates

IT will not be surprising if the Rs 39-lakh public issue of Porritts and Spencer (Asia), the list for which opens on January 4, is oversubscribed. For one thing, the size of the issue is small. For another, the company would be basically foreign managed, a fact which always goes down well in Dalal Street.

The major partners in the company are the promoters, Porritts and Spencer, UK, a subsidiary of the Scapa Group, UK. The promoters are the suppliers of machinery and are also the financial and technical — and commercial — collaborators. They get shares worth Rs 60 lakhs — Rs 10 lakhs for technical and commercial knowhow (the relevant knowhow agreement expires after ten years from the start of commercial production) and Rs 50 lakhs in consideration of supply of plant and machinery, valued at c i f prices. Thus, the promoters get 60 per cent of the share capital; of the balance, 39 per cent is being offered to the public and 1 per cent is being retained for subscription by the company's employees and directors.

Three points arise in this context.

First, New Delhi's avowed intention of confining foreign participation to 49 per cent of equity evidently remains a piece of propaganda. Second, just how much is the knowhow, against which shares are being issued, worth? The technical collaboration agreement will expire after ten years but the collaborators will continue to get dividends for ever. Just what this means can be gauged from the promise of a minimum dividend of 10 per cent held out in the prospectus. And in the years to come there will be bonus issues eligible to the minimum dividend. Third, the promoters have been issued shares against the c i f value of the plant and machinery and not their f o b prices. Had the freighters offered to ship the goods against shares and the insurance company to cover the risk against payment in shares, would New Delhi have agreed to the agreement? True, freight and insurance are payable in foreign exchange. But ICICI, one of the underwriters of the public issue, could have covered this cost through a foreign exchange loan and got the shares which have gone to the collaborators.

The relevance of this criticism arises from the fact that one just does not know the true value of the imported plant and machinery. Which particular authority has examined their cost: DGTD, National and Grindlays, (the bankers to P and S) or ICICI? What one does know is that 60 per cent of the total plant and equipment required for the project is being imported. As technical collaborators and equipment suppliers, the larger the value computed for supplies and services, the better it is for P and S of UK. This is not to suggest that the promoters are resorting to deliberate inflation of import content. What is being criticised is the turn-key approach. All Porritts and Spencer will make are felts. A company already makes them in India and, one presumes, knowhow, engineering, design, etc, would not have been impossible to obtain.

In judging the nature of the collaboration and participation arrangement approved by the Government of India, account must be taken of the fact that P and S, UK, has been losing its share of the felt market in India thanks to STC's policy of diversifying its purchases of this product (required by paper and paperboard manufacturers). Obviously, P and S, UK, was interested in gaining a foothold in the Indian market. In this, it has eminently succeeded, acquiring in the process the stature of an Indian industry.

Jadunath Sarkar

ON the death of C V Raman your paper carried an excellent editorial comment (November 28, 1970, p 1906). But it is surprising that you wrote nothing on the occasion of the birth centenary of Jadunath Sarkar (b 1879; d 1958), which was observed only in Calcutta on December 10. If Raman was a complete scientist, Jadunath was no less a complete historian in the accepted sense of the term. An acknowledged authority on Mughal and Maratha history, Jadunath Sarkar never sacrificed his ideal of truthful portrayal of history. It is now universally accepted that his works heralded a new era in scientific historiography for India as did Ranke's "History of the Latin and the Germanic People" for Europe. Noted for his unsurpassed intellectual capacity, sense of balance and, above all, moral integrity, he had no peer among his countrymen in the field of historical research and critical interpretation.

A historian, Kalhan says, should be "like a judge free from passion and prejudice while interpreting the past". He might have been anticipating Jadunath Sarkar's life. It was strewn with many tribulations including sad personal bereavement. But neither they, nor the honours he received or refused, affected his intellectual detachment. And herein lies his greatness as a historian.

An ardent patriot, Jadunath Sarkar taught generations of pupils in different parts of India, not only through his lessons but also through his books and articles. His life has great lessons for us all. He was the pioneer among Indians insofar as researches in mediaeval Indian history were concerned and no one, neither European nor Indian, before him had utilised all available materials in different languages — European and Indian and even Persian — for the purpose of reconstructing India's past. It is said that he practically combed the libraries of India and Europe and ransacked a hundred archives from Patna to Berlin. Half a century of his life was absorbed in the double task of collecting first-hand and original material and writing scientific history. What he attempted single-handed was difficult

enough for a hundred scholars of exceptional talents.

Apart from the five-volume 'History of Aurangzeb', his other major work was 'Fall of the Mughal Empire' in four volumes, which was as ambitious as Gibbon's on the Roman Empire. This work bears testimony to his lifelong devotion to historiography. It is not for nothing that once Sardesai, a colleague and a close contemporary of Jadunath, observed: "Sir Jadunath Sarkar will remain for ever as India's greatest historian. He was never afraid of offending the false sentiments of his revivalist countrymen. He has demolished romance and myth in historical study". Thus with Jadunath Sarkar the writing of history was not merely an art, rather he viewed it as evolving discipline. His conception of the moving forces of history — of causes — was never parochial. He was never a pious chronicler of history. With a rigid scientific frame of mind, he always valued accuracy and precision. For the future research workers in history, he has left a stirring message which was delivered by him only six years before his death, which we quote here:

"India cannot afford to remain for ever an intellectual pariah, a beggar for crumbs at the doors of Oxford or Cambridge, Paris or Vienna. She must create within herself a source of the highest original research and assume her rightful place as the School of Asia, even as Periclean Athens made herself the School of Hellas."

Such was Jadunath Sarkar, the "Columbus of the Mughal History" and yet it is a thousand pities that the Government of India did not deem it proper to issue a special commemorative stamp on the occasion of his birth centenary.

MONI BAGCHEE

Calcutta

December 20

Lead Bank Strategy: Importance of Surveys

I REFER to the good lead given by V V Bhatt with his suggestion to make

the Lead Banks 'action oriented' with an 'entrepreneurial vigour' (October 3, pp 1639-41 and December 5, pp 1978-9). While none could possibly underestimate the importance of his plea for Planning and Development Departments for the nationalised commercial banks, it is not easy to agree with him when he decries the usefulness of surveys for the Lead Banks.

Much depends upon what we mean by surveys. If these are to be mere compilations like the District Handbooks of the India Census or the District Accounts published by State Governments, indeed such an exercise would be redundant for the purposes of the Lead Banks strategy. These data are already available in published form and they provide, at best, the static setting — physical and human — of a district in which the more dynamic processes such as 'flows' of goods and services and of credit and the location and functioning of economic and social service centres, need to be studied in their spatial context. This is all the more necessary in a programme of financing agricultural development in a district. I, therefore, feel that an action-oriented Lead Bank programme needs a simultaneous 'survey' strategy which would directly identify and interpret such and other spatial patterns of economic activity, and supply the data, almost as a continuous process, for a more purposeful implementation of the Lead Bank policy. This could start, as V V Bhatt suggests, with one or two districts, but it has to be directed to the measurement of dynamic aspects.

Some studies on these lines are already being attempted by the younger generation of researchers trained in Geography and Regional Science, but they experience the familiar handicap — some statistical data are for 'Official Use Only', while for 'flows' no data are compiled at all! Perhaps, the nationalised commercial banks with their trained and well deployed staff and developed Research Departments might find the opportunity challenging and worthwhile.

C D DESHPANDE

Bombay

December 15

A Limping Sub-Sector

Hansavivek

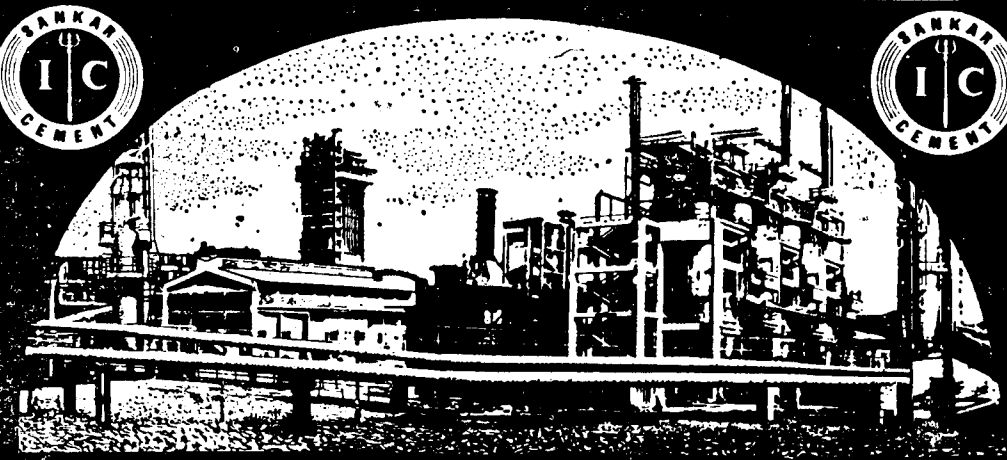
EAST ANGLIA PLASTICS (INDIA) complains that pressure is being brought on Government to permit import of DOP, although indigenous production is adequate for the country's demand. With some reduction in price for bulk supplies of 2-ethyl hexanol, there has been a slight improvement in the market for DOP. Government officially recognised last July the actual installed capacity of 5,000 tonnes in the company's plasticiser project, and has given licence for import of raw materials worth Rs 47 lakhs against less than Rs 7 lakhs in the year ended March 1970 when the company was able to utilise only about half the capacity. Indigenous producers of 2-ethyl hexanol have also assured steady supply of about 140 tonnes per month for a year. Although prospects for the plasticiser division are "bright", those for CAMG are "definitely gloomy". Increase in customs duty on cellulose acetate flakes — the principal raw material for CAMG — from 60 per cent to 100 per cent in the last Finance Act, has "compelled" the company to put up the selling price despite customers' resistance. Production and sale of PVC are gradually showing up, though the contribution of this product to profitability is "negligible". Imported plant and machinery for the films and foils project have arrived, and production is likely to commence towards the end of the year. Development of plastic end-products, such as glass fibre reinforced plastic, and vinyl drains, is underway. A licence for import of a multi-coloured plastic sheet printing machine has been received, but the stalemate continues on the flakes project at Visakhapatnam.

In 1969-70, production of CAMG was 360 tonnes (516 tonnes), that of PVC 657 tonnes (422 tonnes), and of plasticisers 2,605 tonnes (2,523 tonnes). Total sales were up, from Rs 231 lakhs to Rs 287 lakhs; but, with margins eroded on account of scarcity of raw materials, increase in costs, reduction in selling prices of plasticisers on account of competition, and slack demand for CAMG, gross profit was down from Rs 18 lakhs to Rs 10 lakhs. Net profit was Rs 3 lakhs (Rs 13 lakhs) while the proposed 4 per cent equity distribution

would require over Rs 7 lakhs. The return on the total funds employed in business came to a little over one per cent. Owing to labour unrest, workmen stopped work during August and September last. The directors have cautioned that the current year's results are unlikely to be better, since there was no stock of 2-ethyl hexanol in the initial months. The effect of improved allocation of raw materials for plasticisers will be reflected only next year when steady production is anticipated throughout.

BALLARPUR PAPER AND STRAW BOARD is expanding and diversifying in a big way with the large resources of Shree Gopal Paper that has been merged with it. The Ballarpur division has received an import licence for plant and machinery for its caustic soda/chlorine project which is expected to be commissioned towards the end of 1972. Imported components for the MG machine are expected to be shipped during the next three months, and efforts are being made to commission the machine as early as possible. The turbine and high pressure boiler, ordered for the captive power plant, are expected to be delivered in mid-1972; the delay has been owing to strikes and other troubles at the manufacturers' works. A licence for import of equipment worth Rs 11 lakhs is expected to increase production by speeding up some of the machines. The Shree Gopal division has started receiving machinery and equipment from abroad for its caustic soda/chlorine plant which may be commissioned by the end of 1971. Import licence for the coating plant has been received. The plant is expected to be delivered in 12-14 months, and would be commissioned shortly thereafter. The company would then be able to produce coated papers of "the highest" quality. As at Ballarpur, steps have been taken at Shree Gopal to increase production by speeding up the machines. A special sub-committee appointed by Government has recommended grant of an import licence worth Rs 34 lakhs for this purpose. With the acquisition of 16,000

equity shares of Rs 100 each in English Indian Clays, this company has become a subsidiary of Ballarpur. Mining operations of this subsidiary are about to start, and the refining operations will also commence shortly. Ballarpur is seeking revalidation of the industrial licence (held by Shree Gopal for the setting up of a 200-ton per day newsprint factory) in its own name, and is about to conclude negotiations for the supply of raw materials for the project. Negotiations for foreign collaboration for the titanium complex are still being pursued. Tentative orders for imported and indigenous machinery for the caustic soda/chlorine project at Karwar have been placed. Meanwhile, an application has been made to Government for conversion of the 'letter of intent' into an industrial licence and also for grant of an import licence. The company is awaiting permission to increase capacity of the vanaspati factory, from 20 tonnes to 100 tonnes a day. Accounts for the year ended June 1970 relate to operations of both Ballarpur and Shree Gopal and are not therefore comparable with those of the preceding year. As it is, they show total output of paper as 92,058 tonnes. Of this, Ballarpur produced 51,399 tonnes (48,393 tonnes in the previous year). Of total sales of 89,050 tonnes, Ballarpur accounted for 49,735 tonnes (46,966 tonnes). The steady increase in production without addition of any machines is attributed to continuous efforts to improve efficiency at all levels. Total sales and gross profit were Rs 25.21 crores and Rs 5.57 crores compared to Rs 10.16 crores and Rs 2.55 crores, respectively, in the previous year. No provision has been made for the tax liability; as and when assessment is made, tax will be paid out of general reserve. On this basis, net profit was Rs 4.43 crores (Rs 1.77 crores) that covered the 15 per cent distribution — nearly 49 per cent of which is expected to be exempt from tax—nearly seven-fold, and provided a return of 20.3 per cent on total funds employed in business. The company is awaiting government consent for issue of bonus shares on a one-for-two basis. The directors comment that costs continue to rise in almost all directions but concede that this is a general pattern for the entire paper industry in the country and is not confined to their company alone.



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SOUTH

Kerala's Quiet

Mohit Sen

JUST at the moment of writing, though for how long one cannot be sure, there is quiet in Kerala in rather sharp contrast to what is going on in other States. With the Assembly session over, there has been a turn to hard, solid work on the part of the Ministry and its Congress supporters. If the tempo and momentum of this is kept up, then Kerala could set quite an unique example in these rather confused times.

The Chief Minister as well as the energetic Industries Minister have been putting the right emphasis on the need for productive work as part and parcel of the drive to change the social situation in the State just as structural reforms quite obviously facilitate the thrust of the growth of the productive forces. While the efforts to set up new scooter units and the application of pressure for the establishment of scrap-based steel plants continue, so does the intensive study of the report of the team that had been set up to probe the question of the nationalisation of foreign-owned plantations and which is reported to have recommended the takeover of management of the plantations. Steps are being taken to facilitate the expeditious implementation of land reforms simultaneously with the emphasis on the need for the speediest possible completion of the strategic Idikki project.

STAND AGAINST ECONOMISM

It is against this background that importance attaches to the statement of the Chief Minister that a halt has to be called to the continuous concessions on the wages front to State Government employees. The Chief Minister went on to state that productive investment in Kerala is needed far more by the entire population, including the Government employees, than salary increases which would have to be meagre in any event. It is, of course, heartening that some kind of a stand is being taken against economism and exclusive attention to

wage questions that certainly characterise a section of the trade union movement, more particularly its white collar component. Also, such a statement could be made with a measure of firmness only by a Chief Minister whose own austerity and rectitude are beyond question and the bonafides of whose Ministry with regard to combining development with democratic social advance are not questioned. It is this totality that should prove instructive for the rest of the country and not just the bald statement rejecting fresh salary claims by the State Government employees.

Another important point of departure is the attitude adopted towards the recent gruesome killing of a landlord and his servant by those who claim to be Naxalites. It is significant that both the State Government as well as the Congress leadership made it quite clear that they felt that there was no need for the Preventive Detention Act or something akin to it. It is still more significant that not only were the alleged killers (who do not conceal their aims or their deeds) quickly rounded up but that the other group of Naxalites, even while on trial, made it quite clear that they disapproved of this act of individual or squad terrorism.

NAXALITE PROBLEM FAR FROM OVER

This is not at all to say that the Naxalite problem is over in Kerala. Very far from it. As M N Govindan Nair, Secretary of the Kerala unit of the CPI, insisted, the possibility of this kind of eruption is fully there and could assume menacing proportions. The CPI(M), after all, is remarkably powerful in the State and it has adopted roughly the same tactical approach as its unit in West Bengal and has about the same ambiguity of approach as far as the path and perspective of the Indian revolution is concerned. Unemployment, especially among the educated, is extensive. The difference, and it is absolutely crucial, is that there is no political vacuum

FROM OUR CORRESPONDENTS

in Kerala. The unity of a very considerable proportion of the Left and democratic parties and forces has been achieved and a certain orientation and perspective provided which is, as yet, lacking in most parts of the country.

THE REAL ALTERNATIVES

The unity of these parties and forces is very far from complete. It is quite obvious that the huge mass following of the CPI(M) as well as considerable sections of its members, cadres and leaders would have to come into the front to give it its full content. It is equally obvious that this would be possible only if the CPI(M) drastically changes its present phase of political behaviour. And for this not only would time be required but the success of the line of activity proposed by the alliance between the United Front and the Congress. If this alliance is not able to bring about structural changes and economic growth then, quite rightly, the youth would and should gravitate towards one or another form of Naxalism, i.e., of working here and now to destroy the system instead of using the system to change it and to make the transition to another system. These are the real alternatives in India today, no less than in Kerala, for all those who do not wish to see the country under Rightist dictatorship.

Another set of issues pertains to the relation between Kerala and the Centre. It would be wrong to confine this to the State getting a fairer deal from the Planning Commission or the Central Government. This is, undoubtedly, very important but it is only part of the struggle. Kerala, after all, is very much a part of India and it has to take a stand on as well as take a hand in shaping the policies of the country as a whole. Kerala has to project a whole set of alternative policies, particularly on the economic front not only in the shape of a kind of manifesto but also in the sense of time-bound steps towards a total change. And it has to involve in this struggle the Left and democratic forces throughout the country. Undoubtedly, a great deal of thinking has to go into a struggle of this kind but it is quite inescapable. It is only then that Kerala's destiny will merge with that of the future of the whole country and only then will the creativity of Kerala's calm become apparent.

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The war and its consequences have imposed infinite sacrifices on both nations, on us Germans too. Now it is a matter of shaping a peaceful future for our two countries and peoples.

Those who have lost relatives, those who have been deprived of their homeland will find it hard to forget. And we others must understand and respect a burden they carry for all of us.

Yet, in this very hour, I must ask those of our countrymen who have been expelled from their native homes, not to persist in bitterness but to look ahead to the future.

It means a great deal that many families now have the prospect of receiving in their midst relatives from whom they have been separated for many years, and that it should be possible for them to revisit the birth places and graves of their ancestors in their former homeland.

I am in favour of the Treaty with the People's Republic of Poland because it creates the foundation for a peaceful future. It offers us the chance for understanding and co-operation.

To the Polish people the Treaty gives the assurance that they can live within secure boundaries. And as far as we are concerned, it should enable the principle of renunciation of force to be applied in all of Europe.

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The Treaty does not of course mean the retrospective legitimisation of injustice. It does, therefore, not mean the justification of expulsion.

What we want a quarter of a century after the war, is to make a serious attempt at putting a political end to the chain of injustice.

And as regards Poland's western frontier: that there can be neither detente nor secure peace in Europe unless—and, by the way, without touching the rights of the Four Powers with regard to Germany—we proceed from the situation as it is, as it has now been for twenty-five years.

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R and D in Industry

(From a Special Correspondent)

PRIME MINISTER Nehru saw very clearly that science and technology were essential for ensuring economic growth. With his support many scientific laboratories were established in this country even as early as 1947. These have grown in size and also in number under the aegis of the Council of Scientific and Industrial Research (CSIR). These laboratories were ostensibly aimed at establishing a sound technological base for Indian industries. Simultaneously research in Atomic Energy and in Defence have also increased substantially. The national expenditure on R and D has also grown considerably from Rs 27 crores in 1958-59 to Rs 135 crores in 1969-70.

After over two decades of research investment, there seems to be some suspicion that all is not well with the management of this investment and the returns from it. The conference of scientists and technologists organised in Delhi at the end of November 1970 by the Committee on Science and Technology of the Government was an occasion for heart searching.* The Prime Minister who opened the conference did some plain speaking. She said that scientists were described as people in league with the future but that in India she saw no evidence of such a conspiracy.

FIRST CONFRONTATION

Hitherto R and D investment has been considered only at the national level and there has been no serious examination of R and D input as an investment in individual industrial units.

The conference organised by the Industrial Credit and Investment Corporation of India (ICICI) last week in Bombay was therefore very timely. For the first time several industrialists and representatives of investment and lending institutions met scientists and technologists to examine the role of research and development in Indian industry. This first confrontation focused attention on several issues.

Of the national expenditure on research of Rs 135 crores per annum at present, R and D expenditure of industries themselves accounts for only Rs 13

crores. Virtually the whole of the rest is expenditure by the Central Government in Universities and Government laboratories. This is startlingly different from what happens in most other countries. In Japan, United States, UK and West Germany and even Italy, the business enterprises sector accounts for 65 per cent of the total national research expenditure. Atma Ram, Director-General of CSIR, who inaugurated the ICICI conference said that for the best results, industrial research is best done by industry and in industry. No one who attended the conference, not even scientists from Government and CSIR, contested this view. The question then is why is it in India industry does not invest in R and D. The survey by ICICI showed that even what little research is carried out in industry is largely confined to the larger industrial units and much of it is concerned with import substitution, improvements to existing products and cost reduction. There is not much emphasis on innovation or on competition in international terms.

MISSING COMPULSIONS

The compulsions for carrying out R and D in industry that normally exist in other countries do not appear to prevail here. Much of R and D is necessitated by the needs of competition in the market place either in internal or international trade. These are often absent in India. The licensing system itself often ensures a seller's market. On top of all this is the general tendency to obtain foreign collaboration for almost everything. Import of technology unaccompanied by any research effort by local industry is in itself a guarantee of further imports of technology. Many foreign collaborators actively dissuade their Indian partners from setting up any R and D of their own and offer to continue to provide R and D support from their own organisations abroad.

Even those who are carrying out some R and D in their industries felt that the numerous petty restrictions on imports of equipment and materials for R and D slow down the whole pace of work. The spectre of Government's new industrial policy itself was said to be the biggest deterrent as there was no guarantee that the results of R and D by large firms would be allowed to be utilised in expanding or diversifying

production. Instances were quoted where it has been possible to fully outline processes or even produce completely engineered prototypes through local R and D and yet due to current policies no production is likely to result. At the same time foreign collaboration is being allowed in these very production processes. In spite of all these, many industrialists felt that R and D had a place in industry and perhaps the Government could encourage it by giving some more incentives such as exceptional deductions on revenue expenditure, freer imports of research equipment and materials, outright grants for research and freedom to utilise research and produce goods. There exist already liberal incentives for capital expenditure on research facilities but these in itself do not appear to have been sufficient inducement so far to industry to invest in research.

There were at least some voices at the conference which questioned the need for R and D in everything. The example of Taiwan and South Korea which have quickly established substantial export oriented production units was quoted and it was pointed out that these units had come up strictly out of imported technology rather than local research. Japan, on the other hand, imports large amounts of technology and at the same time has put in a great deal of its own R and D in selected areas and this has made it a formidable force in international trade in these areas. It was evident that large sums of money spent are not wholly relevant; selectivity in research and good management are far more important. Developing one's own technology for everything is a sure way of spreading one's resources too thin and achieving second-rate status. International exchange in technology is widespread and one should aim for excellence and export of technology in selected fields. This could pay for import of advanced technology in other fields.

BACK-ROOM BOYS STILL

The Chairman of ICICI, G L Mehta, pointedly asked what industry had done to promote R and D. Even during the time when industrial policy allowed much greater freedom for expansion and diversification, our industrialists have not notably invested in R and D. R and D men in Indian industry are still back-room boys and are rarely seen in the higher echelons of management and still less in the board rooms.

If R and D has to be done largely

* A report on this conference appears elsewhere in this issue. Ed.

in industry for the benefit of industry what should be the role of Government research in CSIR and elsewhere? There are signs that many of these research institutes are coming out of their isolation and are taking active steps to see what industry needs and what they can do to meet these needs. Many are anxious to accept sponsored projects and many have gone a long way to find out how their work could be used. However, in the long run they must survive by their excellence in providing background research for the benefit of industry and national welfare as a whole. Again there may be very large areas of R and D which cannot be tackled by any one industrial unit and these may well become the subjects for Government research. Even then Government research money need not be confined to its own laboratories. In USA 64 per cent of the total expendi-

ture of R and D comes from the Government and the bulk of it is given as contract research funds to industry. It is just possible that laboratories in industries could compete for Government funds with Government laboratories and this may in itself ensure a greater awareness of cost of specific objectives and of speed and excellence.

ESTABLISHING COMMUNICATIONS

What of research scientists who are forever blaming Government and industry for lack of interest? It is clear they have not taken the trouble of teaching the ignorant the ways in which R and D could be used. Even worse, they are loath to learn the language of the factory floor, the market place and the board room. Until they come to regard other professions as equally respectable and the language of commerce

and trade as essential for social organisation, they will find it difficult to communicate with those in industry. Much less can they hope to capture the citadels of influence and power in industry.

Equally on the other side, knowledge about the value of science and technology and the manner in which it can be utilised must form part of the general educational system and must become part of the culture of the investor and the industrialist. The ICICI seminar is just a beginning in establishing communications between different links in what Atma Ram calls the innovation and technology transfer chain. Much more needs to be done constantly. Development banks like ICICI can clearly use their muscle to promote R and D if they look at the creditworthiness of their clients in terms also of their R and D competence in the future.

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Indian Trade Fairs

Harish Chandola

"THE recent Indian trade exhibition here served no purpose", was the comment of a member of the Secretariat of the Malaysian Prime Minister, Tun Abdul Razak, on the efforts of India to display the large variety of goods it manufactured, from giant casting and radio-active isotopes to cheap "chappals" and "biris", in Kuala Lumpur. (India had held similar trade exhibitions in Jakarta and Singapore in July and September this year, respectively.)

"Why did he think so?" His reply was that the Indian manufacturers of engineering goods displayed at the exhibition with a view to introducing them in the local market, had no sales or service organisation in Malaysia. How did the manufacturers, or the Government which arranged the display, expect the Malaysians to import items which could not be serviced and spare-parts for which could not be bought in the country?

"And the Indian High Commission would have certainly known that the Chinese traders were the importers and dealers in the kind of wares that India was displaying. But at the opening of the exhibition, we saw no Chinese traders", the Malaysian official said. The Indians and the Malays who were invited to it were certainly not the people to import those goods or sell them, he added.

Canned foods were displayed at the exhibition, the official said. What was the point of displaying them, he asked, because Malaysia was not going to import that kind of stuff which it was itself making.

But the Malaysians were kind to India. The then Acting Prime Minister, Tun Razak, came to open the exhibition and he said most encouraging things about India's industrial progress. But in Singapore, in spite of the Indian High Commission's repeated requests, nobody came from the Government to open the trade show. Once again, there were no Chinese traders at the opening in Singapore.

Looking back at the exhibition in Singapore, one wonders what was it that India wanted to create a market for locally? For there were on display handicrafts (Naga spears, brass figurines, etc), shoes and "chappals", dummies wearing the clothing of the Indian Armed Forces, toy models of Indian Air Force aircraft made of wood, large

photographs of the Atomic Energy Establishment at Trombay, and in the corner for engineering goods, office furniture made by an Indian firm in Malaysia, some lathes, toy trains to display the signal equipment used by the Indian railways, electric motors and compressors. There was a textile corner too, showing inferior prints and materials made in India (and the display was poorer than in a Sindhi cloth shop in India.)

Most of the consumer goods brought were of shocking quality: the shoes had such pointed toes and rigid, iron-like soles that they certainly could do for hoes, and the ladies sandals were of the kind worn by poor Indian women on Id day — very gaudy and without taste. Nobody in their right mind could have thought of finding a market in Indonesia, Malaysia and Singapore, where the best of these items are available, for the shoddy things shown. And if the purpose was just to show what beautiful things India made, it was fully defeated.

When the exhibition officials were asked why some of the worst items from India were brought in, they said the manufacturers were slow and reluctant to send things to the Government for display abroad and since the exhibition had to be held they brought out whatever they had received! A Singapore Member of Parliament who came to the exhibition perhaps because of lingering loyalties in his sub-conscious, for he belonged to the Indian stock, when asked what he thought of the engineering goods, said their finish was poor. Similar Japanese goods were far better finished, he said.

It would be worth finding out why the Chinese traders did not come to the exhibitions in Kuala Lumpur and Singapore. Could it be because the trade sections in the Indian High Commissions never cultivated the Chinese traders and kept contacts with them? At the beginning of the exhibitions the High Commissions did compile long lists of Chinese traders dealing in engineering items and sent them invitations. And after that the officials just took it for granted that the traders would consider it an honour to present themselves at the opening of the fair in response to the High Commissions' invitations. But they forget that unlike in India, here the traders could ignore Govern-

ment invitations, if no liaison was kept with them.

One cannot, however, help admiring the ingenuity of the officials of the trade shows. They were not faced with the task of finding markets for Indian products. Their immediate task was to prove to bosses at home that the exhibitions were popular and generated a good deal of interest in Indian goods. They therefore devised a method of making visitors to the exhibition fill up forms. No prices were displayed for the goods and so when a visitor asked how much a thing cost, the attendant of the stall promptly asked the visitor to fill in a form where he stated his name and address and asked how much the thing would cost. The attendant then told the visitor that the form would be sent to the manufacturers in India and the visitor would get a reply by post. This, it was explained, had to be done because the Government was merely displaying the things and the sale of the goods had to be negotiated with the manufacturers.

These forms were called "trade inquiries". Idle holiday-makers strolling through the big amusement park where the trade show was held, filled thousands of forms and the Goebbels-like public relations officer of the exhibition promptly publicised that the show had received so many trade inquiries! Even I was asked to fill in a form when I asked why a wooden toy model of an Indian Air Force plane was being displayed. (We are certainly not selling fighter-planes at the moment.)

The trade fair had brought in a large sum of money from India (Rs five lakhs for Singapore alone), which was at the disposal of the High Commission for spending. Perhaps the feeling in the High Commission was that all that money should not go to outsiders. Because as soon as the exhibition opened, one found nearly all the children of the High Commission officials, some on holiday from their schools and colleges in England, employed as attendants at the stalls on contract wages. That was not all. Even the All India Radio correspondent (who being a Government employee is considered an insider), having a full-time job, was brought in to share in the largesse from Delhi and was appointed a public relations officer for the exhibition for 15 days on a contract wage. This job should have gone to a local professional public relations firm. But instead it went to an insider and the result was that there was no television coverage of the fair and the

posters for the exhibition were not properly displayed. If a local public relations firm had been hired, it could have been instructed to see that the Chinese traders attended the exhibition. And it would have done the job because of its contacts.

Printed literature on the machinery displayed was not available. One was told that the engineering goods section did have men in charge who could answer queries. But the men in charge were mostly out, perhaps shopping, and their assistants when asked what the capacity of a certain lathe was generally answered with a blank look.

The exhibition did, however, provide good holiday facilities to some senior officials. For instance, the head of the Publications Division came to display about two dozen titles and stayed at

one of the most expensive hotels in Singapore for the entire duration of the exhibition. He had earlier done the same in Kuala Lumpur. But he did not move from Kuala Lumpur to Singapore with the exhibition, as other officials did, but went back to Delhi from there, via Singapore, and came back a few days later. If the titles he displayed ever get sold in this area, I am sure the profits from their sale for the next 50 years will not be able to cover the amount spent on his air-fares and other expenses.

Final figures have yet to come but the tentative ones available now do not tell that the three trade exhibitions this year have resulted in boosting Indian exports of non-traditional items, particularly of engineering goods, to either Indonesia, Malaysia or Singapore.

RAWALPINDI

Pak Elections and After

T J S George

THE outcome of Pakistan's first general election is truly sensational — and not because of the implications of Bhutto or the possibility of a jealously autonomous East Pakistan. It is sensational because, if the processes now under way are concluded smoothly, Pakistan is assured of becoming a healthy democracy after 23 lost years. More importantly, the main forces at play inside Pakistan are no longer religious but unmistakably economic.

Sheikh Mujibur Rahman has of course been carried to victory on a tide of Bengali nationalism. But the sustaining factor behind this emotion is East Bengal's conviction that its present economic misery is the result of long exploitation by the bureaucracy centred in West Pakistan. The Sheikh will not have delivered the goods by simply gaining a constitution which guarantees full autonomy to East Pakistan; he will have to use that autonomy to bring about an economic regeneration which his Bengali followers will find tangible.

ACCENT ON ECONOMICS

Similarly, Zulfikar Ali Bhutto's strident foreign policy attitudes were less relevant to the electorate than his socialist promises. His strong-man reputation and well known anti-Indian dedication might have helped to some extent in Punjab. But he won primarily because he spoke in terms of an

economic revolution. The strongest desire in both halves of Pakistan is for change — and Mujibur Rahman and Bhutto are simply manifestations of this desire. They must now redeem their pledges, or yield to other leaders who can.

It is noteworthy that both the Awami League and the Pakistan People's Party have laid emphasis in their respective manifestoes on economic programmes. Both have demanded nationalisation of banks and key industries, progressive overhauling of the tax structure and fundamental agrarian reforms. Both have categorically stated that the present economic structure is calculated to favour the capitalist class and both have specifically called for the abolition of tax holidays and bonus vouchers and other "dishonest methods". And, both have unambiguously promised to introduce co-operative farms.

Not that promises made by political parties at election time are always meant to be serious. Pakistan's problems are so deep-rooted that even with the best will in the world it would be a herculean job for the victorious parties to achieve tangible results in the immediate future. But the important point is that the popular mood is very definitely in favour of meaningful socio-economic programmes. If the parties which have now received the mandate show signs of becoming

ECONOMIC AND POLITICAL WEEKLY

obsessed with politics at the expense of administration and reform, they may come to grief sooner than they expect.

ISLAMIC PARTIES' DEBACLE

This mood of the masses was seen at its most effective in the fate that overtook the maulanas and the muftis. One would have imagined that, in the context of Pakistan's theocratic roots, the orthodox religious parties would have a naturally unshakable hold on the people. But they did not receive a single seat in East Pakistan and in the western wing what they won can be counted on one's fingertips.

It was not for want of trying. The familiar cry of 'Islam in danger' was raised at the first mention of the word socialism. It was explained that Islam was a complete code of life and that concepts such as socialism were alien and therefore dangerous to the Islamic ideology. Maulana Maudoodi, leader of the Jamaat Islami, told the government that if it was unable or unwilling to deal with the socialists effectively, then his party followers would punish the kaaffirs on the streets with their own resources. About 130 religious leaders issued a fatwah that the faithful should only vote for "Islam pasand" candidates.

It was against this powerful mobilisation of the obscurantists that the PPP won. Its pitch was that it was by no means against Islam; it was as much committed as anyone else to Islamic ideology. First Bhutto coined the phrase Islamic socialism, then developed the concept of Musawwat which was a more familiar term in Islamic phraseology and stood for Islamic equality and Islamic justice. He explained that while it was the duty of all Pakistanis to adhere to Islam, it was the duty of leaders to provide bread and butter to the people.

This explanation carried the day for Bhutto and the PPP. The obscurantists won five out of Karachi's seven seats, indicating their continuing appeal to the refugee-filled business-dominated Karachi population. In many other areas, perhaps their defeat was largely due to their own internal dissensions and consequent splitting of votes. But on a national basis, there was no doubt that economic programmes had exercised a greater influence on voters than traditional religious orthodoxy. This is perhaps the most significant feature of the elections. It appears that a new generation of Pakistanis has come of age, suspicious of doc-

ECONOMIC AND POLITICAL WEEKLY

naire theologians and their argument that change is taboo under the eternal law of Islam. It appears that this new generation is unwilling to be blackmailed in the name of Islam. As one commentator explained: "Mr Bhutto's political campaign lay not so much in socialism as in modernism. As against an entire set of political parties which talked in terms of theological doctrines, Mr Bhutto talked in terms of the day-to-day problems of the people and used a language which is both fresh and familiar to them".

It is of course difficult to imagine Zulfikar Ali Bhutto, a feudal landlord with 36,000 acres containing 12 railway stations, as a champion of socialism. But he will champion socialism or worse if that is the way to achieve his goals. Shrewdly he has read the popular mood and, if it comes to that, will dramatically give up substantial chunks of his property.

The PPP will be in power in Punjab and Sind and it may be expected to introduce in these provinces progressive labour legislation and even some land reforms. It will also lean over backwards to please students who were among the more active campaigners for it. The basic fact is that Bhutto realises that his success from now on will depend not so much on anti-Indian bravado as on his party's actual performance in the field of socio-economic reform.

TRADE WITH INDIA

In a private conversation with a journalist, he said that he was too realistic to think in terms of seeking a military settlement of the Kashmir issue. He told another journalist that he would have no objection to accepting the Awami League proposal for trade with India; his only condition would be that the Awami League should accept the Kashmir question as an all-Pakistan issue and not simply as the concern of West Pakistan. At the same time, emotions over Kashmir are strong in Punjab and now that Bhutto has emerged as the leader of Punjab, he will maintain his strong-man stance over Kashmir.

Sheikh Mujibur Rahman's position is a bit more tricky. Traditionally an East Pakistan leader going to the seats of power in East Pakistan leaves a sense of betrayal behind. The Sheikh will have to be extremely careful about eating the cake of West Pakistan and having that of East Pakistan too.

The slightest sign of "betrayal" will

be seized by the indefatigable Maulana Bhashani to give teeth to his new platform of an independent East Pakistan. During a one-hour interview with him in Dacca, I was impressed by his clear exposition of the platform and the logic behind it all. In the present euphoria of the Awami League victory, the Maulana's campaign may appear far-fetched. But the situation could be different if the Awami League's perspective changes in the wake of power in Islamabad.

PATRONISING ATTITUDE

On the other hand, political pulls in West Pakistan itself may give a fillip to the Bhashani plan. In scores of conversations in West Pakistani cities, I received the impression of a patronising attitude towards East Pakistan. In Punjab there seems to be a significant school of thought which thinks the eastern wing is a burden on the west and so subscribes to the "if they want to go, let them go" view. It is also

DAR-ES-SALAAM

Guinean Lesson for Africa

A K Essack

GUINEA represents the peak of revolutionary consciousness in West Africa. Its commitment to the cause of revolutionary socialism has expressed itself clearly. Guinea, like Tanzania, has transformed itself into a revolutionary base area. It has given unconditional support to the PAIGC of Amir Cabral to liberate Portuguese-held Guinea (Bissau). Guinea has not talked much about this assistance, but facts speak for themselves. Two-thirds of Guinea (Bissau) is now liberated and the PAIGC shows a degree of political consciousness equal to that of the most advanced nationalist movements in southern Africa.

Guinea, moreover, chose the road of "independence in poverty rather than riches in slavery". From scratch Guinea has built its economy so that it is geared to the needs of the population. Thus there has been a balanced all-sided development of the country's resources in agriculture, mining and industry. Economic progress has been slow but sure.

In last month's Portuguese-inspired aggression against Guinea mercenaries and Guinean traitors not only landed at Conakry, the Guinean capital, and other places, but also tried to occupy

conceivable that after some time Bhutto himself might find this an attractive proposition. Though he believes in a strong centre and would very much wish to be the supreme leader of all Pakistan, in course of time he might come to the conclusion that it is better to be Number 1 in half of Pakistan than Number 2 in all of it.

These are the possibilities to be watched as Pakistan settles down to a new constitution and a new system of government. For the present, economic programmes will dominate popular thinking in both wings of the country. In West Pakistan the president of the Council of Trade Unions has already warned that if political parties failed to come up to their promises, workers would start a "formidable people's movement" for the realisation of their basic demands. By all accounts, the restoration of democracy in Pakistan signals the beginning of the most crucial period in the country's history.

PURSE STRINGS UNLOOSE

International finance capital entered Guinea in a big way in 1968. It fully realised President Sekou Toure's commitment to the policy of revolutionary socialism. But it believed that it would be able to handle the situation. The World Bank which had rejected the Tanzam railway project generously opened its tightly secured purse strings and sanctioned the biggest loan ever given to any African country, to

Guinea. The amount was 64 million dollars repayable in 24 years at 6½ per cent interest with a five year grace period. This was to finance the foreign exchange costs for a railway port at Kamsar which will link Boke with the sea. The new port will be able to handle 8 million tonnes of bauxite. The World Bank also agreed to give a 1.7 million dollar bank loan for a feasibility study of this project.

Guinea entered into partnership with HALCO, a consortium of giant international monopolies. The project is under Compagnie de Bauxite de Guinee (CBG) in which Guinea owned 49 per cent and HALCO 51 per cent of the shares. The bauxite project at Boke is to cost 185 million dollars of which HALCO will provide 100 million. This was achieved without any difficulty as a consortium of US, Canadian and European banks arranged for 75 million dollars and the US Government Export-Import Bank, the other 25 million. The ease with which all the funds were made available can only be understood if we look at the seven companies which make up HALCO. The share percentages of the seven companies are in brackets: Aluminium Company of America (27), ALCAN of Canada (27), Harvey Aluminium of America (20), Picheney and Kuhlman of France (10), Vereinigte Aluminium Werke of West Germany (10) and Montecatene Edison (6).

PRINCIPAL BAUXITE PRODUCER

This is by no means a philanthropic gesture, for as Toure has said, the Boke project could make Guinea the principal bauxite producer in the world. And this is only the beginning, for besides the existing alumina works at FERIA, it is known that rich deposits exist at Gueral and Tugue, which if exploited will increase Guinea's production to over 10 million tonnes. The entry of international finance capital into the body politic of Guinea accelerated the internal class struggle. The Western imperialists had hoped that with their massive dose of investments they would set in motion a process that would corrupt the party leadership and strengthen the hands of the indigenous bourgeoisie. During the period of training of Guineans for skilled and technical work they would put those whom they could rely on in strategic economic positions. This privileged stratum would find its natural ally in the indigenous bourgeoisie and a con-

tion of the military. Once these forces become strong, either Sekou Toure would bow to these forces or go the same way as Nkrumah.

Guinea's President, however, was well aware that the trend in Africa is to control the country's economic resources. Tanzania's Arusha reforms broke the back of finance capital in 1967. These were followed by the Mulungushi reforms in Zambia in 1968, the third and final phase of which was completed only last month. Somalia, Sudan, Congo (Brazzaville) and Libya have taken positions that have ousted imperialist control of their country's resources.

Toure is moving towards the same goal but by a different road. He has struck at the potential fifth column within Guinean society, which would gravitate towards the monopolists. As early as 1968 he said, "The second decade of independence will see measures to intensify the class struggle and suppress the bourgeoisie by setting up popular institutions to enable full participation by the people. Part of the struggle against the bourgeoisie included changing the army from an instrument of reaction into an instrument of revolution. The army was given a thorough shake-up. 900 officers were retired and political commissars were incorporated into the army to politicise it. It was converted into a people's army. Side by side a people's militia was developed whose numbers rose to 30,000 to stiffen the regular force of 5,000.

INCORRUPTIBLE LEADER

It did not take long for imperialism to size up Toure. He could not be corrupted. As long as he was at the head he would never allow his country to be openly plundered and pillaged of its rich mineral resources to benefit a handful of exploiters, both indigenous and foreign.

Plots were set in motion to overthrow Toure. Exiled Guineans, consisting mostly of intellectual and military turncoats, were herded together and then galvanised into action. In this exercise French troops stationed in Ivory Coast and Senegal played their perfidious role. They gave the military training to the exiles, the chief base being Djourbel in Senegal. The invasion last November was the latest in a series of plots to turn the clock back

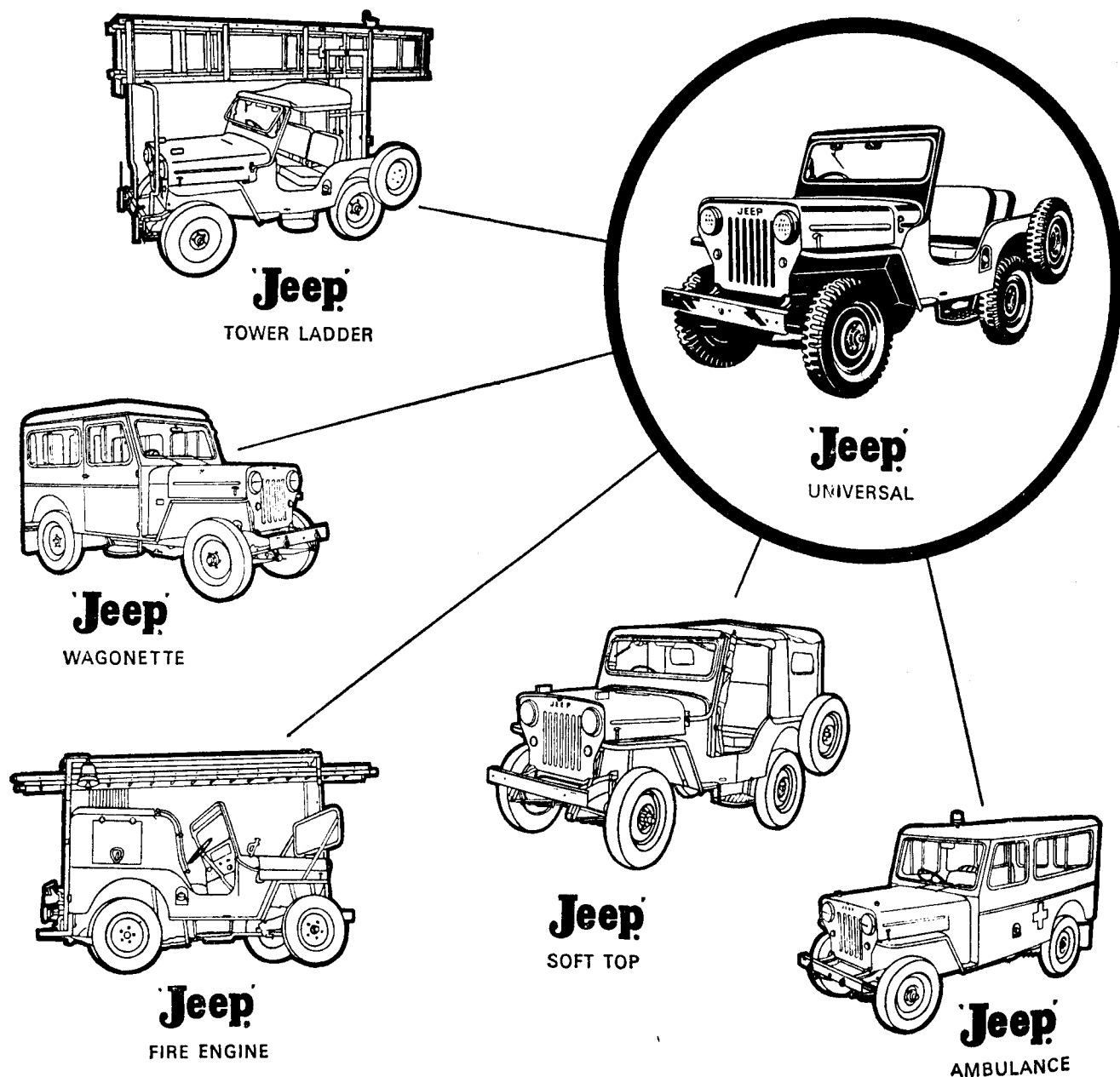
in Guinea. Toure placed this invasion in its wider historical context when he said, "This aggression is part of a plan by foreign powers to conquer revolutionary African countries". One may add that the invasion is part of an even wider imperialist offensive to liquidate national liberation movements and to capture for themselves the strategic raw materials with which to wage even more horrible conflicts than those in Indochina and West Asia.

After the invasion had been repulsed, Toure said, "The essential quality of a revolution is to be measured by the degree of political consciousness and militant commitment of the people. For the people of Guinea this was certainly the sternest of tests to gauge this consciousness and commitment. The heroic people of Guinea have proved this — some with their blood and others with their lives.

AFRICAN SHOCK FOR WEST

But what shocked the West most was that this time Africa moved from talk to action. Tanzania promptly gave 10 million East African shillings. Nigeria put its 200,000 army on the alert and the UAR, although facing the Israeli army, informed Toure that its army was ready. Similar help was offered by Somalia and Congo (Brazzaville). Sierra Leone helped by closing its border with Guinea, moving its troops there and thus protecting the Guinean southern flank from the invaders. Even Ivory Coast and Senegal, which had all along harboured these traitors, thought it wise to condemn this invasion.

This shows that the initiative for action against imperialist exploitation and repression is now, for the first time, in African hands. The Organisation for African Unity (OAU) must now give up its facade of the sentimental unity of all African nations and forge a new fighting unity, even if this amounts to splitting the OAU. Those African governments which look to Europe and North America for advice and sustenance must be jettisoned from the OAU so that aggressive armed struggles can be colonists and the South African white fascists who still hold parts of Africa in their grip. This struggle will also involve the overthrow of the African regimes which are too closely tied to the imperialists outside Africa to work for the freedom, dignity and welfare of the peoples of Africa.



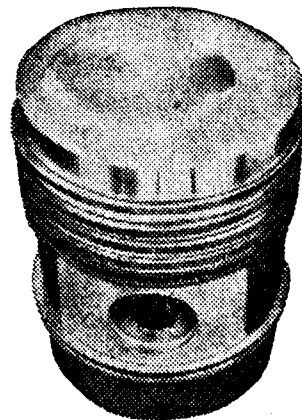
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THE FOURTH ESTATE

A Good Word for a 'Revolution'

Nireekshak

HOWEVER shabby might have been the news coverage in the Indian Press of the recent cyclone havoc in East Bengal, no such criticism can be directed against the Press for its treatment of Pakistan's first general elections. It was a very competent performance indeed. Days before the elections, commentators and editorial writers scanned Pakistan's political horizon while reporters filled in, though mostly from Delhi, much monitored information about the contest. Reactions to the poll results were also prompt and sharp. The Press has always had some fondness for politics, and this might conceivably have been one of the causes of its intense interest in the Pakistani elections. But even more than this general tendency to emphasise politics, sometimes to the exclusion of more important issues, what probably gave the election coverage a certain depth was the knowledge that Indian interests were directly at stake in the elections.

Newspapers seem to have recognised only too well that, no matter what the outcome of the elections was, it was bound to have an impact on India. *Statesman* expressed this succinctly when it wrote: "How Pakistan rules itself is entirely its own business. But any Pakistani leader who stands for good relations with India is bound to be applauded here, for India's interest in Pakistan is to live in peace and amity with it." The paper noted in this connection Sheikh Mujibur Rahman's call for the restoration of trade and friendly relations with India — "a sentiment fully reciprocated by this country" — observing also that this was "poles apart" from "Mr Bhutto's policy of unending confrontation with India". The election itself, *Statesman* declared, was "little short of a revolution through the ballot-box".

The 'revolution' idea was underlined also by *Searchlight*, which gave Pakistan superlative praise for its achievement. It was "one of the cleanest and most orderly elections in Asia", it wrote, adding further that "the people of Pakistan have rallied round patriotic and progressive parties". In more or less the same vein, *Amrita Bazar Patrika* contended that "the people of Pakistan have amply demonstrated their capacity for mature political

judgment and clear-cut decision". Clear-cut decision? *Patrika's* intention probably was to emphasise the decisive character of the electoral victory in each of the two wings of Pakistan taken separately, for it went on to argue that at the national level things were far from being clear-cut. In case Bhutto and Rahman failed to agree on the proposed new constitution, the paper conceded, "their country will be on the brink of disaster" and this was a possibility which "must be avoided at all costs". Few others called the results clear-cut. The main point highlighted by almost everyone was the problem, and prospect, of co-operation between Bhutto and Rahman, as also the consequences of possible disagreement between them.

Times of India, for example, expressed the view that while the elections may have brought Pakistan "some distinct gains" they have "also aggravated the challenges facing it". The main problem was one of reconciling Rahman's demand for "maximum regional autonomy" with Bhutto's "preference for a strong centre". However, it concluded, "all those concerned for the future of the sub-continent will hope for an amicable resolution of the tensions between the two wings of the country". Another point that was noted with interest, if not enthusiasm, was the "eclipse", as *Hindu* described it, of the "religious parties".

It looks as though some newspapers which have written approvingly of the elimination of a number of mushroom parties in the Pakistani elections, and the resultant tendency to political consolidation in that country, hope to achieve consolidation in India through proliferation of parties! At least two dailies, *Mail* and *Hitavada*, for example, have welcomed Acharya Kripalani's call for the formation of a new party in this country — not because they are against consolidation but rather because they think the Acharya's suggestion will help consolidation. *Mail* merely said that "all men of goodwill must ponder over" the Acharya's call, without specifically endorsing it, but *Hitavada* had no doubt that the suggestion "would be welcomed by many people, irrespective of whether such a party is formed or not". Kripalani was "in search of a

new party (and) the search ought to be for honest men who would act up to their professions". However, as *Amrita Bazar Patrika* pointed out, even after "a new party which is neither right of the centre nor left comes into being" other parties, specially "parties based on religious ideologies", will not altogether disappear. "On the contrary, if Acharya Kripalani succeeds in fathering a new party, instead of diminution there will be one more addition to the existing parties."

One other 'party' which has been in the news is Indian Airlines. It is usually rather less in the news than Air India, but it has shown that it can sometimes overtake its more glamorous sister. The attendant publicity was probably one which the airline might have been better off for not having had, for most of it centred on the technical imperfections of its Avro planes and the hazards to safety these imperfections are feared, by the pilots who refused to fly these aircraft, to carry. However *Free Press Journal* produced some good reporting of the pilots' strike and the consequent dislocation of air traffic, giving also excellent photo coverage of the event.

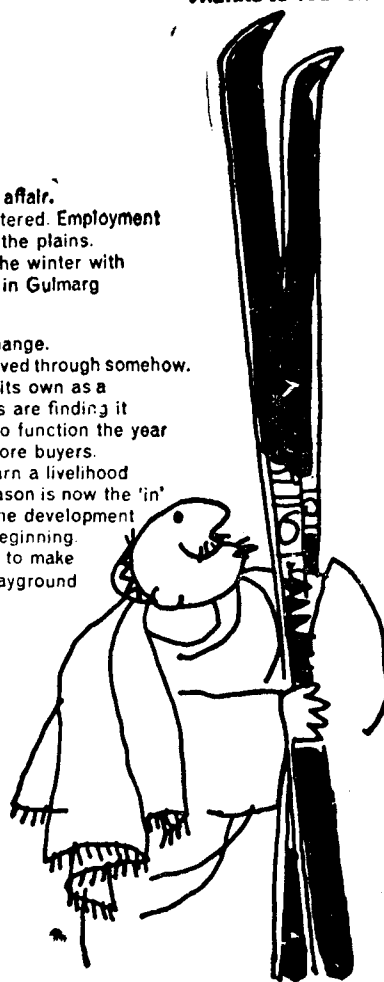
National Herald, for example, held that "even if the pilots do believe that AVRO aircraft are not airworthy, the manner in which they have given expression to their safety consciousness is hardly creditable to them". Their table of woe does not impress, it said, and the "public will compliment the Government on their decision to be stern with the striking pilots". *Mail* likewise castigated the pilots for "holding the nation to ransom". "While it is for experts to sit in judgment over the airworthiness or otherwise of Avros," it wrote, "the common people are sure to conclude that the pilots themselves are not". The pilots were not entirely friendless, however. A writer in *Hindu*, C V Gopalakrishnan, tried to present their case in perspective without however condoning their tactics. And *Nagpur Times* took the pilots at their word. The "Avro boycott stems," it wrote, "from the (pilots') single-minded thought of own safety and passengers' safety..... The airline management must recognise the apprehensions of the pilots and refrain from taking any drastic action against them . . ." Well, *Nagpur*, as everyone knows, is always full of pilots and airplanes!

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DEPARTMENT OF TOURISM GOVERNMENT OF INDIA

Culture Change in Tribal Life

I S Chauhan

Impact of Education on the Bhils: Culture Change in the Tribal Life of Madhya Pradesh by T B Naik; sponsored by Research Programmes Committee, Planning Commission; printed by Wedoli Advertisers, New Delhi, 1969; pp xx+337.

THE Bhil constitute the third largest tribal group in India and the second largest in Madhya Pradesh. In 1961 they numbered more than a million. T B Naik, who had earlier done an ethnographic study of this tribe, attempts a problem-oriented study of the impact of education on the Bhil of fifteen villages of Dhar and Jhabua districts of Madhya Pradesh. The study was undertaken in the hope of offering results of practical value to educational sociologists, planners and administrators. In the process he expected also to make a contribution to the theory of social change.

ETHNOGRAPHIC STUDIES

The book is divided into ten chapters. It starts in the conventional manner of ethnographic studies of a generation ago with a description of the land and its people. This is followed by an historical account of the development of educational facilities and of its present state in the region in general and among the Bhil in particular. The bulk of the book contains the author's attempt to analyse the changes which modern education has brought about in Bhil family, marriage, leadership and community organisation. This is followed by a discussion on the response of the Bhil society to the programmes aimed at promoting education. In the final chapter, the author summarises his conclusions and also lists the comments of a few educationists to whom he had circulated his findings.

Naik observes that although there has been an increase in the opportunities for education, the Bhils have not taken as much advantage from them as the non-Bhils have. In general, they have shown a degree of apathy towards these programmes. A major for this apathy lies in the Bhil family economy which does not permit the conversion of an economically beneficial child into a student who is not only a liability but also an unproductive hand. An inevitable consequence of this is that only the economically better off members of the Bhil society send their

children to schools. The school-going children mostly come from 'large-sized' joint families. Such families can easily spare a child or two to join the school because they already have enough members to carry out the normal economic activities.

SOME INTERESTING RESULTS

The impact of education on the spheres of family marriage, and kinship has produced some interesting results. The educated Bhil prefers the traditionally ideal form of marriage and rejects those forms which are permitted but are not highly rated by the tribe. He is in favour of lowering the rate of bride price and is reluctant to follow the customary practice of establishing a new household after marriage. He also does not like to divorce his wife as frequently as the non-educated members of the tribe usually do. Despite his education the Bhil prefers to continue performing his traditional duties to his family and community. He may use a few new terms to address or to refer to his kin, but he does not allow his educational achievements to influence his kinship obligations.

The spread of education among the Bhils has also influenced their community life and leadership. An educated Bhil prefers to live in the village if his parents own land, otherwise he is less reluctant than uneducated Bhils to shoot to the town to seek employment. It is these young and educated children of the wealthy and powerful Bhils who are providing a new leadership to their community. They even allow their womenfolk to play active roles in the *panchayat* — a practice hitherto unknown to the Bhil society. These young and educated leaders have also been instrumental in strengthening the forces of 'reformism' and 'revivalism' within the tribal community.

Has the author succeeded in his twin objectives? Let me make an assessment of the merits and limitations of the book.

Perhaps the planners and the administrators will be able to derive some

benefit from the results of this study. But for this they will have to have the patience to steer their way through a number of redundant clauses, innumerable repetitions, an array of indiscriminately scattered punctuation marks, and about a hundred tables, without being distracted by a dozen irrelevant photographs.

By way of a contribution to theory, I am afraid the book has nothing to offer. On the contrary, from the jumble of incongruous and seemingly theoretical statements in the introductory chapter, one gets an impression that the author starts with a thoroughly confused state of mind and an extremely obsolete theoretical framework. For example, while posing the problem, he writes, "Culture change as (*sic*) a long term process but it is often found that even a long contact hardly affects the vital parts of a culture..." (p 2). What does this mean? If what I can make out of this statement is correct, it seems that the author is still thinking in Malinowskian terms about *culture contact*, ignoring the fact that this approach to the study of social change has long been abandoned. Even as early as the forties of this century, Gluckman¹ and his colleagues were theorising about change-producing elements as integral parts of the social systems rather than as mere external agencies of culture contact.

THEORETICAL CONFUSION

To illustrate my charge regarding theoretical confusion, let me quote one more (incorrect) sentence:

"My approach in examining this problem of change was also from another angle: how far the social system of a tribal group, the various social institutions and usages, norms and values all go a long way in determining the success of an educational plan" (p 2).

Ignoring the pardonable grammatical error, one can make out that the author is talking about the *social system*. Now, I fail to understand how in a theoretical statement one can speak so casually about *culture contact* and *social system* in the same breath. These terms belong to two different conceptual domains, at least in the social anthropology that I know of.

Without commenting on the irrelevance of the mass of ethnographic details presented in the book, I come to my final point which relates to a major contradiction in this report. In the concluding chapter the author writes:

"Education seems to be quite a slow (sic) factor as far as culture change in the Bhil areas is concerned... whatever change education may have brought in, it is reflected only in the outer forms of culture whose vital parts still remain largely unchanged. In other words, whereas dress, modes of living, economy and even some of the less important customs may have changed to some extent, there is hardly any much (sic) change in the social values and ethical codes" (pp 268-70).

Ignoring the author's value-laden and unindexed classification of custom into two categories, important and less-important, the point that I wish to make is: how could the author overlook his own observations and conclude that there has been no change in the social

values? Do the changes in family, marriage, position of women and leadership (which I have summarised earlier) not imply a change in social values? The author has himself written: "Education has some influence on the structure of the family" (p 271). Can a structural change occur leaving the social values unaltered? The author further observes: "...with the spread of education in the Bhil areas of Madhya Pradesh a good deal of educational ideology of Gujarat (inspired by Mahatma Gandhi) is being absorbed in the area..." (p 274). Does the absorption of a new ideology not involve a change in social values? And yet when the author interprets that there has been no change in the social values of the

Bhils, I cannot resist the conclusion that perhaps what he understands by this anthropological concept is entirely different from what a modern social anthropologist would understand by it.

Altogether this is a poor book. The information presented in its pages lacks coherence and integration. Its style and idiom are definitely out dated for it does not offer even what one may accept as adequate analytical ethnography. As for theory, it has none. Far from registering any conceptual advance, it is likely to create a confusion.

1 Gluckman, M, 1958, Analysis of a Social Situation in Modern Zululand Rhodes-Livingston Paper No 28; reprinted from "Bantu Studies" (1940) and "African Studies" (1942).

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Medium-Term Industrial Prospects

Ashok V Desai

This first approach to a medium-term, three-year forecast for the Indian economy suggests that the recent sluggishness in industrial growth has been caused by erosion of profit levels and the need for structural adjustment. Profit levels are now rapidly recovering to satisfactory levels. Structural adjustment is being slowed down by restrictions on import of equipment and technology, but it could still proceed at a respectable pace. The chief bottle-neck is, however, likely to be the balance of payments position, which will become so difficult in the next two or three years as to rule out industrial growth at more than 5 per cent per annum.

FORECASTS are necessary as a basis for timely and well-thought-out reaction to coming events that cannot be controlled, and for better manipulation of those that can be controlled. For either purpose, a wrong forecast can be worse than no forecast, and a certain minimum probability is essential.

To be probable, a forecast must bear a credible relation to the current situation. The further away the time for which a forecast is made, the more tenuous its relation to the present, and the more difficult it is to judge its likelihood. In the Indian economy, where industrial policy as well as government policy change very rapidly, even a five-year forecast has an unacceptably low level of likelihood.

In this country we have confined ourselves to biannual and annual forecasts. The forecasting exercise which has been established longest is that of the Ministry of Finance, stretching back to war-time. The Economic Survey displays a part of this exercise. But it is not very detailed; and being official, it is rather discreet and rose-tinted. The National Council has tried essentially to make a rather more objective economic survey, although further extensions will now be considered.

It is clear that forecasts for periods of less than six months are not feasible in the Indian economy. For one thing, we know next to nothing about the very short-term behaviour of the economy. For another, the dominant economic factor, viz, the harvest, is an annual affair. Nor would such short-term forecasts be of much use at the present time, since the reaction times in the public as well as private sectors are longer.

However, medium-term forecasts for up to three or four years are feasible, for the Indian economy does display certain cyclical phenomena. They would also have some value, for investment decisions have to be taken about three years ahead. In this paper I shall make

a first approach to a three-year forecast. For this purpose it will be convenient to take up successively phenomena which display a cyclical behaviour.

Balance of Payments

Tables 1 and 2 present forecasts of the balance of payments for the current year and two years hence, together with actual figures for 1966-67 and 1968-69.

In the current account, the payments for invisible transactions have roughly balanced for the last few years. Interest payments on foreign aid are the most important growing element in this account. The foreign debt is growing at about ten per cent a year; but interest payments are growing more slowly—at about 7½ per cent—probably because interest rates on new credits are lower than those being paid on earlier loans. The rise in the interest burden has been compensated since devaluation by a rise in private remittances.

Owing to the balance in invisible payments and receipts, the balance of payments on current account has been largely determined by the balance of merchandise trade. The distinction between visible and invisible transactions is not made very precisely; since imports are valued c.i.f., a part of the trade deficit is really incurred on freight. However, the trade deficit as reckoned determines the total payments deficit.

The deficit on current account has in recent years been substantially increased by "errors and omissions". While the balance of errors and omissions can lie in either direction, after 1966-67 it has always been in deficit. I am inclined to the view that errors and omissions represent leakages in exchange control, and that their tendency towards a deficit will endure.

Foreign loans have for many years covered the deficit on current account as well as on other capital transactions. Among the latter, the most important and fastest growing one is repayment of

loans from OECD countries and international financial institutions: this year it is likely to amount to over Rs 400 crores excluding the IMF credit. Credits from the Rupee payments countries have fallen below repayments in recent years, so that deficit also has to be met. About Rs 50 crores of private capital is repatriated every year. The inflow depends on the Government's policy and the investment climate, neither of which conduces towards substantial foreign investment just now.

Since devaluation, foreign loans have consistently exceeded the deficits on current transactions, repayments, Rupee payments and private investment, and reserves have gone up progressively. In June this year they stood at Rs 837 crores. Rs 359 crores above the level in March 1966 reckoned at the post-devaluation rate of exchange.

It is impossible to say unequivocally whether the improvement in reserves will continue, it is best to talk of a range of possibilities. Tables 1 and 2 depict what are probably the extreme limits of possibility in the current year and 1971-72, termed pessimistic and optimistic forecasts.

The forecast in the NCAER middle-of-the-year review corresponds to what we have termed the optimistic forecast for 1971-72. It is a cautious forecast, in the sense that it is wholly divorced from the official make-believe about rising exports. It also refuses to be influenced by trends, and predicts a much slower rise in exports and a reversal of the fall in imports. It is well within the range of possibilities. Nevertheless, it leans towards optimism.

It makes four optimistic assumptions. First, it assumes that there will be a surplus on invisible transactions to wipe off the deficit on merchandise trade, while invisible trade has only balanced itself hitherto. Second, it assumes that net errors and omissions will be zero, whereas they have tended to add to the payments deficit in recent years. Third,

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TABLE 1 : BALANCE OF PAYMENTS ON CURRENT ACCOUNT

	1966-67			1968-69			1970-71			1970-71			1972-73			1972-73		
	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net
Merchandise	1079	1886	-870	1367	1740	-373	1300	1600	-300	1470	1600	-130	1200	1400	-200	1700	2200	-500
Transportation	81	46	35	99	65	34	110	80	30	110	80	30	150	110	40	150	110	40
Investment income	18	204	-186	26	240	-216	30	270	-240	30	270	-240	40	300	-260	40	300	-260
Official transfers	24	17	7	56	17	39	60	30	30	90	30	60	60	20	40	60	20	40
Private transfers	108	20	88	144	16	128	170	20	150	170	20	150	170	20	150	170	20	150
Other	164	113	51	138	117	21	150	120	30	150	120	30	150	120	30	150	120	30
Errors and omissions	1474	2286	-812	1830	2195	-365	1820	2320	-300	2020	2020	—	—	-200	2270	2270	-500	—
			+16			-114			-100					-100				
			-796			-479			-400					-300				

TABLE 2 : BALANCE OF PAYMENTS ON CAPITAL ACCOUNT

	1966-67			1968-69			1970-71			1970-71			1972-73			1972-73		
	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net	Cr	Dr	Net
Private	61	55	6	38	52	-14	40	60	-20	60	40	20	40	70	-30	40	70	-30
Banking	76	80	-4	33	55	-22	40	60	-20	60	40	20	40	60	-20	40	60	-20
Official loans	977	43	934	797	62	735	675	50	625	725	50	675	800	—	800	1200	—	1200
Other official credits	305	353	-48	264	290	-26	260	300	-40	260	300	-40	350	400	-50	350	400	-50
Amortisation	2	129	-127	3	159	-156	—	410	-410	—	570	-570	—	600	-600	—	600	-600
Reserves	194	157	37	137	175	-38	400	135	+265	195	300	-105	350	150	200	300	300	—
	1614	818	796	1273	794	479	1415	1015	400	1300	1300	—	1580	1280	300			500

TABLE 3: INDUSTRIAL GROWTH RATE AND TERMS OF TRADE BETWEEN AGRICULTURE AND INDUSTRY

	Food Prices Industrial Prices (31st March 1953 = 100)	Raw Materials Prices Industrial Prices	Rise in Industrial Production (per cent)
1951	95	124	
1952	99	103	18
1953	108	111	-2
1954	98	104	-1
1955	86	98	18
1956	94	108	10
1957	99	110	4
1958	104	107	2
1959	108	109	8
1960	100	115	11
1961	94	116	9
1962	97	107	9
1963	102	105	8
1964	115	115	9
1965	114	124	9
1966	118	137	-1
1967	143	137	-1
1968	136	129	6
1969	122	151	7
1970	112	156	4
1971	108	140	5
1972	100	125	5

it assumes that net private capital and Rupee payments will balance out. Fourth, it assumes net aid of \$ 900mn. Since India gives aid of about Rs 50 crores a year, this entails gross aid of Rs 725 crores. As a result, the optimistic forecast gets an addition to reserves of about Rs 100 crores.

The pessimistic forecast assumes that exports will fall by 4 per cent — the proportion which they fell in the first five months of the year — that invisible transactions will just balance, and that exchange control will leak by Rs 100 crores. It thus gets a current account deficit of Rs 400 crores. Deficits are also assumed on private capital and Rupee payments, and gross aid is assumed to reach \$ 900mn. On these assumptions, the forecast shows that the IMF credit could be not repaid this year, and yet reserves would fall by over Rs 250 crores.

The actual outcome will lie somewhere in between; in particular a fall in reserves will probably be avoided by rescheduling debts. A fall in exports might also be prevented by another crash campaign like last year's, though it will be more difficult this year since export order books are less full. But one conclusion seems inevitable, that the freedom given by rising reserves will end this year. While imports will rise since import policy is being worked out with no anticipation of the coming tightness,

it is likely that imports can be increased in the future only by drawing down reserves or getting more foreign aid.

If there is going to be pressure on reserves, the Government will have to choose between more import restrictions, greater export subsidies, and more net foreign aid. The 1972-73 forecasts trace out the implication of these alternatives.

The pessimistic forecast assumes that imports will be further restricted, and will be brought down by Rs 200 crores below this year's level. But import restrictions, together with the expansion of domestic demand, will bring down exports, which are assumed to fall Rs 100 crores below the current year's pessimistic forecast. The trade deficit will be smaller than this year's; yet, a payments deficit of Rs 300 crores including errors and omission will have to be financed.

It is assumed that non-socialist loans will be 800 crores, quite a bit higher than the current level. In spite of this liberal aid, reserves would have to be drawn down by Rs 200 crores. Thus, even a highly restrictive import policy cannot avoid a rise in aid, or a large fall in reserves, or both. If import policy is liberalised, still more aid will be required.

How much more will be required is spelt out in the optimistic forecasts. Imports are allowed to rise by Rs 600

crores above the present level, in order to supply materials for internal industrial expansion and exports; as a result of liberal imports, exports are assumed to rise Rs 230 crores above this year's optimistic forecast. No errors and omissions are assumed. Still the payments deficit is Rs 500 crores. If there is to be no fall in reserves, aid would have to be Rs 600 crores even if all repayments were postponed.

To sum up, a reduction in the gross level of aid in the next two years would probably cause a sizeable fall in industrial output, and is probably not within the realm of possibilities. Second, even the highest level of aid that is likely cannot prevent a restrictive import policy; and since possibilities of import substitution are now largely exhausted, a restrictive import policy will put a powerful brake on industrial growth.

Agriculture and Industry

It is well established that agricultural demand for industrial products is a very small proportion of the total. The influence of agriculture on industry is, therefore, mainly as a supplier of wage goods and raw materials. The terms of trade between agriculture and industry affect industrial growth in two ways. When foodgrain prices rise in relation to industrial prices, there is a tendency for industrial wages to rise, industrial profits to be squeezed, and industrial expansion to slacken. The effect is similar when prices of industrial raw materials rise in relation to those of finished products, but the effect is largely confined to food and fibre industries.

Table 3 demonstrates these effects. Periods of rapid industrial growth, 1955-56 and 1959-62, were also periods which saw industrial prices rise relatively to food prices; the weak spurt in industrial production since 1968 has also been accompanied by a faster rise in the prices of manufactures.

The effect of raw material prices is less easily discernible, presumably because they affect only a part of industrial production. But substantial increases in their prices relative to those of finished products do apparently slow down the growth of industrial production. Such increases in the late forties were followed by a recession; and the recent recession was preceded by such increases. More significantly, industrial raw material prices have continued to race ahead throughout the recession and after, and have no doubt much to do with the stagnation in cotton, jute and vanaspati industries.

All these industries are based on commercial crops whose cultivation developed at a time when the population was much sparser and when Indian production costs were much lower than abroad. These conditions have passed; export markets for the materials as well as the finished products have either vanished or are declining; and within the country, there is diversion of land from the raw materials to foodgrains. It is clear that in the long run, the agriculture-based industries will either have to give way to new technology — cotton textiles to synthetic fibres, jute textiles to bulk handling — or depend on imported materials — oilseeds, cotton, etc. But these long-run tendencies are being kept on the leash by the Government

just now; the result is the stagnation of agriculture-based industries and sluggishness in industrial growth. The sluggishness is due to a process of structural adjustment which is obstructed by our technological backwardness and low rate of investment.

The relative prices of food have been falling since 1968; and barring bad harvests, may continue to do so, since the inflation of industrial prices has just begun and the good supply is comfortable. In a couple of years the relative prices of food may be as low in the early sixties. Hence the profits of industries not based on agriculture should by then rise to levels that could generate very high rates of growth. In fact, the profitability situation is quite good

even now in chemicals and is rapidly improving in engineering.

Conclusion

It emerges that the recent sluggishness in industrial growth has been caused by erosion of profit levels and the need for a structural adjustment. Profit levels are rapidly recovering to satisfactory levels. Structural adjustment is being slowed down by restrictions on the imports of equipment and technology, but it could still proceed at a respectable rate. The chief bottle-neck is, however, likely to be the balance of payments position, which will become so difficult in the next two or three years as to rule out industrial growth at more than 5 per cent per annum.

China and Mainland South-East Asia

Parimal Kumar Das

Based on an extensive tour of South-East Asia, this article analyses the different international cross-currents affecting the region. Now that American withdrawal has become more likely, various historical national fears are reasserting themselves. The major consequence of this is the growing influence of China and the increasingly flexible attitude of many South-East Asian countries towards China. The traditional distrust among the Laotians, the Thais and the Vietnamese of each other all point to a possible acceptance of Chinese leadership over the area in the late seventies. In fact the only country which has historical reasons for being wary of China is Vietnam. This could mean that the North Vietnamese are the ones who would have an interest in slowing down the growth of Chinese influence in South-East Asia, while the biggest power in the region, Thailand, would be the most likely gainer through the improvement of relations with China.

CHINA looms large over mainland South-East Asia. After the American intervention in Cambodia events have moved in such a manner that, even without firing a single shot, China alone has been the gainer. The Cambodian situation has been brewing in a fashion most favourable to China. Also in Laos and even in Thailand there are signs of increasing Chinese influence. Respect for China is sometimes born out of fear, sometimes out of admiration. The net result is a growing desire to make up with China, or in other words, to accept Chinese leadership over the area. This feeling is matched by a complete lack of confidence in the United States' capability to prevent such an eventuality. The domestic situation in the United States has strengthened the present mood of insecurity and uncertainty that prevails in mainland South-East Asia.

This is also the dominant mood in Laos. The Laotians would not like to provoke China into any further action, knowing as they do, that the Chinese are already physically present within

Laotian territory. The Laotian authorities made it more than obvious that they would not permit any power to indulge in anti-Chinese activities from Laotian territory. Their adherence to neutrality in this sense is genuine. They have repeatedly declined to accept any proposals for a military combination originating at intervals from Saigon. They have also resisted any deployment of South Vietnamese troops in Laos to pursue the North Vietnamese who have been operating in the Ho Chi Minh trail area in south-eastern Laos. In order not to affront their giant neighbour they have been steadfastly adhering to a neutral stance as far as the Vietnam War is concerned. Were it not for the North Vietnamese troops who are engaged in the Laotian civil war, thus turning it into what the authorities in Vientiane would like to describe as a "war of aggression by North Vietnam", the bombings by the United States could be stopped, at least over Laotian areas other than those near the Ho Chi Minh trail. This may seem like begging the question, as it

is difficult to say which is the cause and which the effect. In any case, it underlines the fact that the Laotian conflict is deeply related to the Vietnam War, even though the Laotian Prime Minister has been trying persistently to separate the two. His efforts, so far, have not proved successful.

At present, the Chinese and the Laotians maintain their diplomatic relations at *charge d'affaire* level. The two countries recalled their ambassadors when relations worsened in early 1965. Since then their relations have been what, in diplomatic parlance, is described as "correct". Chinese interference in the 'civil war' in Laos is rather indirect. The flow of Chinese arms to the Pathet Lao has been taking place through the North Vietnamese. The author was given to understand in Vientiane that the North Vietnamese are very particular in this matter. Even the Russian flow of arms takes the same channel. Perhaps the North Vietnamese wish to retain as much control over their beneficiaries as possible, a privilege

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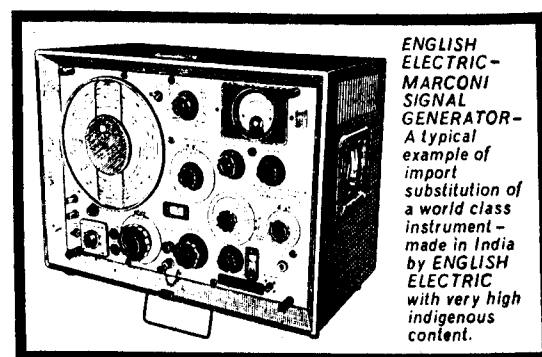
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The By-Passed Segment

IN early 1969 it did look as though the numerous and complex problems of small farmers would at last begin to get some attention. Such attention seemed imperative on several counts. The large mass of small farmers had been by and large by-passed by programmes of growth as well as of land reform. This was not altogether surprising, given the built-in bias of the programmes. But the resulting discontent and growing politicisation of the rural poor required that a beginning be made to tackle the emerging problem. The beginning was not to be overmuch ambitious: It aimed at the 'potentially viable' small farmer, hoping to carry him from subsistence agriculture to commercial farming via the high-yielding varieties. Various studies had found small farmers committed to the new technology if and when they did take to it. With the new technology, much smaller farmers could now be economic, so that the new attention to 'social justice' would not necessarily impair the targets of 'growth'.

The Small Farmers Development Agencies were thus mooted as the harbingers of economic progress for small farms. The Fourth Five-Year Plan, aiming at the twin objectives of a five per cent annual growth rate in agricultural production and of 'remedying imbalances' in the sector, gave the Agencies a major write-up and a central role in achieving the second objective. Now, nearly two years later, it is evident that these Agencies were never seriously enough intended nor suitably designed. The Annual Plan for 1970-71 repeats verbatim in the section on "Programmes for Special Classes and Areas: Development of Small Farmers" whatever the Fourth Plan had said — with the lopment of Small Farmers (out of the 45 targeted), one in Bihar and another in Bengal, had been set up and that in 1970-71 all the 45 would be set up. By now, 35 Agencies all over the country have been 'approved'; 20 of these have been 'formed' and should start functioning soon. But how will they operate and what promise do they really hold? How far can they make the Rs 68 crores allocated to them go?

The Agencies are to identify problems of small farmers in their areas, formulate programmes for them, and operate as far as possible through existing official and semi-official institutions to promote, give credit to, and help implement these programmes. Yet the handicaps of small farmers, while they are well known, are too interconnected and too integrated with the existing system to be overcome by the intermediate operations of yet another agency. What plagues the mass of agriculturists is not overall inadequacy of credit or administrative agencies but the failure to channel the efforts of these agencies for meeting their needs in preference to those of large farmers. The minimum that the Agency for Small Farmers could do is to help the small farmer provide himself with a well for irrigation. Even this involves the risk of a water table failing too soon or being found to not exist after the investment has been made. Introduction of HYV or greater intensity of cropping on the small farm involves knowledge of the soil and of the compatibility of seeds/soil/crop pattern, assurance of credit, procurement of inputs such as fertiliser and pesticide and their optimum application and an awareness of the overall economics of the investment in relation to the agricultural market and prices.

All this calls for intimate association with small farms, and a level of agricultural competence and co-ordinating powers *vis-a-vis* the other official and credit institutions within the area, requiring the organisation of the Agency to be qualitatively different from what is suggested by the Fourth Plan. The Agency would have to be manned by technical personnel who, while they have experience in the field, are yet outsiders enough not to be hampered by the socio-political barriers that have prevented co-operative facilities from reaching the small farmers. The Agency would not only have to persuade existing institutions such as co-operatives, banks, Agro-Industrial Corporations, Land Development Banks, or Government departments that a particular scheme is worthwhile, but also convince the small farmer.

In the Plan, however, there is no mention of the crucial manpower requirements of Agency for Small Farmers, nor of the other macro supports that it would need in order to be successful. No amount of underwriting by the Agency would ensure the channelling of credit or other inputs through it unless there is a stipulation that co-operatives, banks and other institutions should set aside a certain proportion for small farmers — i.e., unless there is an overall reallocation and rationing of credit. But what are the chances of such, almost superhuman, effort being made on behalf of the small farmer? Here it is perhaps significant that the States where, with population pressure and lack of alternative employment, small farms predominate are precisely the States in which there has been little effort to promote the Small Farmer.

Agricultural Growth in the 1970s

An Analysis

V Nath

In order to achieve the Fourth Five-Year Plan target of growth of agricultural output by 5 per cent annually during the Plan period and the rest of the 1970s, the rate of increase in productivity of croplands will have to be higher than the rate envisaged in the Plan. This is because the Plan's projection of increase in the gross cropped area appears to be too high on analysis of both past trends in growth of the area and future possibilities of extension of cultivation and increase in multi-cropping.

For achievement of a high average rate of increase in productivity, significant increase in the rate is essential in the States, mostly of eastern and north-central India, in which it was lower than the all-India average of 1.77 per cent during 1952-53 to 1964-65. These States account for more than half of both total cropped area and value of agricultural output of the country. Low rates of productivity increase in them are not due to physical handicaps, but appear to be related to socio-economic factors: levels of economic development and of modernisation of agriculture are lower in most of them than in the States with relatively high rates of increase in productivity. Significant reduction of inter-State differences in agricultural progress does not appear likely however from analysis of recent trends in modernisation of agriculture, the pattern of public sector outlays under the Fourth Plan on agriculture, irrigation, rural electrification and related programmes or from targets of important Plan programmes such as HYVP.

The specific causes of slow agricultural progress should be indentified separately for each lagging State and region and appropriate remedial measures should be taken. But there are some common elements which point to the need for similar measures in most States. First, since unirrigated rice is the principal cereal crop in most of the States, intensive research and extension efforts aimed at evolving and spreading rapidly high-yielding varieties of unirrigated rice are needed. Second, the socio-institutional handicaps of these states, arising from prevalence of zamindari or other feudalistic land tenure systems over large areas until the early 1950s, and/or inclusion of large areas in backward princely States in the pre-Independence period have not been entirely overcome. The remedial measures should include besides needed land reforms, accelerated development of social services and infrastructures and strengthening of developmental institutions.

The regional aspect of agricultural growth has not received adequate attention; its analysis and formulation of suitable programmes to accelerate growth in the lagging regions is a necessary corollary to the high areal selectivity of the agricultural strategy of the Fourth Plan.

[The views expressed in this paper are the author's personal views.]

I

THIS paper discusses two aspects of agricultural growth:

- (i) the relative contributions of increase in cropped area and increase in productivity of croplands in achieving the Fourth Five Year Plan target of increase of agricultural output by 5 per cent annually during the Plan period and the rest of the 1970s; and
- (ii) regional differences in increase in productivity and their relation with physical conditions, levels of modernisation of agriculture and overall economic development and with Fourth Plan public sector outlays relating to agriculture, irrigation, rural electrification etc, and important programmes of increasing agricultural output.

II

The New Agricultural Strategy (NAS), adopted since 1966 and being

continued under the Fourth Plan, is capital-and-technology-intensive and has high areal selectivity. It aims at achieving a rapid increase in agricultural output through use of capital-and-technology-intensive inputs such as high-yielding seed, chemical fertilisers and pesticides, along with thorough preparation of land and efficient water management. Its principal components in case of cereals are the high-yielding varieties and short duration varieties programmes. Most of the projected increase in cereal output during the Fourth Plan period will come from them, the HYVP alone contributing 2/3rd of the total (p 138).¹ The programmes are being taken up in carefully selected areas in which the rigorous condition of adequate, assured and well regulated water supply can be met and other agro-economic conditions are also favourable for rapid progress. The total area under the two programmes in the final year of the Plan will be 40 m hectares, or less than 40 per cent of the total area under cereals.²

But in spite of the emphasis on intensification and areal selectivity and recognition of the fact that the scope for extension of cultivation is limited because "there is virtual exhaustion of uncommitted land resources" (p 121), the Plan envisages a large increase in the gross cropped area by 1980-81, as is shown in Table 1.

Gross cropped area is expected to increase by more than 20 per cent, at an annual average rate of 1.2 per cent. The increase in physical terms will be 31.4 mn hectares of which 14.0 mn hectares will be due to increase in the net sown area and the balance to increase in the multi-cropped area. The growth rate of 1.2 per cent is lower than the rates of increase of gross cropped area under the First and the Second Plans, but it is double the rate observed during the first four years of the Third Plan (Table 2). Further, since there has been no increase in the area after 1961-62,³ achievement of the projected growth rate will mean a reversal of

the trends since the early 1950s, characterised first by slowing down and later cessation of increase in the area. It may be of interest to mention that the growth rate projected in the Fourth Plan is three times the rate of 0.4 per cent annually over the period 1964-86, projected by the US President's Science Advisory Committee Panel on World Food Supply, which had advocated for India a production strategy very similar to the NAS.⁴ The Panel's projection of gross cropped area in 1981 was only 169 mn hectares as compared with 188 mn hectares under the projection of the Plan. The two projections are not entirely comparable — the Plan projects a somewhat higher rate of growth of agricultural output — but considering the essential similarity of the two production strategies, the difference in the projections is noteworthy.

TRENDS IN LAND UTILISATION, 1950-51 to 1968-67

The data of Table 3 bring out that gross cropped area increased by nearly 25 mn hectares during this period. Three-fourths of the increase was due to increase in the net sown area and the balance came from increase in multi-cropping (area sown more than once). Both net sown area and area sown more than once increased most rapidly during the period of the First Plan; a part of the increase was due to extension of reporting to areas which had been non-reporting earlier. But it may be noticed that while the net sown area continued to increase under each of the three Plans, area sown more than once did not increase after 1960-61. The Fourth Plan projection envisages therefore another significant departure from earlier trends: more than half of the increase in gross cropped area is expected to come from increase in the area sown more than once, which had not shown any increase during the 1960s.

Increase in net sown area during the First Plan period was aided by the stimulus to reclamation of wastelands given by land reforms such as abolition of zamindari and jagirdari and various production increase programmes of the Plan; the slow-down in later years was due to limitations of continued increase in the net sown area. The possibilities of extension of cultivation are limited in a densely populated country like India in which practically all the cultivable land is

TABLE 1: PROJECTIONS OF CROPPED AREA AND IRRIGATED AREA

	1966-67	1980-81	Increase	Average Annual Increase (Per Cent)
	(million hectares)			
Net sown area	137.0	151.0	14.0	0.7
Gross sown area	156.6	188.0	31.4	1.5
Area sown more than once : Total	19.6	37.0	17.4	6.3
As percentage of net sown area	14.3	24.5		
Gross irrigated area : Total	32.8	58.0	25.2	4.2
As percentage of gross cropped area	29.9	30.8		

Source : Planning Commission : Fourth Five Year Plan, 1969-74, p 35

TABLE 2 : COMPOUND RATE OF INCREASE IN AGRICULTURAL PRODUCTION, AREA AND PRODUCTIVITY IN DIFFERENT PERIODS

	Production	Area	Productivity
(1) First Plan (1951-52 to 1955-56)	4.1	2.6	1.4
(2) Second Plan (1956-57 to 1960-61)	3.1	1.3	1.8
(3) Third Plan (1961-62 to 1964-65)	3.3	0.6	2.7
(4) 1969-70 to 1980-81	5.0	1.2	3.7

Source : Lines 1 to 3 : Fourth Five Year Plan, p 118
Line 4 : *Ibid*, pp 35-37

already under cultivation and the proportion of net sown area to total geographical area is the highest among the large or medium-sized countries of the world.⁵ Net sown area can increase in future mainly through reclamation of areas classified as "fallow lands" and "other uncultivated land excluding current fallows" in the Land Utilisation Statistics. The limited possibilities are indicated by the near stability of the areas of both categories since 1955-56, after the effects of extension of reporting and reclassification of lands in the early 1950s had worked themselves out. The Fourth Plan refers to a "survey of wastelands which suggests that an estimated area of 2.2 million hectares is available for reclamation and cultivation during the Fourth Plan. Of this, land reclamation will be carried out over one million hectares" (p 138). No details are given on how the balance increase of 13 mn hectares in net sown area by 1980-81 is to be achieved.

Apart from physical limitations to extension of cultivation, efficiency in mobilisation and utilisation of resources in increasing agricultural output through it and alternative means has to be considered also. Extension of cultivation is attractive under conditions of peasant agriculture because it involves minimum changes in technology and organisation and can be achieved mainly through fuller utilisation of committed but underemployed peasant sector resources such as human labour and bullock power. Increasing productivity of croplands involves on the other hand changes in technology and organisation to which

there is considerable resistance from the peasants in the early stages, and also large non-peasant-sector investments such as on irrigation works or for production of improved seed and chemical fertilisers. But the attraction of extension of cultivation diminishes considerably when technological change and increase in productivity get established within peasant agriculture. Resistance to changes in agricultural practices is much less than earlier, and productivity techniques are adopted by the peasants with increasing speed and efficiency. Secondly, the underemployed peasant sector resources are much smaller (or non-existent) because of fuller utilisation of these under conditions of steadily increasing productivity. In India, extension of cultivation is less attractive as a means of increasing agricultural output now than it was in the early 1950s. Technological change and steady productivity increase have got established in agriculture over large areas of the country, and in States like Punjab in which the 'Green Revolution' has been successful, the labour surplus in agriculture has nearly disappeared and seasonal shortages have begun to be reported.⁶ As other States achieve similar progress, the attraction of extension of cultivation will decrease further. Indeed, it is not unreasonable to expect, with steady increase in productivity of agricultural labour and rise in wage rates, a reduction in the net sown area in some States, through withdrawal of cultivation from marginal, low productivity lands. The reduction may be expected particularly in States like

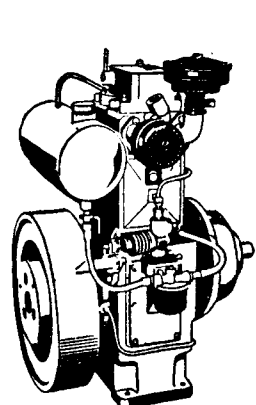
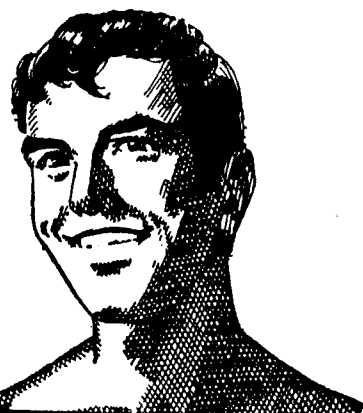
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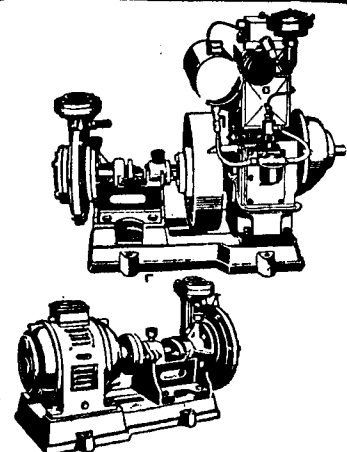
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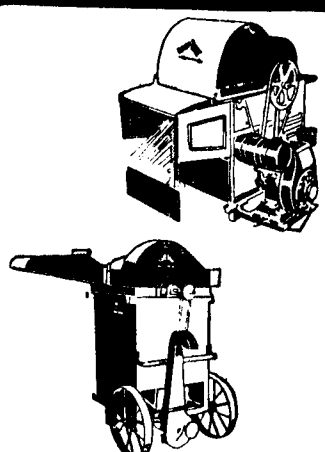
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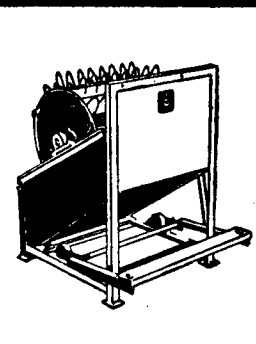
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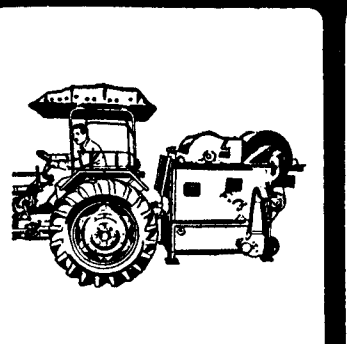
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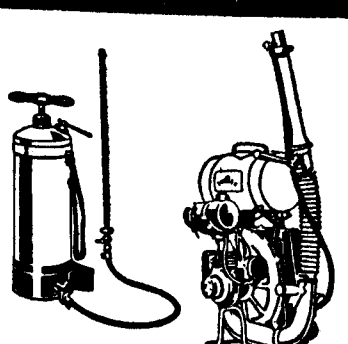
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M&O-15

ECONOMIC AND POLITICAL WEEKLY

TABLE 3 : TRENDS IN LAND UTILISATION (million hectares)

	1950-51	1955-56	1960-61	1966-67 (Provisional)
(1) Total reporting area	284.3	291.9	298.9	306.0
(2) Forests	40.5	51.3	55.8	60.5
(3) Area not available for cultivation	47.5	48.4	50.0	50.6
(4) Other uncultivated land excluding current fallows	49.4	38.9	37.4	35.2
(5) Total fallow lands	28.1	24.1	22.6	22.6
(6) Net area sown	118.7	129.2	133.2	137.0
(7) Area sown more than once	13.1	18.2	19.6	19.6
(8) Gross cropped area	131.9	147.3	152.7	156.6
(9) Gross irrigated area	22.6	25.6	27.9	32.8

Source : Directorate of Economics and Statistics, Government of India, Ministry of Food and Agriculture, CD and Co-operation

Maharashtra and Mysore in which the areas of low productivity croplands are particularly large and rising productivity in agriculture and expanding non-agricultural employment will combine to push up wage rates of agricultural labour.

INCREASE IN MULTI-CROPPING

Increase in gross cropped area through increase in multi-cropping is qualitatively different from the increase through extension of cultivation because multi-cropping is a form of intensification: it increases the intensity of cropping in the existing sown area. It involves changes in the cropping pattern and may require changes in use of inputs and management practices. In India, multi-cropping is closely related to irrigation because of the need to irrigate the second crop in most areas. The planners have projected near doubling of the multi-cropped area by 1980-81, at an average annual increase rate of 6.3 per cent (Table 1). The increase is expected to be achieved mainly through use of new, short duration varieties and appears to be dependent upon a number of technological advances, some of which are not beyond the experimental stage. This is clear from the following statement in the Fourth Plan:

"However, in the absence of short duration varieties, cropping intensity could not be made a focal point of agricultural strategy. During recent years, this barrier is being overcome and techniques of inter-cropping and relay-cropping are being developed. A series of new multi-cropping cycles have been evolved and tested. These are likely to have a significant bearing on future development" (p 139).

Multi-cropping with use of short duration varieties will require also a high degree of efficiency in water management because adequate and

well regulated water supplies must be available to all the crops grown in succession. Increase in the irrigated area and even more than the increase, improvement of irrigation in the existing irrigated areas are important in this context. The Plan includes large programmes for achieving both objectives: the programmes of construction of tube-wells and installation of electric irrigation pumps are aimed primarily at meeting the needs of areas proposed to be brought under the high-yielding varieties and the short duration varieties programmes.

Since achievement of the projected increase in multi-cropping is dependent upon technological breakthroughs, besides successful execution of irrigation and rural electrification programmes, it is difficult to comment on its prospects. But viewed against the background of stagnation of the multi-cropped area in the 1960s, achievement of a growth rate of more than 6 per cent annually during the 1970s appears to be quite unlikely. A shortfall, perhaps a large one, may be expected.

The emphasis on efficient water management under the NAS has led to a significant and welcome change in the irrigation programmes — from mere extension of irrigation to extension-cum-improvement. As mentioned above, the programmes of construction of tube-wells and installation of pumps are aimed primarily at improving the quality of irrigation. Moreover, the Plan gives, for the first time in any Plan document, an estimate of the area on which irrigation is to be improved (p 254). But the Plan's target of increase in the total irrigated area to 58 mn hectares by 1980-81 is quite ambitious: it envisages an average growth rate of 4.2 per cent annually, as against the growth rates of 2.2 per cent during the 1950s and 2.6 per cent between 1960-61 and

1966-67. It will not be easy to achieve such a sharp step-up in the growth rate of the irrigated area, especially as intensification/improvement of irrigation over large areas is sought to be achieved at the same time. It may be mentioned that actual increases in the irrigated area were much below the targets in case of all the earlier Plans.⁷

INCREASE IN PRODUCTIVITY OF CROPLANDS

It is clear from this discussion that notwithstanding the emphasis on intensification in the New Agricultural Strategy, the Fourth Plan contains quite ambitious targets of increase in the gross cropped area, through both extension of cultivation and increase in multi-cropping, and in the gross irrigated area. The projected rates of growth are in all cases much higher than the rates achieved under the earlier Plans. To the extent that actual increase in gross cropped areas falls short of the target, the rate of increase in productivity of croplands will have to be higher than 3.7 per cent annually, envisaged in the Plan (Table 2). The figures of the Table show a progressive rise in the rate of increase in productivity — from 1.4 per cent under the First Plan to 2.7 per cent between 1960-61 and 1964-65. But a more realistic comparison is with the average rate for the period, 1960-61 to 1968-69. This rate works out to be less than 1 per cent, so that achievement of the required rate of about 4 per cent will mean a fourfold increase over the average rate during the eight years immediately preceding the Fourth Plan.

III

Regional Aspects of Agricultural Growth

In this context, crop-and-regionwise analyses of growth of output assume importance, because slow growth in case of important crops or over large regions will depress the overall growth rate of agricultural output. The differences in the growth rates of the principal cereal crops since introduction of the NAS — rapid growth in case of wheat and stagnation in case of rice and millets — have attracted considerable attention and the Plan provides for an intensive research effort to achieve technological breakthroughs in rice and millets, similar to that for wheat (p 159).⁸ But regional differences in agricultural growth,

though noted in the Plan (p 119), do not appear to have received similar attention: the Plan does not appear to have included any special effort to accelerate growth in the lagging regions.

State-wise data on rates of growth of agricultural output and increase in productivity during the period, 1952-53 to 1964-65, are given in Table 4. The Table presents data also on a number of variables — proportion of cropped area irrigated, index of availability of moisture, average producti-

vity per hectare of cropped area and selected indicators of modernisation of agriculture — which are of interest in analysis of inter-state differences in increase in productivity. The data on irrigation and the indicators of modernisation are given for a year in the early 1960s and the latest year for which they are available; comparison of the data for the two years brings out recent trends. The average rate of growth of agricultural output during this period was just above 3 per cent for all-India with inter-State

variation from 4.56 per cent in Punjab-Haryana to 1.17 per cent in Gujarat. Only 4 States — Punjab-Haryana, Gujarat, Tamil Nadu and, Mysore — had rates higher than the all-India average. In case of rate of increase in productivity, the range of inter-State variation was larger and as many as 7 States had rates exceeding the all-India average. Further, while there was a correspondence between the two rates in most States, there was a marked divergence in some States, such as Rajasthan. The

TABLE 4 : GROWTH OF AGRICULTURAL OUTPUT AND PRODUCTIVITY AND DATA ON VARIABLES AFFECTING PRODUCTIVITY

No	State	Compound Rate of Growth during 1952-53 to 1964-65 (Per Cent)		Percentage of Gross Cropped Area Irrigated in		Index of Moisture Availability	Index of Average Productivity Per Hectare (Average of 1956-57 to 1958-59, India=100.0)	Consumption of Chemical Fertilisers (N+P ₂ O ₅ +K ₂ O), kg Per Hectare of Gross Cropped Area		Co-operative Credit Loans Advanced by Primary Societies to Members (Rupees Per Hectare of Gross Cropped Area)	Use of Mechanical Power (Units Per Thousand Hectares of Gross Cropped Area)		
		Productivity of Croplands	Agricultural Production	1962-63	1966-67			1962-63	1968-69			1963-64	1966-67
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(1)	Gujarat	4.09	4.55	7.8	10.5	140.4	64.6	2.3	9.0	33.8	45.5	5.7	11.3
(2)	Tamil Nadu	3.04	4.17	45.2	46.1	251.7	176.2	11.0	19.5	56.3	43.0	18.9	41.9
(3)	Mysore	2.71	3.53	9.2	11.4	151.9	64.9	3.1	12.9	14.3	21.1	2.3	4.4
(4)	Punjab	2.61	4.56	42.2	64.8	157.3	131.7	3.4	29.1	19.2	48.1	3.4	13.9
	Haryana				37.7				10.4		17.4		3.7
(5)	Maharashtra	2.45	2.93	6.7	7.3	192.2	65.1	2.3	10.2	30.2	40.2	3.9	8.5
(6)	Andhra Pradesh	2.45	2.71	29.5	30.2	194.9	103.7	8.6	11.3	21.3	14.5	4.6	7.9
(7)	Bihar	2.25	2.97	19.9	21.8	296.9	118.9	2.4	4.1	4.7	13.5	0.7	1.2
(8)	Orissa	1.66	2.48	16.4	15.3	316.4	132.7	1.0	1.6	8.3	11.1	0.3	0.3
(9)	West Bengal	1.34	1.94	21.5	22.6	321.5	168.8	3.3	9.7	10.1	14.9	0.7	1.2
(10)	Madhya Pradesh	1.21	2.49	5.6	6.1	261.2	80.6	0.9	2.6	13.7	19.9	0.9	1.3
(11)	Kerala	0.96	2.27	21.0	20.0	321.0	126.2	9.4	24.8	42.7	52.8	2.8	3.9
(12)	Uttar Pradesh	0.94	1.66	26.6	32.4	222.8	128.3	2.2	16.8	22.2	19.4	1.2	3.0
(13)	Assam (—)	0.08	1.17	23.3	21.6	323.3	174.0	0.3	3.1	0.6	5.9	0.4	0.8
(14)	Rajasthan (—)	0.11	2.74	12.5	13.7	124.5	51.7	0.5	1.8	3.6	4.5	0.7	1.5
Co-efficients of correlation with rate of increase of Productivity				0.09	-0.39 to -0.18								
India		1.77	3.01	18.9	20.9	217.5	100.0	3.1	10.7	19.5	23.3	2.6	6.9

Notes : Data are not available for Jammu and Kashmir and Nagaland.

Sources : Cols 3 and 4 : Planning Commission, Fourth Five Year Plan 1969-74, p 119. Based on "Growth Rates in Agriculture" published by Economic and Statistical Adviser, Ministry of Food and Agriculture.

Cols 5 and 6 : Computed from data on gross cropped area and gross irrigated area published by the Directorate Economics and Statistics, Ministry of Food and Agriculture, CD and Co-operation.

Cols 7 : Computed from data on distribution of gross cropped area by rainfall regions (Directorate of E and S Ministry of FA, CD and C : "Indian Agriculture in Brief" Tenth Edition, 1970, p 22-23 and percentage of gross cropped area irrigated given in Col 5 above).

Col 8 : J G Anand : "Measurement of Actually Realised Agricultural Productivities Per Acre and Per Worker in the Different Crop Regions of India" in *Agricultural Situation in India*, Annual Number, 1964.

Cols 9 and 10 : Fertiliser Association of India, New Delhi, *Fertiliser Statistics* (Annual)

Cols 11 and 12 : Reserve Bank of India, Bombay : "Review of Co-operative Movement in India".

Cols 13 and 14 : Computed from data on numbers of oil engines, electric pumps and tractors in Livestock Censuses of 1961 and 1966.

TABLE 5 : DISTRIBUTION OF FIRST SEVEN RANKS OF MODERNISATION INDICATORS AMONG STATES WITH HIGH (H) AND LOW (L) RATES OF PRODUCTIVITY INCREASE

	H States	L States
I Use of :		
(1) Chemical fertilisers 1962-63	5	2
(2) Chemical fertilisers 1968-69	5	2
(3) Co-operative credit, 1962-63	5	2
(4) Co-operative credit, 1966-67	6	1
(5) Mechanical power, 1961	6	1
(6) Mechanical power, 1966		
II Distribution in latest year after placing Kerala above Bihar :		
Use of :		
(7) Chemical fertilisers 1968-69	6	1
(8) Co-operative credit 1966-67	6	1
(9) Mechanical power 1966	7	—
III Spearman co-efficients of rank correlation		
Rate of productivity increase and use of :		
(10) Chemical fertilisers 1962-63	0.56	
(11) Co-operative credit 1963-64	0.54	
(12) Mechanical power 1961	0.74	
IV Rate of productivity increase, modified as at II above, and use of		
(13) Chemical fertilisers 1962-63	0.68	
(14) Chemical fertilisers 1968-69	0.53	
(15) Co-operative credit 1963-64	0.71	
(16) Co-operative credit 1966-67	0.75	
(17) Mechanical power 1961	0.79	
(18) Mechanical power 1966	0.79	

State experienced very rapid increase in the cropped area, of 2.85 per cent annually, and the decline in productivity indicates that a part of the increase was on lands of low productivity.⁹ It will be noticed also that the States with rates of productivity increase lower than the all-India average are concentrated in the eastern and north-central regions. Five out of the 6 States in these regions, all except Bihar, had lower rates than the national average.¹⁰ In contrast, most of the southern and western States had higher rates than the national average.

Increase in productivity is the result of two factors: (i) increase in yields of the crops grown, and (ii) substitution by more remunerative crops of less remunerative ones. A component analysis of increase in productivity has not been made in "Growth Rates in Agriculture", the source-book of the data on agricultural growth rates, but from data on growth rates of area and production of different crops given in it, it appears that substitution made an important contribution to increase in productivity in some States. The most notable example is of Gujarat, where there was a phenomenal increase in the area under groundnut (10.08 per cent annually) at the expense of the less remunerative

jowar and bajra, areas under which declined by 1.68 per cent annually 5.14 per cent annually, respectively.¹¹

INFLUENCE OF IRRIGATION AND AVAILABILITY OF MOISTURE

Table 4 shows that while in some States with high rates of increase in productivity, such as Punjab-Haryana and Tamil Nadu, the proportions of irrigated cropped area are high, in others such as Gujarat, Maharashtra and Mysore, the proportions are quite low. The co-efficient of correlation between the proportion of cropped area irrigated and the rate of increase in productivity is only 0.1, indicating lack of significant relationship between the two. There is no significant relationship also between rate of productivity increase and an index of availability of moisture based on proportions of cropped area falling in different rainfall zones and provided with irrigation.¹² The indices are quite high in most of the eastern and north-central States with low rates of increase in productivity and are low in several States with low rates. The co-efficient of correlation is negative, -0.39, but is not significant. Indeed, superimposition of the map showing State rates of increase in productivity on maps of annual rainfall, soils and topography in the National Atlas of

India showed that in 3 States — Gujarat, Maharashtra and Mysore — high rates had been achieved in spite of considerable physical disadvantages of low rainfall, plateau or hill topography and thin, low fertility soils over large areas, while in States like Assam, West Bengal and Uttar Pradesh, the physical advantages of abundant or adequate rainfall, extensive plains and fertile alluvial soils had not been adequately exploited and rates of productivity increase had remained low. It is interesting to note that the indices of average productivity per hectare of cropped area (col 8) were considerably higher in most eastern and north-central States with low rates of productivity increase than in most southern and western States with high rates. The co-efficient of correlation (— 0.18) is negative, but not significant, in this case also.

INCREASE IN PRODUCTIVITY AND MODERNISATION OF AGRICULTURE

Data are presented in Table 4 on 3 indicators of modernisation of agriculture — consumption of chemical fertilisers, use of mechanical power and loans advanced by primary co-operative societies to their members. The quantum of co-operative credit has been taken as an indicator of modernisation because it shows the capacity of farmers to work successfully a modern, democratic institution of self-help and to avail themselves of a modern aid to development. Data on consumption of chemical fertilisers and on co-operative credit were readily available; the index of use of mechanical power was constructed from data on numbers of tractors, oil engines and electric irrigation pumps, available in the Livestock Censuses. Each tractor was given a weight of 2 and the other machines weights of 1 each.

Two major facts emerge from the data:—

- large inter-State differences in the values of all the 3 indicators, and
- high values in most States with high rates of productivity increase and low values in most of the States with low rates.

The range of inter-State differences in consumption of chemical fertilisers (1962-63) was from 11.0 kg per hectare of cropped area in Tamil Nadu to 0.3 kg in Assam. In case of co-operative credit (1963-64), the range was much larger, from Rs 56.3 per hectare of cropped area to Rs 0.6; but Tamil Nadu and Assam were again the

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TABLE 6

TABLE V																	
No	State	Rank according to Index of Economic Development	Fourth Plan Public Sector Outlay on AIRE Programmes		Percentage of Total AIRE Outlay Allocated to				High-Yielding Varieties Programme: Percentages of Area to Area under Cereals in 1966-67		Percentages of Area Under the Crop which was Irrigated in 1966-67		Number of Electric Irrigation Pumps (thousands)			Percentage of Villages Electrified on 31.3.1969	Length of Surface Roads per 100 sq km on 31.3.1967
			Total (million rupees)	As Percentage of Value of Agricultural Output of 64-65	Agriculture and Allied Programmes	Major and Medium Irrigation	Flood Control	Rural Electrification	1968-69	1973-74	Rice	Wheat	1966	1969	1974*		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
<i>High</i>																	
(1)	Gujarat	3	1962.3	36.1	40.8	52.5	3.6	3.1	9.2	33.3	17.9	—	7.0	42.0	57.0	15.5	8
(2)	Tamil Nadu	2	1925.0	28.8	58.8	18.4	1.2	21.4	15.6	45.5	92.5	—	256.6	410.1	562.3	62.0	31
(3)	Mysore	7	1866.5	32.6	50.3	40.2	1.0	8.5	4.7	15.0	60.7	—	16.9	91.9	130.6	23.2	13
(4)	Punjab	6	933.6	24.0	51.5	17.0	12.8	9.6	34.2	70.0	85.6	72.1	25.3	59.1	81.6	37.0	12
	Haryana		880.0		44.4	34.0	10.2	11.4	13.3	49.4	71.9	68.9	3.5	45.4	7.4	22.0	13
(5)	Maharashtra	1	3751.0	44.0	55.0	38.0	0.6	6.4	8.9	30.5	18.5	—	7.2	125.0	225.0	22.4	10
(6)	Andhra Pradesh	8	1726.5	19.6	41.4	44.0	5.7	8.8	3.6	30.8	92.1	—	57.2	122.3	172.3	20.3	10
(7)	Kerala	5	958.2	31.6	60.4	28.0	7.0	4.6	17.4	60.0	53.0	—	2.7	13.9	25.2	72.1	50
<i>Low</i>																	
(8)	Bihar	13	2699.0	35.0	41.8	41.1	4.0	13.8	7.4	18.3	29.5	45.4	3.2	49.4	138.4	8.8	8
(9)	Orissa	14	835.5	25.0	60.4	30.0	2.4	7.2	3.4	15.7	20.8	—	—	0.5	2.0	1.8	6
(10)	West Bengal	4	1111.1	18.2	68.6	17.1	5.3	9.0	7.0	30.2	28.2	—	0.4	1.2	3.6	6.3	18
(11)	Madhya Pradesh	10	2058.1	25.0	49.7	40.3	—	10.0	2.0	6.0	13.0	—	1.8	24.6	74.6	3.9	6
(12)	Uttar Pradesh	11	3803.5	20.0	58.2	23.7	2.0	16.0	19.3	23.4	17.9	59.1	17.6	75.5	225.5	11.4	9
(13)	Assam	9	1089.2	43.7	55.0	7.0	28.0	10.0	3.1	8.3	33.6	—	—	—	3.2	1.5	4
(14)	Rajasthan	12	1380.2	33.5	23.5	54.3	2.1	10.1	3.6	12.0	24.1	66.2	6.9	18.8	53.8	6.3	5
India									9.3	24.5	37.9	48.1	512.9	1087.5	2337.5**		

Notes : Outlays on Central and Centrally Sponsored Schemes, for which State-wise breakdowns are not available, are not included. Data are not available for Jammu and Kashmir and Nagaland.

* Projected.

** Includes 500,000 pumps to be energised under REC financing programme for which State-wise breakdown is not given in the Plan document.

Source :

- Col 3 Nath V : "Levels of Economic Development and Rates of Economic Growth in India—A Regional Analysis", *National Geographical Journal*, Varanasi, India (Forthcoming).
- Cols 4, 6, 7, 8 and 9 Fourth Five-Year Plan, 1969-74, pp 261, 265 and 281, and unpublished data furnished by the Programme Administration Division, Planning Commission.
- Col 5 Estimates of Value of Agricultural Output, prepared by the State Statistical Bureaus, and made available by the Central Statistical Organisation.
- Cols 10 and 11 Data on areas under HYVP are from "Fertiliser Statistics 1968-69" (Fertiliser Association of India, New Delhi, 1970) pp 514 and 521, Source : Ministry of Food, Agriculture, CD and Co-operation.
- Cols 12 and 13 Directorate of Economics and Statistics, Ministry of Food, Agriculture, CD and Co-operation: "Indian Agriculture in Brief", Tenth Edition 1970, Table 2.13.
- Cols 14, 15 and 16 Fourth Five-Year Plan, pp 280-81
- Cols 17 and 18 Ministry of Finance, Government of India : "Pocket Book of Economic Information, 1969", New Delhi, 1970, p 39.

TABLE 7 : HIGH AND LOW STATES—SUMMARY POSITION

	States		Total
	High	Low	
(1) Gross cropped area, 1966-67 Total ('000 hectares) Per cent of all India total	17,900 46.0	82,122 52.4	156,638 100.0
(2) Value of agricultural output, 1964-65 : Per cent of all-India total	46.6	52.3	100.0
(3) Consumption of chemical fertilisers (N+P ₂ O ₅ +K ₂ O), 1968-69 : Average per hectare of gross cropped area (Kg) Per cent of all-India total	13.5 57.7	6.9 32.2	10.7 100.0
(4) Co-operative credit, 1966-67 : Average per hectare (Rupees) Per cent of all-India total	33.6 66.2	14.4 32.6	23.3 100.0
(5) Use of mechanical power in agriculture, 1966 : Average per hectare (Units) Per cent of all-India total	11.7 76.1	1.7 12.5	6.9 100.0
(6) Area under the high-yielding varieties programme : Per cent of all-India total, 1968-69 Per cent of all-India total, 1973-74	43.9 58.0	59.2 38.4	100.0 100.0
(7) Number of electric irrigation pumps : Per cent of all-India total, 1969 Per cent of all-India total, 1974	83.7 71.6	15.5 27.8	100.0 100.0

States with the highest and the lowest values. The range in case of the index of use of mechanical power in agriculture was also large. The inter-State differences are due, to an extent, to differences in need or potential for use of particular inputs in particular States. The potential for use of chemical fertilisers is, under present techno-economic conditions, much greater in Punjab and Kerala where moisture conditions are favourable, than in Rajasthan, Gujarat or Maharashtra, where the conditions are much less favourable. But in the main, the differences reflect differential progress in modernisation of agriculture. One indication of this is provided by the sharp increases in the values of the indicators between the two years, for which data are given in the Table, under the influence of intensive agricultural development programmes. In case of both consumption of chemical fertilisers and use of mechanical power, the increases were more than threefold for the country as a whole. Among the States, increases in fertiliser consumption were most noteworthy in case of Punjab, Haryana and Uttar Pradesh, where they were related to the success of the high-yielding varieties of wheat, and in the southern State of Kerala. Increases in use of mechanical power were most rapid in Tamil Nadu, Gujarat, Punjab and Haryana where the use of irriga-

tion pumps and tractors was already well established. On the other hand, in States like Orissa and Assam where use of these machines was almost non-existent in 1961, progress during the next five years was also slow. Increase in co-operative credit was comparatively small, less than 20 per cent between 1963-64 and 1966-67 for the country as a whole. But increases in Bihar and Assam deserve notice because they give evidence of strengthening of the co-operative movement in States in which it had very low levels of performance earlier.

A rough idea of the relationship between the rate of increase in productivity and indicators of modernisation can be obtained by counting the numbers of ranks among the first seven for each indicator, obtained by the States having the first seven ranks in rate of increase in productivity. The results of the counts, given in Table 5, indicate a fair degree of association, because five or more of the first seven ranks for the indicators are taken by the States with higher rates of productivity increase. The counts are similar for the earlier and the later years for which data are given in Table 4. A better measurement of the relationship between the rate of productivity increase and the modernisation indicators is given by Spearman co-efficients of rank cor-

relation. The co-efficients, appearing at lines 10 to 12 of Table 5 are more than 0.5 in case of all three indicators, but only that for the index of use of mechanical power is significant at 5 per cent level.

The data of Table 4 show also that Bihar and Kerala are the two States in which the ranks according to the rate of productivity increase and those for the modernisation indicators differ most. Bihar has a high productivity increase rank, but low ranks on all the three modernisation indicators; in Kerala, the position is the reverse. It has been mentioned above that the figure of the rate of productivity increase for Bihar is in doubt. The figure for Kerala also needs further investigation because an exceptionally large proportion of the agricultural output of the State consists of plantation and tree crops, in which depressed conditions may have prevailed during the period to which the productivity increase rate relates. Modifying the productivity increase rate ranks somewhat, Kerala was placed above Bihar and was included among the group of 7 States with relatively high rates of productivity increase (the High States of Table 6). With this modification, both the results of the counts and the Spearman co-efficients changed towards stronger association between the rate of productivity increase and the indicators, as is shown in parts II and IV of Table 5.

INCREASE IN PRODUCTIVITY, LEVEL OF ECONOMIC DEVELOPMENT AND AGRICULTURAL DEVELOPMENT PROGRAMMES

The relationships between the rate of productivity increase, the level of economic development and the agricultural development programmes were examined next. The modified productivity ranks of States, as obtained above, were used (column 2 of Table 6). The ranks of the States in column 3 of the Table are according to a composite index of economic development, developed by the author and based on per capita income, proportion of urban population to total proportion of workers engaged in manufacturing industries to all workers, literacy rate for the population, 5 years old and over, and the proportions of population living in districts at two higher levels of economic development, as given in the 1961 Census publication, Levels of Regional Development.¹² Columns 4

to 11 and 15 to 17 of the Table present data on proposed public sector outlays under the Fourth Plan on agriculture, irrigation, rural electrification (AIRE) and related programmes and on physical magnitudes of two programmes — high-yielding varieties and rural electrification. Data on total investment in agriculture are needed to assess the prospects of agricultural growth in different States and to determine whether the observed inter-State differences are likely to be accentuated or reduced in future. But since total investment data were not available, data on public sector outlays, which constitute an important component of total investment, were used. They give an indication of the effect of public investment on agricultural growth. The total outlay figures are given in column 4 of the Table and their relation to total value of agricultural output of each State is indicated in column 5. The percentage distribution, of total outlays among the principal programmes is shown in columns 6 to 9. These figures give an indication of the relative emphasis on different programmes in different States, and of the effort to meet particular problems in some States. Thus allocation of a high proportion of the total outlay to flood control programmes in Assam indicates emphasis on them in a State in which floods constitute a serious problem.

The positive association between the rate of productivity increase and the level of economic development is shown both by the counts of rank positions and the Spearman co-efficient of rank correlation. Six out of the 7 higher ranks according to the index of economic development were taken by States with relatively high rates of productivity increase (the High States of column 2), and the Spearman co-efficient was 0.66. Total AIRE outlays vary from Rs 3803.5 mn in Uttar Pradesh to 880.0 mn in Haryana. The percentages, total AIRE outlay/value of agricultural output, vary from 44.0 in Maharashtra to 18.2 in West Bengal. A positive association between the percentages and the rates of growth of agricultural output or of increase in productivity would indicate that the outlays will have the effect of accentuating inter-State differences in the rates; a negative association would indicate the reverse. No significant association was observed however; the Spearman co-efficients between the percentage and the two rates were very low, 0.11 and 0.13 respectively.

Data on distribution of total outlays among the main components indicate that the proportions allocated to major and medium irrigation are high in several States in which the proportions of cropped area irrigated are low at present. Gujarat, Rajasthan, Mysore and Madhya Pradesh are examples of such States. The proportions allocated to rural electrification are relatively high in Tamil Nadu, Uttar Pradesh and Bihar. Tamil Nadu has led in this programme for more than a decade. It has by far the largest number of electric irrigation pumps than any State and had, in 1969, the second highest proportion (after Kerala) of electrified villages. The emphasis on the programme in UP and Bihar indicates beginnings of attention to it in States in which it had been neglected earlier.

Rural electrification, especially installation of electric irrigation pumps, and the high-yielding varieties programme are perhaps the most important programmes for increasing agricultural output under the Fourth Plan. The total number of electric pumps in the country doubled between 1966 and 1969 and is projected to more than double again by 1974. Among the States, the increases have been notable in Tamil Nadu and Punjab where the numbers were large even earlier, and also in several other States such as UP, Bihar, Haryana and Madhya Pradesh, where they were quite small. The HYVP has its principal concentration at present in UP, Punjab and Haryana, where wheat is grown under irrigation, because the high-yielding varieties have been most successful in case of irrigated wheat. Nearly half of the total area under the programme in 1968-69 was in the 3 States. But the distribution is expected to change during the Fourth Plan period on account of rapid expansion of areas under the programme in other States, following expected research breakthroughs in rice and other cereals. By the end of the Plan, less than 30 per cent of the total area under the programme will be in the 3 States. But inter-State differences in the proportions of cereal area brought under the programme will continue to be large (column 11 of Table 6). Moreover, the proportions will remain very low in several States such as Assam, Madhya Pradesh, Rajasthan, Bihar and Orissa. Rice is the principal cereal crop in all of them except Rajasthan, and as the data of column 12 indicate, most of it is grown without irrigation. In

UP, where also rice is the principal cereal crop in the eastern region and is grown mostly without irrigation, the proportion of cereal area under HYVP will increase only marginally during the Fourth Plan period, indicating that after a high proportion of the area under irrigated wheat, grown in the western region of the State, has been covered by the programme, further progress will be slow. Accordingly the HYVP will have only limited coverage, even at the end of the Fourth Plan, in the large areas growing rice without irrigation in the eastern and north-central States, and little influence in breaking the agricultural stagnation in them.

HIGH AND LOW STATES — A SUMMARY

The position of High and Low States of Table 6, in respect of total cropped area, total value of agricultural output, indicators of modernisation of agriculture and the two Fourth Plan programmes discussed above is summarised in Table 7. It will be seen that the Low States had more than half of both the total cropped area of the country and the total value of agricultural output. But they accounted for less than one-third of the totals for the country for both consumption of chemical fertilisers and quantum of co-operative credit, and a bare 12.5 per cent of the total units of mechanical power used in agriculture. Average levels for all the three indicators were much lower in them than in the High States. Nearly 60 per cent of the total area under HYVP in the country was in the Low States in 1968-69 (mainly because of the large area in UP), but the percentage will go down to 38 by 1973-74. The share of the Low States in the total number of irrigation pumps will increase during the Plan period, but the change will not be large enough to affect the dominance of the High States.

CONCLUSION

From this summary and the earlier more detailed presentation it is clear that half of the States of India, having more than half of the total cropped area and the total value of agricultural output, are not participating adequately in agricultural progress. The Fourth Plan, while it contains programmes for achieving rapid increases in some directions in some Low States, such as in rural electrification in UP and Bihar, or for meeting particular problems, such as of

floods in Assam, will not reduce significantly inter-State differentials in rates of growth of agricultural output or of increase in productivity of crop-lands. What is more important, it does not have an adequate content, such as by way of the HYVP, for greatly accelerating agricultural growth in the Low States. But persistence of a low growth rate over a large part of the country will make achievement of a high overall rate of growth of agricultural output very difficult. Moreover, persistent regional disparities in agricultural growth will lead to a regional dichotomy in economic development and growth, which will complicate enormously the task of economic development. The causes of slow agricultural progress in the Low States should be identified and suitable remedial measures should be taken. This should be done separately for each State and for each region within the larger States, because of diversity of physical and economic conditions among and within the Low States. But there are some common elements which indicate the need for similar programmes in most areas. First, since unirrigated rice is the principal cereal crop over large areas, developing high-yielding varieties of the crop and propagating the new varieties rapidly are important techno-administrative tasks. The second need is for socio-institutional changes, particularly land reforms. Most of the areas of the Low States were under zamindari or other feudalistic land tenures until the early 1950s; large parts of Rajasthan, Orissa and Madhya Pradesh had formed part of small and backward princely States. The handicaps of these areas, arising from institutional or cultural factors, have apparently not been overcome adequately through progress under the Plans. One reason for this may be that abolition of the older land tenure systems has not been followed by structural changes which could set in motion a chain reaction of rapid change and growth. This is brought out by several studies, including those of the Planning Commission.^{14, 15} The process of reform and change must be carried further through suitable land reform measures and complementary measures of social change and institutional development. Reference has been made above to the weakness of the co-operatives in most of the Low States; the institutional development measures must extend also to panchayat raj institutions, particularly in States like Bihar and Madhya Pradesh in which the block and district level

TABLE: SEE NOTE 7 (mn hectares)

	Major and Medium Irrigation Target	Major and Medium Irrigation Achievement	Minor Irrigation Target	Minor Irrigation Achievement
First Plan	3.4	1.3	4.5	3.8
Second Plan	4.2	2.2	3.6	3.6
Third Plan	5.2	2.2	5.2	5.3

Source: Directorate of Economics and Statistics, Ministry of Food, Agriculture, CD and Co-operation, "Indian Agriculture in Brief", Tenth Edition, 1970, pp 150-51.

institutions have not yet been established (p 228). Finally, special attention will need to be given to expansion of infrastructures such as communications and rural electrification which have particular relevance for development of agriculture, and in which as data of Table 6 indicate, the Low States are much behind the High States.

The areal selectivity embodied in the NAS and the Fourth Five-Year Plan is a short-term optimisation strategy. It will need to be complemented by measures aimed at overcoming structural obstacles to agricultural growth over large parts of the country and preparing them for rapid growth over a long period. Without such measures, the short-term strategy will soon reach its limits and achievement of the ambitious targets of agricultural growth during the 1970s will be jeopardised.

Notes

- 1 Unless stated otherwise, quotations are from and page numbers relate to, Fourth Five-Year Plan, 1969-74 (Planning Commission, New Delhi, 1970).
- 2 The targets of areas under the high-yielding varieties and short duration varieties programmes by 1973-74 are 25 mn hectares and 15 mn hectares, respectively. The total area under cereals, which was 99 mn hectares in 1968-69, would total about 105 mn hectares by 1973-74, if it increases at the rate of 1.2 per cent, projected for the gross cropped area.
- 3 The total cropped area fluctuated between 155 mn and 158 mn hectares between 1961-62 and 1968-69.
- 4 W Holst: Evaluation of Population and Food Problems of India, in the World Food Problem, Re-

Country	Total Land Area (mn hectares)	Percentage of Arable Land to Total Land Area
World	13395	11.3
USSR	2240	10.8
USA	1090	16.2
China	956	11.5
INDIA	327	49.7
Pakistan	95	30.0
France	55	37.0
Japan	37	15.5

Source: Production Year Book, FAO, 1968, Vol 22.

- 5 Total land areas and percentages of arable land to total area in some selected countries are as shown in Table below.
- 6 Martin H Billings and Arjan Singh: "Mechanisation and Rural Employment", *Economic and Political Weekly*, Vol V No 26, June 27, 1970, pp A-61-71.
- 7 The targets and achievements of irrigation programmes under the first three Plans are shown above.
- 8 The output indices for wheat, rice and jowar were as follows:

	1964-65	1967-68	1968-69
Wheat	182.1	244.9	258.7
Rice	155.1	149.4	157.2
Jowar	141.0	144.5	141.0

Source: "Indian Agriculture in Brief", p 96.
- 9 Economic and Statistical Adviser, Ministry of Food and Agriculture: "Growth Rates in Agriculture" (Mimeographed), March 1966, p 40.
- 10 The figures for Bihar are of doubtful accuracy because the following note appears in "Growth Rates in Agriculture" under the tables relating to index numbers of area, production and production of different crops for the State (Appendix Nos 2.25 to 2.27):
 "Due to defects in the statistics of area and production of different crops for which no adjustments could be made in the absence of detailed data at lower levels, the index numbers for the period prior to 1956-57 suffer from a number of limitations."
- 11 "Growth Rates in Agriculture", Appendix 5.38.
- 12 Data on proportions of gross cropped area of States falling in different rainfall zones were obtained from "Indian Agriculture in Brief", Table 2.6 pp 22-23, and the following weights were given in construction of the index:
 Annual rainfall 1150 mm and above 3
 Annual rainfall 750 mm to 1150 mm 2
 Annual rainfall upto 750 mm 1
 An additional weight of 1 was given for irrigation in all zones.
- 13 Registrar General, India: Census of India 1961, Vol I, India Part I, (A-1) Text, "Levels of Regional Development", New Delhi, 1964 p 19.
- 14 Daniel and Alice Thorne: "Land and Labour in India", Asia, Bombay, 1962, Part I Land and Labour.
- 15 Planning Commission: "Report on Implementation of Land Reforms", New Delhi, 1966.

Land Reform in India and Pakistan

P C Joshi

A general survey of land reform policy and programmes in India and Pakistan during the two decades since Independence suggests that

(i) The social motivation for agrarian policy in both countries was provided by the contending pressures of the erstwhile semi-feudal landlords on the one hand and the emerging class of medium landowners and superior tenants on the other.

(ii) Within this common frame the variations between India and Pakistan were determined by the relatively greater pull of the old landed class in Pakistan and of the upper layer of the peasantry in India.

(iii) In both countries the rural poor were neither articulate nor organised at the political level to exercise influence on land reform policy in their favour either at the stage of legislation or of implementation.

(iv) The impact of land reform has been positive for the intermediate classes which have been upgraded and pushed into a position of prominence both in the land and the power structures. On the other hand, the impact has been by and large negative for the rural poor. Land reform has been instrumental in disturbing the old framework within which the rural poor had some security without creating for them alternative forms of security.

Against this background, the increasing discontent of the rural poor provides the class motivation for a new type of land reform in the coming phase. In this new context, the scope for as well as the powerful impediments to implementing a radical land reform deserve attention.

The fast increasing politicisation of the rural poor is making them deeply dissatisfied with, and intolerant of, their continuing deprivation. On the other hand, any bold initiative in the interests of the poor has to reckon now with the formidable economic power of the new landed class and the ramifications of this power in the political sphere.

The resolution of these contradictory pulls is the most formidable challenge confronting political elites in the coming years.

[This paper forms part of a bigger study on 'Land Reforms and Agrarian Change in India and Pakistan' done at the Asian Research Centre of the Institute of Economic Growth, Delhi.]

A REVIEW of land reform in India and Pakistan since Independence is significant not only as a study of agrarian history, but also for an understanding of present economic and political trends and, more especially, for assessing the nature of the rural transformation in these countries. In India, interest in land reform seems to have revived again in recent times. The ruling as well as the non-ruling sections of the political elite have begun once again to talk of land reform. What is the significance of this trend? What are the underlying compulsions and motivations for this renewed emphasis on land reform? What, finally, are the prospects of a breakthrough in this vital sphere?

Any serious attempt to answer these questions must begin with a review of the past two decades. In this paper a distinction has been made between commitment, of the political elites to land reform, as an ideology on the one hand and as a programme on the other. In the past, while the agrarian ideology of the elites was characterised by a radicalism and a general orientation toward the rural poor, the agrarian programme was designed to achieve the limited objective of breaking the land power and monopoly of the old

landlord class and of promoting the medium landowners and the big peasants in the land power structures. These intermediate classes allied with the rural poor in order to oust the old landed class from its position of dominance. Having achieved this aim, however, they allied themselves with the remnants of the old classes to resist the pressure of the rural poor for converting the radical agrarian ideology into a radical agrarian programme.

Any programme of radical land reform today has, therefore, to reckon with the formidable power not so much of the now politically discredited and economically unproductive erstwhile landlord class but of the new landed class exercising direct control over the economic system and wielding enormous political power, from the village base, to the top levels of the power structure.

I

At the very very outset it is necessary to draw attention to the general commitment of the ruling elites in India and Pakistan to land reform. In fact, it is safe to generalise that in the Asian region the commitment to land reform is independent of the differen-

ces either in the social character of the ruling elites or in the form of the political regimes. Diverse types of political elites and political regimes are in favour of land reform. The compulsions and motivations underlying this commitment are also similar. Thus, in the case of the Indian elite, the commitment to land reform dates back to the period when the leadership of the Indian National Congress was struggling to wrest power from British hands. It was, therefore, led by the logic of this struggle to make promises of change in the agrarian system so as to win peasant support for the anti-imperialist struggle. There is not much evidence of a similar commitment on the part of the leadership of the All-India Muslim League in the pre-independent period, even though pressure for such commitment was being exercised by dynamic elements specially at the lower levels of the Muslim League organisation. This pressure increased with the transformation of the League from "a coterie of landlords, retired senior officials, and the lawyers" into a "mass organisation". The League leadership could then no longer ignore popular urges and demands. And, after the formation of Pakistan, these pressures crystallised into a commitment.

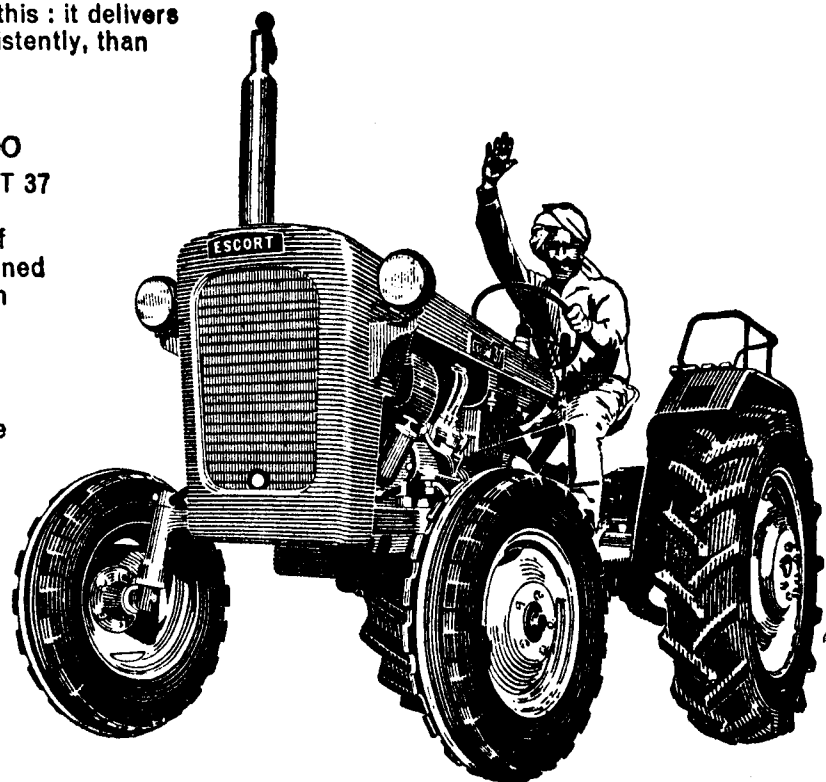
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Thus, in the case of both India and Pakistan, promise of land reform assumed the form of a more definite agrarian programme with the appointment, respectively, of the Congress Agrarian Reforms Committee in 1949 and of the Agrarian Committee of the Pakistan Muslim League in the same year. Commitment to land reform, by the elites both in India and Pakistan, which was earlier part of the political strategy to win power thus became part of a strategy for legitimising power. It was necessary that to gain political legitimacy the ruling elites should appear to be earnest about remedying the hardships and sufferings of the peasants who constituted the largest section of the population in both countries. The newly established regimes could not expect mass peasant support without promise of land reform.

There was also growing agrarian unrest in several parts of undivided India at the time of independence. It was reflected in the widespread tenant-landlord conflicts which threatened to undermine the very stability of the newly established regimes in both India and Pakistan. The situation provided another powerful compulsion for the ruling elites to give urgent attention to the question of agrarian reconstruction.

One more motivating factor was the critical situation created by the chronic stagnation of agriculture — a stagnation which aggravated not only the problem of feeding an increasing population but also thwarted the possibilities of rapid industrial development. The ruling elites were forced to recognise the close interdependence of agricultural regeneration and agrarian renovation. The replacement of the unproductive landed gentry by a land-owning class actively interested in farming appeared to be one of the most important pre-conditions of agricultural progress.

ECONOMIC DISPARITIES

Yet another factor underlying the promise of land reform was the concern regarding the threat to political and social stability arising from the vast economic disparities between the haves and the have-nots. In the countries of Asia, where the overwhelming proportion of the population was dependent on land for livelihood, this disparity assumed the form of vast economic and social distance between the landlords and the tenants and between the landed and the landless classes. The land system was one of the main promoters of economic social injustice. Any advance, therefore, towards a just economic and social order, appeared inconceivable without a reorganisation of

the land system. The ruling elites were aware that the idea of equality was fast becoming part of the consciousness of the exploited classes and that, consequently, an economic and social order which perpetuated social injustice would not answer the needs of the times as it would not be tolerated by the masses. What might result is social tension and violent movements led by extremist political forces. These were the considerations which lay behind the emphasis placed by the ruling elites on economic development with social justice. Land reform was regarded fundamental to both economic development as well as social justice. Chapters on land reform in the Five Year Plans of both India and Pakistan show an identity of outlook in respect of the importance attached to land reform.

Lastly mention has also to be made of the international factors which, in addition to the internal compulsions, motivated the ruling elites in India and Pakistan as in many other Asian countries in their commitment to land reform. International pressure was exercised by various UN Agencies, which time and again impressed upon governments in underdeveloped countries the necessity of land reform. In fact, in today's world a land reform programme constitutes one of the symbols of international respectability.

In short, the compulsions and motivations underlying promise of agrarian reform by the ruling elites in India and Pakistan are fundamentally similar. It is important also to emphasise the resemblance in the broad scope of land reform. In both countries, the general commitment to land reform finds concrete expression in the programme for (1) the abolition of intermediary tenures, (2) tenancy reforms, (3) fixation of ceiling on agricultural holdings and (4) reorganisation of agriculture including consolidation of holdings, prevention of fragmentation, development of service co-operatives, and limited promotion of co-operative farms.

The programme was intended to provide the basic framework of land reform in India and Pakistan. Before evaluating the potential of this framework for promoting the desired changes in the agrarian structure, another common feature of the approach of the ruling elites in both countries should be highlighted.

The crux of the land problem in both India and Pakistan, as in many other Asian countries, was the land concentration in the hands of a minority of landlords who neither managed nor cultivated their lands together with

the dissociation from land ownership of the vast mass of peasants who were the actual tillers of land. The fundamental question of land policy was of removing this discrepancy between ownership of land and its actual cultivation. The ruling elites in both countries were of the view that tenancy was not compatible either with agricultural efficiency or with social justice, and that it had therefore to be replaced by owner-cultivation. But owner-cultivation could be promoted in two different and opposite ways: by transforming actual tillers into owner-cultivators through large-scale redistribution of landlord's lands among small peasants and labourers, or by inducing the landlords themselves to undertake cultivation through hired labour instead through leasing out of their lands to the tenants as was the practice then. The first type of policy would lead to the kind of land reform programme that has been implemented in countries like Mainland China after the communist victory and in Taiwan and Japan under American occupation after the Second World War. The second choice would lead to a type of agrarian transformation resembling the English Enclosures during the eighteenth century or resembling Prussian Junkerism in the nineteenth century.¹

RULING ELITES

It is important to note that the framework of policy adopted by the ruling elites both in India and Pakistan favoured neither of these two courses: neither wholesale expropriation of landlordism in the interests of peasant ownership nor expropriation of tenant cultivators in the interests of large-scale cultivation by former landlords. Instead, the power-elite in both countries favoured a *middle course*, reconciling the interests of landlords with those of the tenants. In other words, it favoured a policy of curtailment (not eliminating) landlordism and of promoting conversion of non-cultivating landlords into cultivating landlords. So far as the peasants were concerned, it favoured a policy of upgrading the upper layer of tenants, and of giving some relief to other tenants. Here then was a policy of promoting a class of owner-cultivators both from among the former landlords and from among the tenant classes. This was expected to provide the social framework for economic development and for social and political stability.

This was the basic orientation of the land policy laid down in the Five Year Plans of both India and Pakistan. It must be emphasised that this policy-framework was sufficiently broad to

permit both a relatively more radical or a more conservative direction, a more tenant-oriented or a more landlord-oriented direction, to an agrarian reform programme, as and when dictated by the exigencies of a situation.

It may and should be asked why, in predominantly peasant countries like India and Pakistan, the ruling elites did not favour a course of thorough-going agrarian transformation of the Japanese or the Taiwan type which held promise of maximum gain to the peasantry. To raise this question is to raise the fundamental issue of the agrarian class structure and its determining influence on the structure of the ruling elites in India and Pakistan. It raises the issue of the balance of political forces in both these countries. One of the important scholars on land reform in Asia, Hung-Chao Tai, has suggested that the character of the land reform programme in the developing countries is determined by the character of the power-elites — more specifically, by "the relation between the elites and the landed class".² He has classified power-elites into two broad types, *viz.* the 'separated' and the 'co-operative'. In the case of the former the 'separation' of the power-elite from the landed class enables them to act more vigorously against the powerful landed class and in favour of the tenant. In the case of the 'co-operative' elites, however, the scope of such initiative against the landed interests and in favour of the tenants is restricted. The check on freedom of action of the power-elites results in a compromise of the tenant interests and in concessions to the landed class in the formulation and implementation of land policy. Co-operative elites again are subdivided into two types, the 'dominant' and the 'conciliatory', the 'dominant' elites being less dependent on the landed class than the 'conciliatory' elites. The latter naturally are much more *status-quo*-oriented than the former who while they concessions to the landed class are not totally identified with it.

Hung Chao-Tai has characterised the power-elites of both India and Pakistan as 'co-operative' elites of the 'dominant' type which stand midway between the wholly 'separated' and the wholly 'conciliatory' types of elites. The land policy sponsored by these elites also stands midway between the wholly radical and the wholly conservative types of land policy. In other words, the separation of the elites from the landed classes in India and Pakistan had not proceeded to such an extent as to permit a

drastic redistribution of land in favour of the landless classes. Nor, on the other hand, were the power-elites in these two countries ideational with the landed class. Enjoying limited independence from the landed class, the elites projected themselves as the promoters of a cautious policy benefiting all sections of society including the tenants. The separation of the power-elites from the landed class is expressed in their resolve to curtail the land monopoly and the social and political privileges of the landlord class. But the absence of total separation is expressed in the numerous compromises and concessions to landlords — above all, in the rejection of the proposal for drastic redistribution of land.

Hung Chao-Tai's analysis provides only a partial but not an adequate explanation for the middle-of-the-road character of land policy in India and Pakistan. Its fundamental inadequacy lies in the failure to identify the *class* basis of land policy. The interests of which economic class does this policy represent, is the fundamental question left unanswered by Hung Chao-Tai. Underlying his analysis is the oversimplified view of an agrarian society, characterised by sharp polarisation of the landed and the landless classes.

In fact, however, in India and Pakistan, neither the landlords nor the tenants constituted such monolithic groups. Further, between big landlords on the one hand and the poor tenants and labourers on the other, there existed intermediate strata of resident under-proprietors and superior tenants who, though they suffered under the old land system, were relatively better-off than the small tenants, tenants-at-will and agricultural labourers. This intermediate class was opposed to the continuance of the feudal land system — but not to the principle of large landownership. It aspired to be free from the control of big landlords and to join the privileged class of independent proprietors. Its attitude towards the old landed class was therefore ambivalent.

This intermediate class made a joint front with the rural poor to oppose the feudal burdens imposed by the landlord class. But it then made common cause with the landlords in order to oppose any interpretation of land reform which might mean redistribution of land in favour of the rural poor. This then was the attitude of an emerging landed class which was keen to oust the feudal landed class from its position of unquestioned dominance. The existence of

this dynamic group provided the social or class motivation for the unique middle-of-the-road type of policy in India and Pakistan. In other words, the conflict between the old landed class and the dynamic intermediate class found its reflection in the battle of ideas relating to alternative paths of agrarian reorganisation. It should also be emphasised that neither in the pre-independence period nor after Independence was there a clear demarcation or articulation of the interests of the rural poor — either at the level of political elite formation or at the intellectual level of crystallisation of an economic model based on the interests of the rural poor.

In respect of both India and Pakistan, however, a clear distinction should be drawn between the ideology of land reform on the one hand and the programme of land reform on the other. The ideology of land reform is generally anti-landlord and represents an articulation of general peasant interest. The ruling elites speak of the interests of the entire peasantry. But the programme of land reform serves primarily the interests of the superior tenants and peasant proprietors rather than the interests of the rural poor.

It should be pointed out here that, at the time of independence, the Indian power-elite emerged as a representative of the dynamic intermediate groups to a much greater extent than did the power-elite in Pakistan which reflected the dominant position of the old landed class. The contrast between the two power elites is fully corroborated by the relatively more radical land reform proposals of the Congress Agrarian Reforms Committee (1949) compared to the recommendations of the Agrarian Committee of the Pakistan Muslim League (1949). In fact, to use again Hung Chao-Tai's typology, the Pakistan Muslim League appears more an elite of the 'conciliatory-co-operative' type than of the 'dominant-co-operative' type.

The change in the character of the Pakistan power-elite from the 'conciliatory-co-operative' to the 'dominant-co-operative' type occurred with the military take-over and the installation of the Ayub Khan regime. This is a development emphasised not only by Pakistan scholars on land reform but also by others outside Pakistan. In an important paper, Mushtaq Ahmad, a Pakistan scholar, emphasises this difference between the old and the new power-elites. Ahmad's characterisation of the new elite as being completely independent of the landlord class is highly ex-

aggerated, but the identification of this divergence between the two elites is important.³

Hung-Chao Tai has also emphasised the limited independence of the Ayub Khan regime from the old landed class. Similarly, Myrdal has pointed out that "the upper class status of those who stepped into power was even more pronounced in Pakistan than in India and was weighted heavily towards the landlord class".⁴ Also, that "the politics pursued in Pakistan during its first decade of independence was thoroughly inimical to social change...".⁵ In contrast to the parliamentary regime the new regime following the military take-over, "publicly endorsed the whole gamut of modernisation ideals, including the need for planning, greater equality in distribution of wealth, the liquidation of feudalism...".⁶ Further, it tried "to work with commendable speed and relative freedom from the pressure of special vested interests". More importantly, "the problem of land reform in West Pakistan was also taken up promptly and its general lines were decreed by January 1959. As later carried out, the reform was anything but drastic or radical... But the parliamentary regime had never tackled land reform at all, and, however mild the present government's programme, it may serve as a beginning for more effective reform in the future".⁷

The emphasis by Hung Chao-Tai and Myrdal on the limited independence of the Ayub Khan regime from the landlords is, no doubt, justified. But, again, the class basis and class orientation of the Ayub regime remains unexplained. In our view, the land policy of the Ayub regime was oriented more towards the dynamic intermediate groups of medium landlords and superior tenants—in sharp contrast to the policy of the earlier regimes which favoured the big landlords. In short, that change of political regimes in Pakistan represented the shifting class basis of the power structure, from big landlords to medium landowners and superior tenants. It signified the political assertion of the classes intermediate between the big landlords and the rural poor against the unquestioned political dominance of the big feudal landed class. It represented the unfolding of the same political processes that had occurred in India, though with a considerable time-lag.

The attempt so far has been to relate the middle-of-the-road character of land policy in India and Pakistan since independence to the class character of the power-elites, more specifically to the contending pressures of the old landed class and of the dynamic intermediate

groups. Another factor closely related to this interaction of the class structure and the ruling elite structure is the overall balance of political forces in these countries. This is a point that has been greatly emphasised by many perceptive analysts of land reform in underdeveloped countries. Doreen Warriner has stated that "the balance of political power in each country will determine the extent of reform".⁸ Similarly, from a survey of land reform in Asia, Wolf Ladejinsky has drawn the conclusion that "the content and implementation of agrarian reform are a reflection of a particular political balance of forces in a country".⁹

Ladejinsky shows how, in Taiwan and Japan, "both the forces which were created as a result of the war favoured a drastic agrarian reform and a redistribution of income and social and political power". Further, the balance of political forces in these countries was clearly in favour of reforms which "were not designed to satisfy the claims of both contending parties" as in India and Pakistan. In fact, "the tenant was to gain at the expense of the landlord". According to Ladejinsky, one of the crucial factors determining the absence of a political balance favourable to reforms of the Japanese type, in countries like India and Pakistan, was the weakness of the peasantry as a political force. Thus, Ladejinsky explains that "the peasants themselves while discontented have not developed a movement, whether in the form of tenant-unions, like those of Japan before the reforms, or peasant political parties, like those of Eastern Europe after the First World War... For the most part, the peasants behaved as if any change in their condition depended upon somebody else. By their apathy they disproved the reasonable assumption that in an agricultural country a government must have peasant support. The fact is that the national and State legislatures in Asia do not represent the interests of the peasantry; if they did, reform might have taken a different character altogether. The reality is that even when voting is free the peasantry in Asia is not yet voting its own interests."¹⁰ [Emphasis added].

This weakness of the peasantry as a political force capable of exerting adequate pressure on political parties and governments for reforms in their favour is reported by scholars as a characteristic common to political systems of both democratic or authoritarian types. Doreen Warriner's study of land reforms also presents a similar view.¹¹ She has also drawn attention to the lack of genuine support from other articulate

classes in countries like India and Pakistan to the question of agrarian reform.¹²

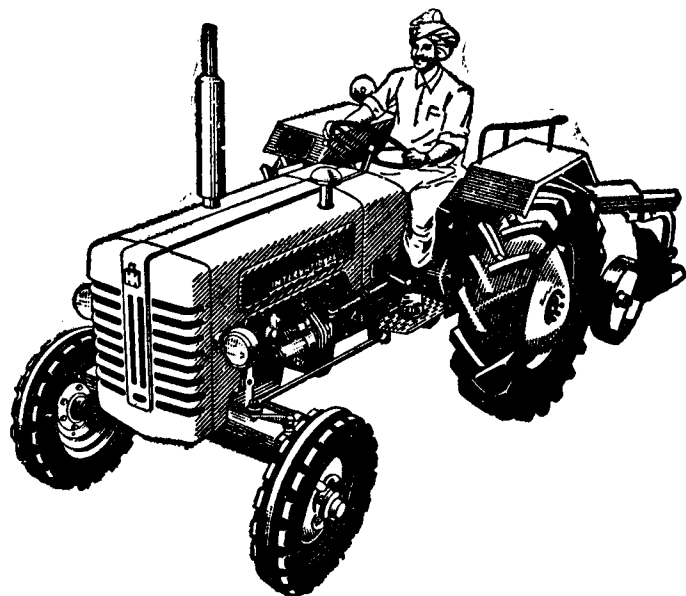
Here again the analysis offered by Ladejinsky and Warriner is only partially correct insofar as it throws light on the lack of political articulation and organisation of the ruling poor in India and Pakistan. The weight attached to this factor in explaining the absence of the Japanese-type land reforms is also justified. But this analysis is incomplete, and even defective, insofar as it is based on an oversimplified view of the class relations and the power structure in these countries. This analysis does not take into account the existence of *intermediate* classes between the two extremes of the big landlords and the rural poor. Nor does it take account of the resilient middle-of-the-road (as against the two extremes of the Right wing and the Left wing) political forces. This 'middle force' articulated and championed the interests of the intermediate classes in the name of the general interests of all the oppressed classes in the rural areas. As a result, this analysis presents a generally negative rather than an objective view of the land reform policy in India and Pakistan.

Considered from the standpoint of the rural poor, the land policy ended up by and large in a fiasco. But considered from the standpoint of the intermediate classes, it was a positive success and was even a promoter of change from an economic and political system dominated by feudal landlords to another system dominated by the intermediate classes. Doreen Warriner is not entirely correct in her statement on the absence of agrarian unrest or peasant movements in India and Pakistan. As indicated earlier, the rural scene at the time of independence was in fact characterised by a general crisis of the old agrarian system and by widespread peasant discontent. The discontent, however, did not become the basis of a peasant movement clearly based on the interests of the rural poor. On the contrary, it was skilfully exploited by the political elites, representing the interests of the intermediate classes, to make only such demands on the old landlord class as would yield maximum benefits for the intermediate classes themselves rather than for the rural poor.

The class bias of the power-elites and the nature of power balances in India and Pakistan discussed above may thus be said to be important factors determining the *class* content of agrarian reform programmes. The most important characteristics of these pro-

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grammes thus were (1) that they did not seek to attack land concentration but only to modify it and (2) that they sought to extend protection not to all the classes of tenants but to certain specified sections belonging to the upper strata of the tenantry. This was in marked contrast to the dominant approach to land reform in Taiwan and in Japan, attacking land monopoly and giving primacy to the interests of all tillers of land.

Another feature distinguishing the approach in India and Pakistan from that of Japan and Taiwan pertained to the methods and instruments of enforcement on the enforcement side were twofold. On the enforcement side were two-fold. In Japan and Taiwan "the reformers recognised not only that the cultivators had to be made aware of the essence of the main provisions, but that they — and only they — had to be the true implementors of the reform if it were to succeed. This attitude led to the creation of a practical enforcement agency, the local land commissions — so far shunned by all the other countries engaged in reform save Taiwan.¹³ In India and Pakistan, on the other hand, the enforcement of land reform was assigned to the normal administrative agencies of government, without any time-bound programmes and without any obligation on their part to associate the peasants with the process of reform implementation.

The second distinguishing feature of land reform enforcement in Japan and Taiwan was the readiness of the ruling elites "to use all instruments of government to attain their goal".¹⁴ In fact, "...landlords in these countries knew that overt opposition would have met with drastic punishment".¹⁵ But the situation in India and Pakistan was different. Here, neither peasant mobilisation nor "government coercion whether practised or clearly threatened" occupied a significant place in the strategy of reform enforcement, though India had a 'parliamentary democratic system' and Pakistan a 'military regime'. In fact, commitment to 'peaceful' change-over without exercise of coercion against the landed class, was common to the approach adopted in both regimes.

Thus, notwithstanding the dissimilarity in the character of political regimes the liberal approach towards the landed class in both countries amply justifies the characterisation of both India and Pakistan, *a la* Myrdal, as 'soft states'.¹⁶ In short, in the course of reform enforcement the State governments in India and Pakistan, unlike those in Taiwan and Japan, were not

prepared to decisively interpose themselves for the enforcement of the rights of the weaker party (i.e., the peasants) against the machination and pressure of the stronger party (i.e., the landlords). What made the situation worse from the point of the peasantry was that, while governments in both countries were not prepared to use the instruments of authority for preventing the violation of land laws by the landlords, they were prepared to use all the instruments of coercion and force for suppressing protest movements by the peasantry whenever the peasantry tried to stand up for its right. The 'soft state' thus tended to act as a 'strong state' as reflected in their lack of sympathy and in ruthlessness towards peasants protests and agitations.

Taking an overall view, the approach of the power elites both in India and Pakistan to the problem of land reform thus suffered from serious inconsistencies. While, at the level of enunciating the general principles, the power-elites emphasise the incompatibility of the traditional landed class with the demands of economic development and of social justice and political stability, at the level of concretising the actual reform programmes they adopt the policy of balancing the interests of the peasantry with those of the landed class. In laying down methods of enforcing land reforms, too, they show a reluctance to decisively intervene in favour of the weak as against the strong. They show a naive faith in 'peaceful' methods and 'peaceful change-over'. This inconsistency between 'diagnosis' of the land problem on the one hand and the 'operational strategy' for reform on the other is inherent in the approach of the ruling elites in both countries. It is not difficult to identify this inconsistency in all major reports of official commissions and committees. Reference can be made in this respect to the UP Zamindari Abolition Committee Report (1948) for India, and the West Pakistan Land Reform Commission Report (1959) for Pakistan.

The UP Zamindari Abolition Committee Report, in its analytical parts, builds up a formidable case against landlordism and then concludes that "no solution within the existing framework of the land system being possible, the landlord must go".¹⁷ Further it emphasises that "...the system needs complete overhauling. Any attempt on our part to tinker with the problem and suggest changes here and there in the superstructure is bound to fail".¹⁸ In the next part of the report, however, dealing with recommendations, it proposes "modifications" rather than "com-

plete overhauling" of the system. It recommends the retention of *Sir* and *Khudkasht* lands by the landlords. It opposes not only redistribution of these lands but also imposition of a ceiling on these lands held by landlords. In the opinion of the Committee, "the results achieved by redistribution of land would not be commensurate with the discontent and hardships resulting from it. We, therefore, recommend that no limit be placed on the maximum area held in cultivation either by a landlord or a tenant."¹⁹

Similarly, the West Pakistan Land Reform Commission presents an insightful analysis of the major defects of 'large estates' from the point of view of both developmental requirements as well as of social justice. It makes out a case for ceilings by emphasising the unproductive character of large holding and the productive potentialities of redistribution in favour of small farmers.²⁰ While making concrete recommendations, however, it proposes the fixation of ceilings on land at so high a level as to reduce land redistribution into a symbolic gesture rather than make it into a substantial measure. Having emphasised in its analytical part the hardships and injustices to which the peasants have been exposed under the overall domination of the landlord, the Commission recommends in the operative part that the process of change should be 'smooth' and "should not involve for the landlord too abrupt a break with the past making it difficult for him to adjust to a new way of life which the change, in the form of a sudden reduction of income from land, will impose on him".²¹ This plea for caution on the part of elites, both in India and Pakistan, has been interpreted by Warriner as a reflection of "the pressures to compromise".

There is thus a clear inconsistency between the ideology of the power elites which, proclaims the objective of 'land to the tiller' and the programme which provides for land rights for the only upper section of the peasantry. Analysts of land reform in India and Pakistan have either not taken note of this inconsistency or have dismissed this phenomenon as a reflection of surrender to the landed class by the power-elites. This inconsistency assumes definite significance if one interprets it as a reflection of the dual role of the intermediate classes of the rural society and of the power-elites, championing the interests of these classes. As indicated earlier, these classes try to rally the entire peasantry behind them under the slogan of land to the tiller in order to oust the old landed class from its

dominant position in the land and power structure, and then, having broken the land and power monopoly of the old landed class, they try to dilute the 'land to the tiller' policy into an agrarian programme suited to their own limited class aims. The anti-landlord bias soon gives way to compromise with the landlords for common opposition to any radical programme of 'land to the tiller' oriented to the interests of the rural poor.

A general survey of land reform policy and programmes in India and Pakistan during the two decades after Independence therefore suggests that:

(1) The social motivation for agrarian policy in India and Pakistan was provided by the contending pressures of the erstwhile semi-feudal landlords on the one hand and the emerging class of medium landowners and superior tenants on the other.

(2) Within this common frame, the variations between India and Pakistan were determined by the relatively greater pull of the old landed class in Pakistan and of the upper layer of the peasantry in India.

(3) In both countries the rural poor were neither articulate nor organised at the political level to exercise influence on the land reform policy and programme in their favour either at the stage of legislation or of imple-

mentation.

(4) The impact of land reform has been positive for the intermediate classes which have been upgraded and pushed into a position of prominence both in the land and power structure. On the other hand, the impact has been by and large negative for the rural poor. It has been mainly instrumental in disturbing the old framework within which the rural poor had some security without creating for them alternative forms of security.

Against this background, increasing discontent of the rural poor provides the class motivation for a new type of land reform in the coming phase. This is to be distinguished from the pressure of the intermediate classes which originally provided the social stimulus as well as the limits of land reform during the last two decades. In the new context, the scope as well as the powerful impediments to implementing a radical land reform deserve attention. The fast-increasing politicisation of the rural poor is making them deeply dissatisfied with, and intolerant of, their continuing deprivation. On the other hand, any bold initiative in the interests of the poor has to reckon now with the formidable economic power of the new landed class and the ramifications of this power in the political sphere.

The resolution of these contradictory

pulls is the most formidable challenge confronting political elites in the coming years.

Notes

- 1 See, Mogens Boserup, 'Agrarian Structure and Take-Off' in 'The Economics of Take-Off into Self-Sustained Growth', W W Rostow (ed); 1963; pp 201-24.
- 2 Hung-Chao Tai, 'The Political Process of Land Reform: A Comparative Study', *Civilisations*, Volume XVIII, No 1, 1968.
- 3 Mushtaq Ahmad, 'Land Reform in Pakistan', *Pakistan Horizon*, Volume XII, No 1, March 1959.
- 4 Gunnar Myrdal, 'Asian Drama', Volume I, p 311.
- 5 *Ibid*, p 315.
- 6 *Ibid*, pp 327-8.
- 7 *Ibid*, p 329.
- 8 Doreen Warriner, 'Land Reform in Principle and Practice', p 15.
- 9 Wolf Ladejinsky, 'Agrarian Reform in Asia', *Foreign Affairs*, April 1964 p 456.
- 10 *Ibid*, p 456.
- 11 Doreen Warriner, *op cit*, p 14.
- 12 *Ibid*, p 58.
- 13 Wolf Ladejinsky, p 457.
- 14 and 15 *Ibid*, p 459.
- 16 Myrdal, *op cit*, p 66 and pp 895-900.
- 17 and 18 UP Z A C Report, Volume I, 1948, p 357.
- 19 *Ibid*, p 389.
- 20 and 21 Land Reforms Commission, West Pakistan, pp 12-15.

Micro-Level Measurement of Scale Economics

K Mukerji

Family labour and hired labour in Indian agriculture are not of the same quality. The advantage lies with hired labour. While, in terms of the history of capitalist development there seems nothing surprising in this, the question still remains of how the hypothesis can be tested at the micro level.

This article argues that the solution to this problem lies at the very root of the economic basis of land reform. However, micro-econometric studies cannot reveal the difference between large and small farms.

This impossibility is attributable to several reasons, the most important of which is that labour units measured in man-days simply by-pass the essential difference between farms using and not using hired labour. That difference is essentially a quality difference which cannot be analytically extricated from a production function model if it is missed in the original collection of farm data.

The problem of micro level studies getting mixed up with institutional adjustments particularly in the field of subsistence agriculture is not a new one. It is the problem of comparability of labour and other inputs in two institutionally different conditions. While a solution could be found, therefore, it cannot be found within a static micro frame.

[The author is indebted for the early development of the closed model difficulties of continued foreclosures and the resultant emergence of landless labour to G Parthasarathy.]

OBTAINING confirmation for a macro-level proposition from evidence collected at the micro-level, is a notoriously hazardous undertaking. Deducing verifiable micro-level phenomena from the macro-level situation is, of course, difficult. Yet, if economics is to exist as a science and provide some support to economic policy-making, both these hazardous operations have to be undertaken, whatever may be the academic cost. The present paper is a somewhat wild attempt to throw one such bridge between macro- and micro-level positions in the difficult area of Indian land reforms. The objectives of the Indian land reforms have been reasonably summarised as follows:

- (a) to abolish the intermediate levels of landlordism,
 - (b) to reform tenancy by providing security of tenure and reducing rent, and then to convert the tenants into owners with all the incentives of private property in land; and
 - (c) to enlarge the size of farms and give land to the landless through a system of land ceilings and floors.¹
- The crucial question that has been posed in this paper is whether there is any consistent economic policy underlying these reforms.

From a purely economic point of view, the criterion employed is that of maximum efficiency in production derived as an end product of these reforms. This question is related to the size of the most efficient farm, particularly from the standpoint of scale of operations. It is, after all, only in terms of establishing the most efficient farm size that the land reforms can be shown to have improved on the situation, or otherwise. However, this proposition is far from simple, if only

because of the extreme heterogeneity of conditions in the country. In respect of the first consideration itself, generalised empirical evidence would be always difficult to come by.

LAND HOLDINGS SITUATION

Before getting at the central problem, it is desirable to take stock of the land holdings situation. Evidence from the National Sample Survey studies indicates that the inequality of land holdings in India is very great. A little less than half the rural households held less than one acre per household, and this accounted for only one per cent of the land.² Analysis of land distribution among the different size-groups of farms, yields a very different picture, however. As much as 63.6 per cent of the total cultivated land is operated in units of 10 acres or more.³ This clearly indicates that leasing of agricultural land, when considered as a cultural land, has tended to reduce inequality among cultivated holdings. Land reforms calculated to protect the lessee would, in the circumstances, have complex effects — including that the prevention of such leasing would fail to protect the weaker party. Though relevant evidence is not available, particularly in aggregates, it is possible that producing a correspondence between ownership and cultivation by weakening the lessors' rights can directly affect agricultural efficiency in the wrong direction.

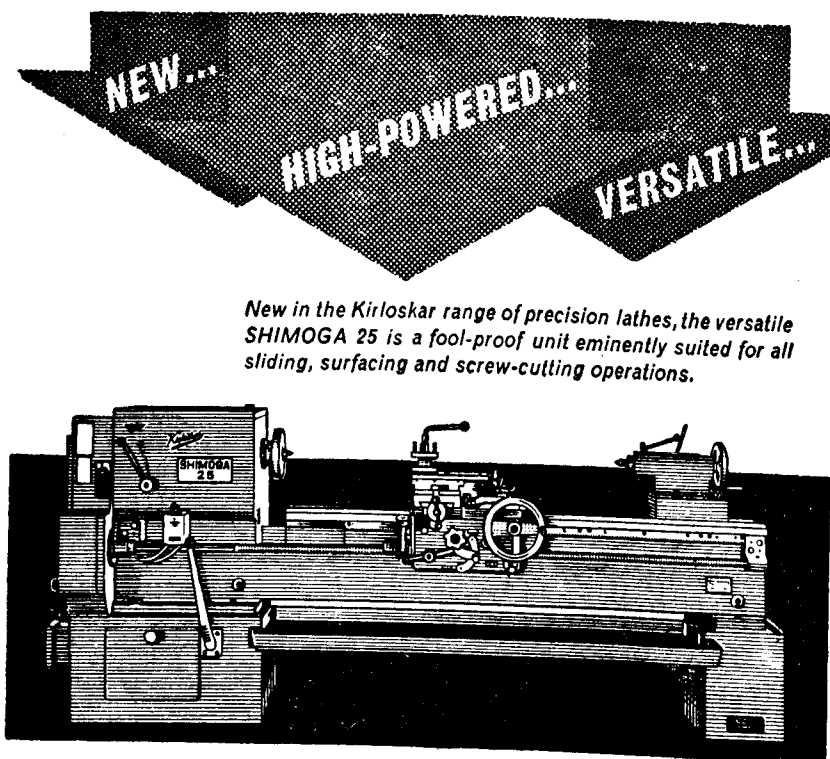
Coming to the basic issue of returns to scale in Indian agriculture, it has been generally believed that the small farmer in India is technically more efficient. And this is the direction in which the reforms appear to go. The first results of the Farm Management

studies also seemed to confirm this point of view. The results of the Farm Management studies may be summarised as follows:

- (a) As farm size expands (acreage), gross output per acre declines;
- (b) As farm size expands (acreage), farm business incomes per acre declines; and
- (c) As farm size expands (acreage), net profit per acre increases.⁴

The foregoing conclusions, which are supposed to be justified by economic theory, can in part be ascribed to assumptions of zero quality differences in land. If allowance is made for quality difference or difference in fertility of land, on the assumption that the differential in land revenue effectively measures that difference, the overall conclusion has to be modified because gross output and farm business income per acre has no general tendency either to increase or decrease, while net profits per acre increase with farm size, starting with the negative figures for small farms to a positive one for the larger ones.

The controversy is far from over. Rudra has recently argued that, even with quality uncorrected data, the apparent efficiency of the small units in the Farm Management studies arises from certain statistical properties of grouping and that it cannot be established in terms of the ungrouped data available in the original source.⁵ In a critical rejoinder, Rao⁶ has argued that Rudra's results must, in part, be due the change in definition of size of farm in terms of net acres rather than gross acres.⁷ To Rudra himself,⁸ this does not seem to be the real source of the differences. Much more work requires to be done, how-



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ever, before the point can be clearly established, but it is doubtful whether such intensification can be merely along statistical and analytical lines. It is quite possible, indeed probable, that the rent differentials do not quite reflect the fertility differences. To anyone familiar with the fixation of rent differentials at the village level, the reasons for this should be obvious. On the other hand, nothing seems to have been done to establish that, in the long run, soil fertility is independent of intensive use and so of the size of the land holding.

On the basis of Sen's well known theorisation, pushing of agricultural output to the farthest point — irrespective of the negative net profits on the small farms — is advantageous to the country as a whole, since the gross output is larger that way.⁹ The interesting point about the explanation is that it simultaneously explains all three conclusions of the Farm Management studies outlined above. Apart from the fact that the empirical finding, which the demonstration supposedly explains satisfactorily, is itself likely to prove doubtful, Sen's theorisation, requiring the non-existence of outside opportunities for family labour, cannot explain the differences in output per acre among large farms using mostly hired labour and it assumes homogeneity of quality between family labour and hired labour.

It is important to recognise two other difficulties. Sen's theorisation also does not provide any answer to the neo-classical problem associated with the consequences of over-use of land as a factor. It is equally important to notice the 'constant real wage' assumption. Insofar as labour-intensive production of the extra output, actually increases consumption and therefore real wages by more than the amount of extra produce, the extra gross output may be of no general consequence to the economy even from the point of view of welfare. It is this last point that is crucial in the formulation of an agrarian policy, and it is precisely here that the formulation is quite unsatisfactory.

If the whole matter is now reconsidered from the standpoint of institutional economic history — and it is not clear what other alternative is really left open — the undernoted sequence may be found to be of some formula-tive value. Insofar as, the British insistence on 'contract' to replace 'convention' was accepted in the Indian

agrarian system — including the idea of absolute property rights in agrarian land — it gave rise to the phenomenon of landless labour. The process involved was broadly as follows: With the rise in population and the smooth working out of the inheritance rules, the average size of farm tended to decline. As this process continued, small farmers, with average consumption or real wage level close to or above the output, found it possible to borrow resources by mortgaging their land. In effect, what was borrowed was the wherewithal of survival and, therefore, wage goods. Whether the borrowing was done for the purpose of production or whether it was done for the purpose of consumption, has very little real significance in terms of the actual nature of the situation. What is relevant is that the farmers, in effect, did not produce a surplus that was adequate for payment of interest on the borrowings or to accumulate a reserve for repayment. Faced with defaults of payment of interest and principal, lands mortgaged to the borrower were ultimately foreclosed. Small farmers were thus gradually converted into landless labourers. The process was accentuated as pressure on land gradually increased.

TRANSFORMATION OF RURAL CLASS STRUCTURE

This is how a standard text-book in Indian Economics puts the matter: "The broad conclusion is, therefore, quite clear. Even as late as the closing decades of the 19th century when the class of agricultural labourers had just started to grow, it formed hardly 10 per cent of the total rural population. In the 50 years that followed the process of its growth was accentuated so rapidly that, by 1951, agricultural labourers formed more than 30 per cent of the rural population. The process of transformation of the rural class structure implicit in this situation can be visualised somewhat as follows: the peasant proprietor with a sizeable holding has been shrinking to the position of a petty cultivator owning a small holding. His holding is gradually declining further bringing him down the ladder as a tenant, share-cropper, an agricultural labourer, and finally the landless labourer."¹⁰ As regards the institutional process, to quote again, "Sales of mortgaged land for the satisfaction of debt under a civil decree became an ordinary expedient instead of the exceptional resort that it had been in the pre-

British period There is little wonder that land began to pass, on an alarming scale, from *ryot* to *sahukar*."¹¹

If the overall image is even broadly correct, and if one considers a closed economy, it is not easy to see how such a process could go on for any length of time. The interesting point is that the question of logical completion of the process and, therefore, of its practicability, does not appear to have been seriously raised in the relevant literature at all. As has been indicated already, there can be no doubt that broadly speaking the debts were incurred to cover short period and working capital requirements. The other hypothesis that, the impoverishment of the farmers is to be attributed to ostentatious and non-productive spending cannot be quantitatively sustained and has been generally abandoned. It follows from the depicted sequence, then, that the defaulting farmers failed to get adequate returns from their capital so invested, and were not able to service the loans or to accumulate a surplus to repay the principal. The fact that there were extensive defaults and foreclosures establishes the point fairly satisfactorily. What is not at all clear, however, either factually or logically, is how it paid the lender to foreclose the land and acquire it. Insofar as workers moved into agriculture with the collapse of the rural industries, the system did not operate as a closed system. Such shifts, however, cannot have been very great during the period involved. In general, there can be little doubt that rural de-industrialisation was a relative rather than an absolute movement, and was based on the accommodation provided to a rising working force in agriculture rather than in industry.¹²

Insofar as the lender was himself a farmer and had human and bullock power at his disposal the process could go on to some extent. This would allow for the minimum requirement of the system as a whole, but would not account for the emergence of a class of landless labourers from the demand end. That is because, to explain the emergence of a class of landless labourers, it is necessary to explain not only the emergence of a class of people who had to hire themselves out but also the conditions under which the corresponding demand for their services emerged simultaneously. Given a closed system, an equilibrium condition requires that the small farmers reduced

to the landless labourers category, would be re-employed on the same land as casual labourers or as farm servants. This point is crucial to the argument. But to the extent that this was what was happening, the returns to capital held as agricultural land would certainly be inadequate. It is difficult, therefore, to explain the continuity of the process of foreclosure of agrarian land, over long stretches of time, except under certain very specific conditions.

Some of these conditions are considered in what follows. It may be worthwhile to note that the problem relates to secular tendencies alone, and as such, creates no difficulties in explaining agricultural mortgages and foreclosures over the cycles, if their existence can be established.

It is the contention of this paper that one of the major conditions that would allow for the continuation of such a process is that, the farm servant or the casual labourer, working under supervision, is more productive than the small farmer. The only possible exception to this is the condition that in the changed circumstances, the real wages were lower and that, therefore, a wider margin appeared between the gross output and the returns to labour, such that the interest/rent/profit gap become more viable. It is, of course, possible that in any actual situation both tendencies would operate. But to the extent that the surplus arises from lowered wages, it would give rise to a secular tendency for the level of agricultural real wages to fall. Such studies as have been made of the problem in India, do not, however, indicate any such secular fall in real wages as may be deduced from the line of argument presented in the foregoing, even though the image of rural pauperisation has stuck in the popular mind and continues to satisfy the doctrinaire Marxists. It is true that no satisfactory global estimate exists of the rural casual labourers' real wage. But such fragmentary evidences as are there, rule out the objectivity of such a secular decline in the real wages of agricultural labourers in India over the relevant period.¹³

In the circumstances, one is unavoidably thrown back on to the residual explanation of greater productivity of casual and/or farm servant labour as compared to the labour of the self-employed farmer, with no other changes except the change of ownership and supervision. The difference in productivity in the two situations

must also be adequate to keep the real wages at more or less steady levels and yet to produce the marginal change in return to capital in order that foreclosure may become worthwhile. The same tendency would be reinforced if such foreclosure increased the productive efficiency of farm animals and implements. The available evidence indicates that the capital values of agrarian land were rising throughout the period under consideration.¹⁴ Such a phenomenon is difficult to explain except in terms of a productivity reorientation of the type indicated. It is desirable to consider a further leak. It is possible that the increase in productivity arose from a shift to cash crops and/or greater access to agricultural knowhow. The second point is known not to have been important, but the first is equally known to have been a dominant feature of agrarian change in the times. Contemporary cross-sectional data, however, tend to show that the proportion of land devoted to cash crops is not higher among farmers employing hired labour. The balance of probability is, therefore, against the marginal change in favour of capital emerging from that source.

NOT THE SAME QUALITY

The available macro evidence, therefore, indicates three things:

(a) That there was a secular tendency for the marginal productivity curve to shift slightly but definitely to the right.

(b) While the magnitude of the shift did not increase, the process extended to wider areas.

(c) The various leaks in the system are, *prima facie*, not adequate to explain either the magnitude or the sustained character of the change, especially the latter.

It is, therefore, possible to put forth the proposition with some confidence that, family labour and hired labour in Indian agriculture are not of the same quality. The advantage, both in respect of the gross product and the level of real wages as also in respect of the ratio between them, lies with hired labour. In terms of the history of capitalist development there is nothing surprising in this. The point is whether and how the hypothesis can be tested at the micro-level. It is the contention of this paper that, not only does the solution of the problem lie at the very root of the economic basis of land reform but also that micro.econometric studies of the

type referred to in the foregoing would not be able to reveal the difference between the small and large farms. The latter impossibility is to be attributed to several factors,¹⁵ the most important of which is that labour units measured in man-days simply by-passes the essential difference between farms using and not using hired labour. The difference is essentially a quality difference that cannot be analytically extricated from a production function model, if it is missed in the original collection of farm data.

The problem of micro-level studies getting mixed up with institutional adjustments, particularly in the field of subsistence agriculture, is not, however, an altogether new problem.¹⁶ It is ultimately a problem of comparability of labour and other inputs in two institutionally different conditions. But the conclusion is not that no solution to the problem can be found, but that a solution is unlikely to be found within a static micro-frame. The balance of probability is clearly in favour of large farms being more efficient up to a point dictated by the divisibilities of capital equipment in actual use as arising out of the state of technology and quality of labour input as compared to the smaller ones, and also in favour of the hypothesis that this proposition would never be clinched in terms of cross-sectional micro data. Incidentally, the difficulty provides an interesting side-light on the nature of objective verification of economic hypothesis at the micro-level. It is well known that, under Indian conditions, a solution *via* the market price of different kinds of labour does not exist either. But perhaps a solution can be found if a certain blend of macro- and micro-level reasoning is attempted. It is a difficult blend, but may be quite unavoidable, all the same, in any serious economics. After all, the whole is not any less real than parts of it, and does not cease to be so merely because we cannot conveniently and mechanically observe it. It should not, however, be entirely impossible to produce empirical evidence in support of the basic hypothesis of this paper with a different kind of field work on the operational level of subsistence farms. But that is a different task altogether.

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Sirpur Paper

SIRPUR paper could increase its production marginally from 32,100 tonnes to 32,700 tonnes during the year to June 1970 because of scarcity of some imported spares and frequent tripping of power supply. With increase in selling prices, however, net sales expanded from Rs 562 lakhs to Rs 632 lakhs and gross profit was up from Rs 49 lakhs to Rs 103 lakhs. At the net level, there was a surplus of Rs 19 lakhs (against a deficit of Rs 2 lakhs) which covered the recommended 3 per cent equity distribution 1.6 times and provided a return of 2.3 per cent on the total funds employed in business. The

directors say that results were affected by rise in costs of raw materials, coal, stores, chemicals, etc. On the basis of current working, they expect the company to be able to pay "better" dividend this year. Orient Paper has been appointed as technical consultant

of the company from April last. Sirpur's expansion is going on satisfactorily, and the board machine with a capacity of 60 tonnes a day is expected to be ready for commissioning in the first half of 1972. The company issued debentures of Rs 3.50 crores.

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Farm Size and Credit Policy

C H Hanumantha Rao

Land and labour are no longer the predominant factors of growth in agriculture, and capital and scientific knowledge have become a major source of growth with their significance increasing rapidly.

Disparities in income and wealth in the agriculture sector would, therefore, crucially depend on how capital is distributed among the various size holdings. Consequently, those committed to an egalitarian agrarian set-up need to concentrate as much on equitable distribution of capital as on more equal distribution of land.

Whether institutional credit will be made an instrument for reducing disparities in income and wealth in the agricultural sector will in fact depend finally on the awareness and bargaining power of the small and medium farmers themselves. Unfortunately, at present, their interests do not offer an attractive enough source of political power for the political parties to organise their cause.

It is, therefore, necessary to start with institutions in which small farmers are likely to get a better deal. Paradoxically, the farther away the institution is situated from the village, the better the chance the small farmer stands in relation to it. Initiative from the Government and the nationalised banks with respect to the capital needs of these farmers would, indeed, be very rewarding.

LAND and labour have ceased to be the predominant factors of growth in Indian agriculture. Capital, together with scientific knowledge, has already become a major source of growth, and its significance is rapidly increasing. The disparities in income and in wealth, within the agricultural sector, would therefore depend crucially on how capital is and will be distributed among the different holding-size groups. Those committed to an egalitarian agrarian set-up have been focusing attention almost exclusively on the need to have a more equal distribution of land, neglecting the equally important issue of equitable distribution of capital. Credit from institutional sources (e.g. co-operatives, government, and the nationalised and commercial banks) is becoming increasingly important as a means of capital formation in agriculture. These sources accounted for about one-third of total agricultural credit at the beginning of the Fourth Plan, as against 7.3 per cent in 1951-52.

DEPENDS ON CREDITWORTHINESS

In a capitalist or free market economy, the relative growth of different firms may depend essentially on their initial wealth position — because, among other things, the ability of a firm to borrow on reasonable terms in the market depends on its 'creditworthiness'. It is possible to argue that since large farmers save a greater proportion of the increment in their income than do small farmers, they would add to their wealth at a faster rate and would eventually proletarianise the small farmers.² A qualification to this is provided, in principle at least, by the public regulation of the capital markets. Given a favourable socio-political environment, a

public authority can, through its own operations in the capital market, make capital cheaper and more accessible to the small farmers and so improve their competitive position vis-a-vis the large farmers. It would be interesting, therefore, to evaluate the performance of institutional credit in this respect and to explore the possibilities of improving its effectiveness in the future.

RIISING SIGNIFICANCE OF CAPITAL

Between 1960-61 and 1968-69, agricultural production (all commodities) rose by 11.6 per cent, or at the simple rate of about 1.5 per cent per annum, while cropped area increased by only about 0.5 per cent per annum.³ Although the country's population may have been growing at about 2.5 per cent per annum, the annual growth of employment in agriculture is unlikely to have exceeded 2 per cent. Assuming that, a one per cent rise in land input increases output by 0.3 per cent, other factors remaining constant, the growth of cropped area accounts for only about 10 per cent of the growth in output in this period. If we take a similar 'output response' with respect to the labour input,⁴ the contribution of labour is about 40 per cent. Thus the growth of capital and knowledge together accounted for the remaining 50 per cent of the growth in output. In fact, for the periods 1960-61 to 1967-68 and 1961-62 to 1967-68, the contribution of capital amounts to 55 per cent and 59 per cent respectively.

The experience in the districts where the Intensive Agricultural District Programme (IADP) has been in progress, confirms the proposition that capital has become a major factor in agricultural growth. As may be ex-

pected, the contribution of capital in these areas turns out to be much higher than the average for the country indicated above. Between 1961-62 and 1967-68, output of foodgrains in the IADP districts rose by 12.4 per cent or by about 2.1 per cent per annum, whereas the area under foodgrains increased by only about 0.33 per cent per annum.⁵ The actual employment of labour seems to have increased by 2.5 per cent — which should not be surprising since the new techniques applied in these areas are, by and large, labour-absorbing.

DISTRIBUTION OF CREDIT

Since, on an average, about 60 per cent of the cultivated area in the IADP areas is irrigated, the response of output to a one per cent increase in land input is likely to be 0.4 per cent, instead of 0.3 per cent assumed for the country as a whole. In the case of the labour input, however, the output response is likely to be lower i.e. around 0.25 per cent.⁷ On this basis, cropped area accounts for only about 6 per cent of output growth and labour for another 30 per cent. Thus, as much as 64 per cent of output growth can be attributed to the growth of capital and knowledge.

In the volume of credit supplied, the institutional sources, as compared to private sources, have proved to be discriminative against the small farmers. According to the All India Rural Credit Survey, in 1951-52, small farmers showed higher indebtedness per acre than did large farmers. But credit per acre supplied by co-operatives to small farmers was significantly lower than that for large farmers (See Table 1). This implies that credit per acre from private sources was

TABLE 1: DISTRIBUTION OF CO-OPERATIVE CREDIT, 1951-52

Type of Cultivator	Average Size of Sown Area Per Family	Amount Borrowed Per Acre from Co-operatives (Rs)	Amount Borrowed from Co-operatives as Percentage of Total Borrowings from All Agencies
Small	3.0	0.63	1.7
Medium	6.8	0.70	2.7
Large	16.9	0.80	3.8
Big	26.0	0.81	4.0

Source: Report of the All India Rural Credit Review Committee, p 23.

TABLE 2: RELATIVE IMPORTANCE OF CO-OPERATIVES IN THE TOTAL BORROWINGS OF CULTIVATORS AMONG DIFFERENT ASSET GROUPS, 1961-62

Asset Group (Rs)	Percentage of Families Borrowing from Co-operatives	Percentage of Borrowing from Co-operatives to Those Borrowing from All Agencies	Percentage of Borrowings from Co-operatives to Total Borrowings	Percentage of Amount Borrowed from Co-operatives to Total Borrowings	Average Area Personally Cultivated Per Cultivator (Acre)	Average Borrowings Per Acre (Rs)
Less than 500	2.6	5.7	0.5	5.1	1.27	1.81
500 - 1000	3.9	8.2	1.5	7.3	2.14	2.38
1000 - 2500	6.2	12.7	7.4	9.6	3.35	2.81
2500 - 5000	9.4	17.6	14.3	12.6	5.35	3.66
5000 - 10000	12.3	22.0	20.7	14.2	8.06	4.42
10000 - 20000	15.4	27.6	21.4	16.5	11.86	5.36
20000 and above	19.0	34.9	34.2	23.1	23.26	7.33
All asset groups	9.4	18.1	100.0	15.5	6.63	4.81

Source: All-India Rural Debt and Investment Survey: quoted from the Report of the All India Rural Credit Review Committee, pp 127-8.

higher for small farmers. The tendency has continued through the late sixties. In the second group of IADP districts, for instance, loan per hectare from all sources in 1967-68 was Rs 67 and Rs 54 for small and large farmers, respectively. Of this, the amounts advanced by co-operatives were Rs 30 and Rs 33, respectively.⁸

According to the All India Rural Debt and Investment Survey (1961-62), the distribution of the credit from the co-operatives was inequitous as among different asset groups (Table 2). Although productive assets (e.g. irrigation and cattle) per acre decline with increase in size of holding,⁹ credit per acre extended by the co-operatives is found to increase significantly with increase in operated area (see columns 5 and 6 of Table 2). Among the

various States, wherever concentration of assets is higher, concentration of co-operative credit is also higher (Table 3),¹⁰ indicating that the political power of the large farmers, which derives largely from the disparities in wealth, is an important factor determining the distribution of co-operative credit.

The experience in the IADP districts is that the disparity in distribution of credit was further accentuated in the last decade. Table 4 shows that, between 1962-63 and 1967-68, loans per hectare, taken from co-operatives by the large farmers, increased by 100 per cent to 154 per cent — as against the increase of 54 to 58 per cent in the case of loans taken by the small farmers.

A study made by the Programme

Evaluation Organisation of the Planning Commission on the working of 84 small and 33 large co-operative credit societies in the country revealed that, during all the three years covered by the Survey, in the case of the small societies, the percentage of overdues to loans outstanding was significantly higher among large farmers as compared to among small farmers. Among large farmers, the overdues constitute as much as 30 to 46 per cent of the loans outstanding (see Table 5).

In the case of large societies, however, percentage of overdues to loans outstanding does not show any distinct tendency in relation to the size of holding. Further, the small farmers (with holdings size below 10 acres) get a better share in the credit advanced from large societies than from small societies. These facts indicate that large farmers, owing to their greater bargaining power at the local level, are able to corner a substantial proportion of the credit from the small societies. Also, they are able to get away with large overdues. Between the large and small societies, the small farmers seem to get a better deal from the large societies.

CREDIT RATIONING

In a situation where large farmers wield considerable power at the local level, it would be impossible to ensure an equitable distribution of institutional credit without a clear-cut policy from above regarding the allocation of credit among the different land holding groups. Such a policy would also have to be backed by measures to enforce such limits. We need to practise credit rationing if institutional credit is not to become a means for widening the existing disparities in income and wealth within the agricultural sector — especially if it is indeed to be made an instrument for reducing such disparities. Co-operatives and commercial and nationalised banks should be required to allocate to small farmers — say those with holdings below 10 acres — a specified quantum which should be more than proportionate to the land held by such farmers in the region concerned. This is because, as mentioned above, small farmers in general have larger productive assets per acre than large farmers. Besides, large farmers are in a better position to finance investment from their own resources, Central and State Governments and the Reserve Bank can

TABLE 3: CO-EFFICIENTS OF CONCENTRATION

	Assets	Co-operative Credit
Punjab	0.775	0.782
Jammu and Kashmir	0.811	0.802
Assam	0.825	0.751
Orissa	0.830	0.786
Rajasthan	0.830	0.818
Gujarat	0.838	0.831
Madhya Pradesh	0.843	0.822
Uttar Pradesh	0.857	0.838
Maharashtra	0.859	0.862
Mysore	0.863	0.874
All India	0.870	0.864
West Bengal	0.871	0.856
Madras	0.878	0.872
Andhra Pradesh	0.882	0.885
Bihar	0.884	0.878
Kerala	0.895	0.858

Note: Rank Correlation between the co-efficient of concentration of assets and the co-efficient of concentration of co-operative credit is 0.9.

Source: All India Rural Debt and Investment Survey: quoted from the Report of All India Rural Credit Review Committee, p 130.

devise various methods to ensure compliance with such quotas.

Such a rationing would discourage consumption expenditure by large farmers, restrict the scope for re-lending of the credit taken from co-operatives, and would thus reduce the volume of overdues. Insofar as credit availability is increased significantly for the small farmers, their dependence on agricultural money-lenders would decline. Since a good part of the demand for credit by small farmers is therefore inelastic,¹¹ increased availability of credit to them may result in lower interest rates being charged by the agricultural money-

lenders (Table 6 illustrates how the amounts borrowed at higher rates of interest increase with the decline in the size of holding). The agricultural money-lenders may thus find it more attractive, at the relevant margin, to increase their deposits with the banks. Credit rationing would thus also contribute to the economic viability of credit institutions.

What would be the impact of such a redistribution of credit on agricultural productivity and surplus? Re-allocation of credit in favour of small farmers would, to a large extent, mean substitution of institutional sources for other sources. To this extent, the supply of credit on better terms represents the only gain for the small farmers. Therefore, the prospect that, a good part of institutional credit is likely to be spent for consumption, will not make any difference to the pattern of credit utilisation for the sector as a whole. Further, to the extent this reallocation leads to a net transfer of credit (all sources) from the larger to the small farms for productive purposes, there is most likely to be an increase in the total agricultural output. This is because, owing to the greater availability of labour and other complementary inputs, such as irrigation, among small farms, a rupee spent on current inputs, say fertilisers, brings forth significantly larger returns than on large farms.¹² Since investments in modern inputs are highly profitable, it should be possible for the small farmers to repay the loans in time and still be left with an increase in their net income.

Although small farmers consume a larger proportion of the increase in their income than the large farmers, the welfare implications of this redistribution cannot be overlooked: The rural rich too have a high propensity to consume. The upper income groups in the rural areas seem to consume at least 82 paise from a rupee increase in their income.¹³ This means that, the transfer of productive resources from larger to smaller farmers has a substantial potential for redistributing consumption.

The prevailing rates of interest charged by the institutional agencies for agricultural loans are only slightly lower than for the non-agricultural sector. This marginal differential in favour of agriculture may not be without justification. For one thing, Indian agriculture is still subject to high production uncertainties so that

TABLE 4: CREDIT AVAILABLE BY FARMERS OF DIFFERENT HOLDING SIZE CLASSES IN THE IADP DISTRICTS

	(in rupees)	
	First Group of Districts	Second Group of Districts
<i>Small Farmers</i>		
1962-63	28	19
1967-68	43	30
Percentage increase	5.57	57.58
<i>Medium Farmers</i>		
1962-63	28	13
1967-68	47	35
Percentage increase	67.85	169.23
<i>Large Farmers</i>		
1962-63	20	13
1967-68	40	33
Percentage increase	100	153.84

(Loans per hectare of cultivated area taken from Co-operatives or Government)

Source: Ministry of Food and Agriculture, Modernising Indian Agriculture, Report of the Intensive Agricultural District Programme, Volume I, p 109.

farmers discount the returns significantly while making investments. Since the process of agricultural modernisation in India is still subject to several uncertainties, the existing incentive in the form of slightly lower interest rates may help to accelerate the modernising process. Besides, institutional credit accounts for only about one-third of total agricultural credit and the interest rates charged by other sources vary from 12 to 36 per cent; consequently, the effective average (weighted) interest rate for the farmers is unlikely to be lower than 18 per cent — which may be much higher than the average for the non-agricultural sector.

It may be argued that, a higher interest rate on borrowings by large farmers coupled with a higher rate on deposits may improve the competitive position of institutional agencies in

TABLE 5: ADVANCES ACCORDING TO SIZE OF HOLDING BY LARGE AND SMALL SOCIETIES

Size of Holdings (acres)	Large Societies		Small Societies	
	Percentage Distribution of Loans Advanced	Percentage Overdues to Loans Outstanding	Percentage Distribution of Loans Advanced	Percentage Overdues to Loans Outstanding
1956 :				
Below 2	7.8	13.0	7.4	17.2
2 - 5	25.6	12.2	21.5	9.9
5 - 10	22.5	12.4	20.6	16.4
10 - 25	24.0	0.0	27.0	22.4
Above 25	20.1	..	23.5	40.5
All groups	100.0		100.0	
1957 :				
Below 2	15.5	4.7	9.5	19.9
2 - 5	27.8	3.1	24.7	13.5
5 - 10	24.5	6.3	22.4	17.1
10 - 25	21.8	4.3	27.8	20.3
above 25	10.4	2.3	15.6	46.4
All groups	100.0		100.0	
1958 :				
Below 2	8.6	10.0	8.5	9.8
2 - 5	21.9	8.8	21.4	9.1
5 - 10	19.8	14.6	20.9	10.8
10 - 25	29.1	8.3	30.1	11.4
above 25	20.6	11.7	19.1	31.2
All groups	100.0		100.0	

Source: Programme Evaluation Organisation, Planning Commission, 'Evaluation Report On the Working of the Large and Small Sized Co-operative Societies', April 1959, pp 52-6.

TABLE 6: PERCENTAGES OF TOTAL AMOUNT BORROWED AT DIFFERENT RATES OF INTEREST ACCORDING TO SIZE OF HOLDING IN MARUPAKA VILLAGE, KARIMNAGAR DISTRICT

Size of Holding	At 12 Per Cent	At 18 Per Cent	At 24 Per Cent	Without Any Interest	Total
Below 5 Acres	3567 (43.72)	3778 (46.33)	700 (8.58)	114 (1.40)	8159 (100)
5 to 10 Acres	3190 (76.85)	401 (9.66)	560 (13.49)	—	4151 (100)
10 to 20 Acres	1440 (100)	—	—	—	1440 (100)
20 to 50 Acres	600 (100)	—	—	—	600 (100)
50 to 100 Acres	—	—	—	—	—
Total	8797 (61.30)	4179 (29.12)	1260 (8.78)	114 (0.80)	14350 (100)

Note: Figures in brackets are percentages.

Source: C H Hanumantha Rao, 'Agricultural Marketing in Karimnagar District', 1956, (Mimeographed).

the rural capital market. Such a policy may, no doubt, discourage diversion of loans for consumption by large farmers. But since investments cannot be considered to be insensitive to interest rates, genuine productive investments which may account for at least 50 per cent of borrowings among large farmers (assuming that overdues represent bad loans) may also be discouraged. Since there is at present no economic basis for discriminating against investments in agriculture *vis-a-vis* industry, such a policy may prove harmful for the economy insofar as it leads to imbalances in growth. The insufficiency of investments in agriculture is evident from the present very high marginal returns at present, as the latter have to be equated with the prevailing high (average) interest rates after discounting for risk.¹⁴ For the same reasons, higher interest rates charged to large farmers would be inefficient as a measure of equity compared to direct taxation of their incomes. Upper agricultural income groups should be subjected to income tax and other direct taxes in the same way that their urban counterparts are taxed.

True, the prevailing high interest rates in the free market provide an incentive for large farmers to re-lend a good part of the borrowings from the institutional sources — which may be an important explanation of the high overdues. But so long as large farmers corner a substantial proportion of the credit and small farmers are denied their due share from institutional sources, the latter's dependence on free market will not be reduced and it would be possible for the agricultural money-lenders (large farmers) to shift the burden of high interest rates to the small farmers by raising market rates since the demand for such loans is inelastic. The rising market interest rates and the continuance of small farmers as a profitable venue for lending may neutralise the effect of a rise in deposit rates. Thus there may not be enough incentive for agricultural money-lenders to increase their deposits with the banks.

At present, the real costs of borrowing from institutional sources may be very high for small farmers. They may have to pay several dues to intermediaries, fulfil cumbersome formalities, and even then credit may not be available in time. This may, indeed, explain why small farmers have a low share in the credit from institutional

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sources. Credit rationing, insofar as it increases availability of credit to them may reduce the cost of obtaining loans. The scope for reducing non-interest costs may be so significant that, if attention is focused on them, reduction of interest rates may not become necessary as a measure for attracting small farmers to institutional sources.

It is evident, then, that differential interest rates cannot be a substitute for credit rationing. On introducing credit rationing, they may prove unnecessary as instruments to discourage consumption expenditure and re-lending, and they may even have disincentive effects on genuine investments. Since reallocation of credit will take time, and interest rates come into force immediately, the impact of higher interest rates may not prove beneficial on balance. Lower interest rates on smaller loans, on the other hand, would reduce the cost of obtaining loans and this may be essential for attracting small farmers till such time as credit rationing becomes fully effective. Considering the fact that the market rate facing them is quite high, the average (weighted) interest rate, even after a small reduction on institutional loans, may still be higher when compared to the average rate for large farmers. Assuming that small farmers will get about 50 per cent of institutional credit (out of about Rs 600 crores), a reduction in the interest rates for them by 2 per cent would cost about Rs 6 crores per annum. This should be regarded as a subsidy borne by the community which can be more than compensated by other progressive measures such as increased taxation of rich farmers.

CREDITWORTHINESS OF SMALL FARMERS

As indicated earlier, the bargaining position of the small farmers in the credit market cannot be strengthened without meeting a part of their loan requirements for pressing consumption. There is no basis for regarding such loans as unproductive, as they constitute working capital and are self-liquidating.¹⁵ In fact, a significant proportion of borrowing by large farmers for "current agricultural expenses" is used for the payment of wages.

However, the position of small farmers can be improved only by raising their creditworthiness. Credit policy should be such as to generate more assets which are of the self-liquidating type, like irrigation and dairy

cattle, and should also encourage techniques which are land-saving and labour-using. Creditworthiness can also be increased by encouraging a production pattern that is market-oriented and biased against self-consumption.¹⁶ In the choice of investment, the balance can be tilted in favour of insurable assets and against the tendency for sizeable investment in inputs even where the element of risk is very high.

An effective way of improving the viability of small farms is to reduce their loan requirements for long-term investments e.g. draft cattle. This would also render their enterprise more risk-free. The demand for tractors in Indian agriculture derives to a significant extent from the high cost of bullock labour.¹⁷ Small farmers can be helped to benefit from the use of tractors if tractor services are hired out to them by institutions such as agro-industrial corporations. The pattern of tractorisation has been almost exclusively in favour of large farmers which enables them not only to dispense with the high costs on bullocks and so to make their enterprise less risky but also gives them considerable power for charging higher rates to the small and middle farmers. The extent of possible advantage and power, derived by the large farmers, is evident from the fact that the number of tractors almost trebled from 31,000 to 91,000 — within a period of 8 years from 1960-61 to 1968-69.¹⁸ Credit policy pursued so far is obviously responsible for this concentration of assets and economic power. A major shift in the concentration of assets can be effected if preference is given to public institutions while extending tractor loans. This is especially important because, unlike pump-sets for irrigation, private ownership of tractors does not seem to be essential for the efficient management of modern agriculture. Public ownership of tractors can also help to provide employment to landless labourers as drivers, instead of providing such opportunities to the rich farmers, who prefer tractor driving to ploughing with bullocks.

Another major step for improving the assets position of the small farmers *vis-a-vis* the larger land-holders would be to extend long-term interest-free loans to small farmers, say those with holdings below 5 or 3 acres, for buying land in the market.¹⁹ Such loans may be linked with purchases of land from big land-holders — i.e.,

holders of land above 25 acres.

Many of the measures to generate the relatively risk-free and self-liquidating assets, by encouraging enterprises like dairying, poultry farming and piggery etc, would involve opening up of urban markets through investments in roads and communications. Linking up credit with marketing could be postponed till now because of the predominance of the large farmer as loan receiver. But small farmers cannot be made viable unless credit is linked with marketing. That would involve the provision of storage and marketing services on a significant scale.

CONCLUSION

Whether institutional credit will be made an instrument for reducing the disparities in income and wealth in the agricultural sector will finally depend on the awareness and bargaining power of the small and middle farmers themselves. At present, their interests do not seem to offer an attractive source of political power for the parties concerned, for whom the returns from alternative sources continue to be higher. It is necessary, therefore, to start with institutions where small farmers are likely to get a better deal. Paradoxically, at present, the greater the distance at which the institution is located from the village, the better the treatment which the small farmer is likely to get. The initiative from the Central Government and the nationalised banks would, therefore, be most rewarding.

Notes

- 1 M Kalecki, 'The Principle of Increasing Risk', *Economica* New Series, IV, No 16, 1937.
- 2 For a presentation of this proposition see, Pranab Bardhan, 'A Model of Growth of Capitalism in a Dual Agrarian Economy', Indian Statistical Institute, Planning Unit, New Delhi, (Mimeographed).
- 3 These estimates are based on the All-India Index Numbers of Area and Agricultural Production given in *Agricultural Situation in India*, November 1967 and August 1969.
- 4 We have made these assumptions regarding the output elasticities after going through the results of several production function studies and noting their limitations.
- 5 Ministry of Food and Agriculture, Government of India, 'Modernising Indian Agriculture', Report on the Intensive Agricultural District Programme (1960-68), Vol I, p 100.
- 6 *Ibid*, p 114.
- 7 The production elasticity with

respect to land input is generally found to be higher among the irrigated holdings as compared to unirrigated holdings. The elasticity co-efficient with respect to labour input, on the other hand, is generally higher among the unirrigated tracts when compared to irrigated areas. See for example, C H Hanumantha Rao, "Agricultural Production Functions, Costs and Returns in India", Asia, 1965.

- 8 "Modernising Indian Agriculture", *op cit*, p 109.
- 9 For the data on irrigation see, "Agricultural Production Functions, Costs and Return", *op cit*. For the data on the distribution of cattle see C H Hanumantha Rao, 'India's 'Surplus' Cattle: Some Empirical Results' *Economic and Political Weekly*, Review of Agriculture, December 1969.
- 10 About 70 per cent of the inter-State variation in the concentration of credit is explained by the concentration of assets. An increase in the co-efficient of concentration of assets by 0.10000 is associated with an increase in the co-efficient of concentration of credit to the extent of 0.10450 (significant at the one per cent level).
- 11 K N Raj, 'Saving, Capital Transfers and Rates of Interest' in his "Accumulation and Growth in Agrarian Economies", 1968, (Mimeographed). An analysis of the inter-retional data presented by Raj (taken from the Rural Credit Survey) shows that when the percentage of borrowing from agricultural or professional money-lenders for consumption increases by 1 point, the percentage borrowed from them at more than 18 per cent interest rate increases by 0.8 (significant at 5 per cent level; $R^2 = 0.24$).
- 12 According to G R Saini's study for Uttar Pradesh and Punjab covering two years (1955-56 and 1956-57), the marginal productivity of a rupee invested in fertilisers ranged between Rs 2.04 to Rs 2.44 among small farms as against Rs 0.99 to Rs 1.84 among large farms. See his 'Resource-Use Efficiency in Agriculture', *The Indian Journal of Agricultural Economics*, April-June 1969.
- 13 We have estimated this marginal propensity to consume for income class above Rs 1,200 per annum from the data contained in "All India Rural Household Survey", Volume II, "Income, Investment and Saving" by the National Council of Applied Economic Research. The marginal propensity to consume for the incomes below Rs 1,200 per annum works out to be 0.97 which is not significantly different from unity.
- 14 B M Desai and D K Desai 'Is Inadequacy of Institutional Credit a Problem in Changing Agriculture?', *Economic and Political*

Weekly, Review of Agriculture, September 26, 1970. See also Saini, *op cit*.

- 15 Raj, *op cit*.
- 16 For a thoughtful discussion of some of these aspects see C B Baker, 'Limited Capital as a Restraint on Agricultural Development', in "Economic Development of Agriculture," Iowa State University Press, Ames, Iowa.

- 17 S V Sethuraman, "Long Run Demand For Draft Animals in Indian Agriculture", a Ph D Dissertation (unpublished), University of Chicago, 1969.
- 18 Government of India, Fourth Five-Year Plan, p 115.
- 19 Late M Kalecki made this suggestion in an article in *The Economic Weekly* after his visit to India in 1959-60.

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Capital Inputs in Punjab Agriculture 1950-51 to 1964-65

B Sen

Adoption of the new agricultural technology in India seems to have been accompanied by an increased investment in new forms of capital equipment by farmers. The most pronounced increase in this respect has taken place in Punjab, and to a lesser extent in Haryana and Western Uttar Pradesh. On the whole, the increase has been greater in the wheat belt than in the rice belt.

The evidence however suggested that farmers in Punjab had begun to invest in these capital assets prior to the stock of fixed capital during the period, the composition of the stock of fixed capital shows remarkable change with the newer types of capital assets increasing considerably and the flow of services from fixed capital increasing in the same manner as the stock of fixed capital. Similarly, while the increase in working capital paralleled the increase in fixed capital, the share in it of newer inputs such as fertiliser, water, electricity, fuel oil also increased significantly.

The evidence however suggested that farmers in Punjab had begun to invest in these capital assets long before the new agricultural technology made its appearance, though now, with the scale of growth in output in Punjab, some restructuring of the capital assets may be called for.

[The views expressed in the article represent the author's own.]

ADOPTION of the new agricultural technology in India seems to have been accompanied by increased farmer investment in new forms of capital equipment such as diesel pumps, electric pumps (wherever rural electrification has made some headway), threshers, tractors and the like. The most pronounced increase in this respect has taken place in Punjab, and to a smaller extent in Haryana and Western Uttar Pradesh. Increase in investment in farm machineries seems on the whole to be less in the rice-growing areas than in the wheat belt. If the current tempo of farm mechanisation in Punjab is any guide, farm mechanisation may be extensive in all regions in the near future.

Some increase in farmer investment in machineries may well be associated with the shift to multiple cropping and the new technology. But given the uneven distribution of irrigated acreage among the States, the spread of the new technology will also be uneven, and farm mechanisation may, however, be limited to those States which have a large proportion of irrigated acreage. Furthermore, there will be a difference in the extent of mechanisation between the rice belt and the wheat belt because of difference in the type of farming involved. Even now, the extent of mechanisation and the rate of increase of investment in capital equipment vary from State to State; and this difference may persist because of regional differences in factor endowment.

Since the current tempo of mechanisation in Punjab provides the basis for forecasts with regard to the rest of the country, it is legitimate to first inquire whether the Punjab experience can be a guide for all India. For several reasons, the Punjab experience appears to

be unique. The labour to land ratio on the farms in Punjab, for instance, is one of the lowest in India. For the undivided State of Punjab in 1964-65, the ratio was approximately 6 agricultural workers to 100 acres of cropped land.¹ This is on the supply side of farm labour. On the demand side, close to half of Punjab's gross cropped area is irrigated — the highest proportion of irrigated to cropped land for any State in India. The cropping intensity in Punjab is also one of the highest; for the undivided Punjab again, it was 1.32 in 1964-65.² There may be a pressing need, therefore, to supplement human labour and draft animals by capital equipment. Further, the number of operational farms of large size is quite considerable. Farm size is not the only determinant of mechanisation, however, soil conditions and fragmentation may effectively limit the scope for mechanisation. In this respect, too, the Punjab case is different from the rest of the country. Decades of sustained land consolidation have developed a farm lay-out that is suitable for the profitable use of farm machineries.³

Given these attributes, and given the continued growth of farm output, investment in capital equipment would have increased in Punjab even without the new technology — though, perhaps, at a somewhat slower rate than at present. In fact, investment in capital equipment in the State's agriculture had been rising rapidly with the increase in crop output in the decade before the new technology came in. In analysing growth of crop output in Punjab, attention is usually focused, though not unjustifiably, on expansion of land area and increased use of improved seeds and fertiliser as the factors res-

ponsible for the high rate of growth. Little attention has been paid to the associated growth of farm machineries or of fixed capital equipment. There is need to closely examine this aspect of Punjab agriculture, not only because it could bring to light at least part of the complex interrelationship between capital input and agricultural growth, but also because it would give a better perspective to the current changes in Punjab agriculture, particularly to its mechanisation.

That is the aim of this paper. More specifically, the objectives are (i) to put together available information on capital inputs in Punjab agriculture during 1950-51 to 1964-65; and (ii) to examine changes in the composition of the capital during the same period. 'Punjab', in this paper, refers to the undivided State of Punjab as it existed before its partition in 1966.

CONCEPTS AND COVERAGE

'Capital' is here taken to mean all non-land and non-human inputs of production. Using this somewhat broad definition, estimates of stock and service flows of machineries and equipment, such as ploughs, tractors and the like, have been developed. We shall call these items fixed capital. Another estimate includes inputs of items such as fertilisers, which we shall designate as working capital.

In developing these estimates, we have followed the common practice of measuring changes in the services of capital equipment by changes in the value of stock of capital at 'constant' prices.⁴ The assumptions underlying this common usage are: (a) the flow of service is proportional to the stock of capital equipment, and (b) the appropriate measure of stock is the net (de-



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preciated) value of equipment at constant prices. The implication of assumption (b) is that the stock of capital at any given point of time refers to the value of capital equipment, less their used-up service value.⁵

This study is restricted to those items of capital input for which time series data are available, or for which a time series could be constructed on the basis of information given by the periodic or occasional cross-section surveys conducted by various agencies during the review period. The principal sources of data are the annual *Statistical Abstract of Punjab* and the quinquennial reports of *Livestock Census*. These sources cover selected agricultural implements and work animals in the Punjab; information is not available on the different types of indigenous water-lifting equipment and on some implements. Among water-lifts, only Persian wheels were included in the *Livestock Census* of 1961. To develop an estimate for the earlier years, we assumed that the ratio of Persian wheels to irrigation wells, as indicated in the 1961 enumeration, was constant during the review period.

For some items of fixed capital, such as irrigation wells, data for the early part of the review period are not available. In these cases, estimates have been developed on the basis of simple linear trends. Estimates for 1964-65 are based on the aggregated data for Punjab and Haryana, and are simple interpolations, based on the average annual rates of increase between 1960-61 and 1965-66.⁶

All items of fixed capital have been valued at constant prices of 1950-51. Price data used in this valuation are those used by Shukla,⁷ except for wells and Persian wheels. For the cost of these two items, we have made use of the information given in various publications⁸ of the Board of Economic Inquiry, Punjab.

We have taken average expected life to be five years for wooden ploughs,

7.5 years for electric pumps and tractors, 15 years for oil engines, 25 years for wells. The average expected life of other tools and implements has been taken to be 10 years.⁹

Three alternative methods of calculating depreciation are available. These are: declining-balance, straight-line, and sinking-fund methods. Of these, the straight-line method has been used in farm management studies and in previous investigations conducted by the Board of Economic Inquiry. In calculating depreciation we have, therefore, followed this method.

The procedure adopted for calculating replacement, average age of asset, and additions to stock, is the same as that used by Shukla. We depreciated the purchase value according to the unspent life of the asset by using the formula:

$$\text{depreciated value} = (\text{purchase value} \times \text{unspent life}) / \text{expected life}.$$

To convert the stock into service flow, we have used, in addition to depreciation, an 8 per cent rate of interest on the remainder value of the asset for each quinquennium.

Finally, the index of working capital has been developed by multiplying physical quantities used in production by their respective average prices in the base year. We have included in working capital the expenses incurred on seeds, farm yard manure, fertilisers, fuel oil, electricity, water, feeds and roughage, and miscellaneous items. The basic sources of data are again the various publications of the Board of Economic Inquiry, Punjab, for all items except fertilisers (for 1950-51 to 1955-56) and water—information for which was obtained from the Union Ministry of Food and Agriculture and the State Statistical Abstract.

Columns 1 through to 4 in Table 1 show the percentage change in capital input that took place in Punjab agri-

culture between 1950-51 and 1964-65. Total capital input in this Table has been divided into two broad components, working capital and fixed capital, and then further subdivided by source into village and extra-village sources. The increase in total capital input during the period was about 47 per cent, as shown in the last row, Column 4.

From the point of view of agricultural development, what is interesting is not so much the percentage increase in total capital input as the change in the composition of this capital input. New forms of capital would mean technological change. One needs to know which items of capital increased, both in absolute and in relative terms, during the review period. An examination of the changes in the composition of capital input should, therefore, provide a surer guide to the process through which output growth was brought about.

Turning attention first to working capital — a major source of rapid increase in aggregate farm output — we note that it increased by about 45 per cent during the review period. The data suggest that a remarkable change did take place in the composition of working capital. Inputs, like fertiliser, electricity and fuel oil, which were insignificant in 1950-51, came to occupy an important place. Table 2 shows the value of the inputs (at constant prices of 1950-51) that are included in estimate of working capital.

The largest single item dominating the value of all other inputs in this Table is, of course, the value of livestock feed. This is not altogether unexpected because, as we shall note presently, bullocks constitute the most important single fixed capital item on the farms. However, the share of feed value in the total working capital shows a substantial decline (from 58 per cent in 1950-51 to 46 per cent in 1964-65) over the period. This decline is attri-

TABLE 1 : CHANGES IN CAPITAL INPUTS BY CATEGORIES AND BY SOURCE

	Percentage Change				Percentage Distribution			
	1950-51 1	1955-56 2	1960-61 3	1964-65 4	1950-51 5	1955-56 6	1960-61 7	1964-65 8
Working Capital :	100	114.7	122.5	145.5	76.9	73.2	71.8	62.2
Village source	100	110.9	117.3	118.7	7.2	9.5	10.2	21.6
Extra-village source	100	155.2	178.9	441.9				
Fixed Capital :	100	126.5	141.9	148.8	15.4	16.3	16.5	13.8
Village source	100	123.0	134.2	131.5	0.5	1.0	1.5	2.4
Extra-village source	100	228.2	371.1	664.4	92.3	89.5	88.3	76.0
Total village source	100	113.0	120.2	120.8	7.7	10.5	11.7	24.0
Total extra-village source	100	160.1	192.0	457.0	100.0	100.0	100.0	100.0
Total both sources	100	116.6	125.7	146.6				



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butable mainly to the large increases of items other than feed, notably the newer ones in the input-mix, and only partly to a small decrease in the number of bullocks.

Next in importance is the cost of seeds. Here, however, unlike in the case of feed, there has been a qualitative change of far-reaching significance, particularly in the latter part of the review period: non-traditional improved varieties had begun to replace the traditional varieties of seeds. The improved varieties of wheat, cotton and paddy seeds used by farmers in 1964-65, for instance, were about 9 thousand, 4 thousand and 6 hundred tons, respectively; these represent a threefold increase for wheat, 2.5 times for cotton and 5 times for paddy, over that used in 1961-62.¹⁰

Fertiliser input, particularly since 1960-61, shows an impressive rise; so do the other modern inputs — fuel oil and electricity. These changes, including the qualitative change in seed input, seem to suggest that Punjab farmers had begun turning to yield-increasing modern technology in the last part of the review period.

FIXED CAPITAL

Input of fixed capital (i.e., the flow of services from fixed capital) increased by about 49 per cent. It would be interesting to inquire whether agricultural growth in Punjab was entirely due to increasing use of yield-increasing inputs (working capital), or whether an important contribution to growth also came from increased use of fixed capital. However, no attempt is made here to quantify the contribution of either working or fixed capital; more information would be needed to build up a time series that could be utilised for that purpose. All that can be said here is that there was a simultaneous increase in both working and fixed capital in Punjab agriculture at a time when its crop output had been increasing approximately at a compound rate of 5 per cent per annum, and that the magnitude of the increase in the two components of capital was almost equal.

From the point of view of this paper, a point of major interest is the *stock* of fixed capital. We are interested in examining whether the trend toward using newer forms of machineries and productive assets had already been established before the new technology was widely adopted by farmers, or whether the current trend in investment in machineries represents a discrete jump in this respect.

The changes in the individual items of capital stock are brought out in the

TABLE 2 : ESTIMATE OF WORKING CAPITAL IN PUNJAB AGRICULTURE

(Value in thousand rupees of 1950-51)

Items	1950-51	1955-56	1960-61	1964-65
Seeds	192,529	227,193	232,497	241,793
Feed	423,700	453,720	489,220	486,781
Manures	41,020	48,405	49,535	51,515
Fuel oil	2,148	6,593	10,636	32,715
Electricity	382	8,049	10,326	32,637
Fertiliser	1,651	11,120	15,282	120,950
Water	52,003	63,300	67,210	77,763
Miscellaneous	4,996	5,896	6,033	6,275
All items	718,429	824,276	880,739	1050,426

quantity index of Table 3. It will be observed that, all items of fixed capital increased during the review period, and that the increase in the newer and improved items of capital was quite sharp. For instance, iron ploughs are improved substitutes for traditional wooden ploughs; the increase in the former was more than four times the number in the base year. The change in the number of wooden ploughs, on the other hand, shows a declining trend since 1955-56. Numerically, however, wooden ploughs still predominate over iron ploughs; but iron ploughs which were just 12 per cent of the number of wooden ploughs in 1950-51 rose to more than 56 per cent of the number of the latter in 1964-65. Similarly, power-driven sugarcane crushers increased by about 8 times as against a 48 per cent rise in the number of bullock-drawn sugarcane crushers.

Likewise, tractors are substitutes for bullocks and so to a large extent are electric pumps and oil engines. The number of tractors increased about 9 times and the increase in the number of oil engines and electric pumps was manifold and impressive. In comparison, bullocks increased by only about 15 per cent over the entire period. However, this increase needs to be viewed in the light of (i) the decline that has taken place in the relative share of the value of bullocks to the total value of capital stock (from 55 per cent in 1950-51 to 46 per cent in 1964-65), and (ii) the slight drop in the number of bullocks between 1960-61 and 1964-65. Indeed, these developments seem to suggest some substitution of mechanical (and electrical) energy for traditional animal power; in terms of weight and value, however, bullocks still remain the most important single item of capital in Punjab agriculture.

Table 1 shows that the flow of services from new forms of fixed capital

stock (labelled as 'extra-village' sources) increased by about 6.5 times in 1964-65 over 1950-51, while the percentage increase in the flow of services from older forms of fixed capital (labelled as 'village' sources) was only about 31 per cent. Owing to the close correspondence between the stock and the service of capital equipment, the trends in both are identical. Hence, the *stock* of newer forms of fixed capital assets also increased by about six and a half times. This suggests a high rate of investment in new forms of capital assets and a high rate of mechanisation.

VILLAGE VS EXTRA-VILLAGE SOURCE

Evidence presented so far suggests a somewhat rapid restructuring of capital and change in the form of capital equipment used on the farms in Punjab. But what is the extent to which agriculture in Punjab has been modernised? Here, percentage increase in some items of capital may not adequately indicate the extent of modernisation. Modernisation needs to be appraised in terms of the relative weights or the percentage distribution of the new and the old forms of capital inputs. And that is shown in Columns 5 through 8 of Table 1.

The new and the old forms of capital (in the flow sense) have been labelled here as input of capital from extra-village and from village sources, respectively. Roughly, they correspond to purchased non-farm and to farm-produced inputs. The share of capital inputs from extra-village sources in the total capital input increased during the period from about 8 per cent to about 24 per cent.¹¹ This seems to indicate a fairly rapid rate of change in the composition of capital input. However, the proportion of inputs from village source in the total was still more than three times the proportion of inputs from extra-village sources at the end of the review period.

TABLE 3 : QUANTITY INDEX OF FIXED CAPITAL IN PUNJAB AGRICULTURE
(Base year 1950-51)

Assets	1950-51	1955-56	1960-61	1964-65
Wooden ploughs	100.0	125.1	117.0	101.2
Iron ploughs	100.0	171.8	293.1	429.5
Sugarcane crushers :				
(i) power driven	100.0	114.6	399.1	801.9
(ii) bullock drawn	100.0	117.2	137.4	148.4
Carts	100.0	120.4	138.7	154.9
Wells	100.0	105.5	112.3	117.0
Persian wheels	100.0	105.5	112.3	117.0
Oil engines	100.0	306.9	495.0	1522.6
Electric pumps	100.0	2104.3	2699.7	8532.0
Tractors	100.0	252.7	520.6	924.5
Bullocks	100.0	107.1	115.5	114.9
Index of fixed capital stock	100.0	127.5	142.5	151.0
Depreciated value (Rs million) of capital stock, at constant prices of 1950-51	771.9	983.9	1099.8	1165.8

Gains in the percentage share of working capital from extra-village sources during the period are impressive; the share increased from only 7.2 per cent in 1950-51 to 21.6 per cent in 1964-65.

Percentage share of fixed capital input (service flow) from non-farm sources was, however, still very small at the end of the review period, despite the high rate of increase in it. The reason for this apparent paradox is the continued high relative importance of work animals on the farms. Until there is a sizeable reduction in the number of work animals, fixed capital inputs from village sources would continue to predominate over inputs from non-farm sources.

On the whole, the evidence suggests that rapid strides were made toward modernisation of agriculture during the period; yet, it will be a long time before modern inputs begin to dominate in Punjab agriculture.

CONCLUDING REMARKS

The salient features of capital used in Punjab agriculture that emerge out of this study may be summarised as follows:

- There was considerable addition to the stock of fixed capital during the period.
- The composition of the stock of fixed capital during the period shows some remarkable change; the proportion of newer types of capital assets increased considerably, though the weight of the traditional forms of capital assets was still heavy in the total stock of fixed capital at the end of the review period.
- The flow of services from fixed capital (as distinct from the stock) increased in the same

manner as the stock of fixed capital.

- The increase in working capital almost paralleled the increase in stock of fixed capital. The share of the newer inputs, fertilisers, water, electricity and fuel oil in the total value of working capital increased significantly.

It should be pointed out that the estimates of newer forms of fixed capital assets are underestimates especially for the later part of the review period. This downward bias has been unavoidable since published records include only selected items and disregard some of the newer forms of capital assets. It is well known, however, that capital assets such as threshers, fodder-cutters, iron cane-crushers, Lyalpur-hoes, and seed-drills, came to be widely adopted on the farms in Punjab around the beginning of the sixties. According to the farm management survey of 1961-62, for example, fodder-cutters, iron cane-crushers and Lyalpur-hoes were found on 94.5, 3.5 and 2.5 per cent of the sample farms respectively. If these could be included in this study, the share of newer forms of capital assets would have been considerably larger.

The evidence presented here, despite the limitation mentioned above, suggests that additions to those newer forms of capital assets, information for which dates back to 1950-51, have been substantial; it also suggests that farmers in Punjab had begun to invest increasingly in these productive assets long before the new agricultural technology appeared on the scene. To some extent, output growth of the kind witnessed in Punjab would surely call for some restructuring of capital and some investment in new forms of capital equipment. But in the case of Punjab, the rate of restructuring and the

rate of investment in new forms of capital may have been additionally influenced by the unique characteristics of its agriculture.

Notes

- The farm labour/land ratio is obtained by assuming a growth rate of 2.5 per cent per annum for agricultural working population reported in the 1961 Census.
- State Statistical Abstract, 1965. Government of Punjab.
- Some of these attributes may exist in a few other areas; if so, these areas, too, have conditions favourable for mechanisation.
- See, Zvi Griliches, 'Measuring Inputs in Agriculture: A Critical Survey', *Journal of Farm Economics*, Volume XLII, December 1960, pp 1411-1430. Also, Glen J Barton and Donald D Durost, 'The New USDA Index of Inputs', *Journal of Farm Economics*, Volume XLII:1, December 1960.
- This view of capital stock needs to be distinguished from the view implicitly adopted by Tara Shukla that, the stock of capital includes, in addition to the current and future services, the value of past services flows as well. See, Tara Shukla, 'Capital Formation in Indian Agriculture', Vora, Bombay. Notwithstanding this departure in the concept of capital (and also on some other issues), however, this paper follows and builds on the methodology of Shukla's pioneering work.
- The data for 1965-66, for ploughs and sugarcane crushers, do not distinguish between iron and wooden ploughs, and between power-driven and bullock-drawn cane crushers — except for the districts that have remained within the State of Punjab after 1966. The estimate for each of these assets has been developed on the basis of the assumption of a constant ratio of an asset in Haryana districts to the same asset in Punjab districts in both 1960-61 and 1965-66.
- Shukla, *op cit*.
- Particularly, 'Cost of Irrigation by Different Means of Lifts in the Punjab', Publication 34.
- See Shukla, *op cit*, p 141.
- A S Kahlon, *et al*, 'Dynamics of Punjab Agriculture', Punjab Agricultural University, 1966.
- Grouping of capital input by village and extra-village sources is an arbitrary procedure; but so is the grouping of capital input into traditional and non-traditional. In this study seeds, manure, feed, wells, bullocks, wooden ploughs and Persian wheels are taken to be inputs from farm or village sources while fuel oil, electricity, fertilisers, water for irrigation, and flow of services from iron ploughs, tractors, electric pumps, oil engines, sugarcane crushers are taken to be inputs from non-farm or extra-village sources.

Mechanisation and the Wheat Revolution

Effects on Female Labour in Punjab

Martin H Billings

Arjan Singh

The employment pattern of women in India is largely determined by concepts of social values and status having a bearing on economic and caste differences. Thus, ways in which farm tasks are shared between men and women vary among sub-cultures. However, with the application of the new technology in agriculture, the structure of agricultural production processes and employment patterns are undergoing rapid change.

While there are wide inter-regional and inter-district differences in the female work participation rates in agriculture in the Punjab, these differences have been largely associated with three factors, in the following order of importance: (i) proportion of workers engaged in agriculture (ii) literacy among women (iii) gross value product per worker.

A correlation analysis of the geographical differences supports the hypothesis that, with the economic development of an area, participation in farm work by women declines. While the immediate impact of the Green Revolution has been on the gross value product per worker, the extent to which it will affect female work participation rate is uncertain in the absence of a detailed study — which is, therefore, called for.

[The views expressed in this paper are those of the authors.]

PARTICIPATION of women in rural economic activities is common practice in developing countries. In a predominantly agricultural country like India, marked by a small farm operational pattern, conventional production technology and low levels of income and standards of living, the bulk of the women workers are employed in agricultural activities. Surprisingly, however, the female farm labour force, which is of vital importance in the rural economic structure, has received scant attention in economic studies. The primary purpose of this paper is to focus attention on this subject. In doing so, an attempt has been made to carry out a broad survey of farm tasks performed by female workers and to account for the economic factors responsible for variations in their work participation rates—especially as these relate to the green revolution and mechanisation of selected farm operations in Punjab.¹

The employment pattern of women in India is largely determined by concepts of social values and status having a bearing on the economic and caste differences. Community traditions define the proper conduct of women. Thus the ways in which farm tasks are shared between males and females vary among sub-cultures. However, with the application of the new technology to agriculture, the spread of education, and the development of transport, means of communication, medical facilities, health services, electrification and other elements of rural improvement, the structure of agricultural production processes and traditional employment pattern are under-

going rapid change.

There are indications that female participation in the non-farm service sectors, such as employment in public health, in education, in administrative, secretarial and clerical jobs, and in household industries, is fast increasing — as expansion in state activities, and in industrial and commercial organisations is taking place. Because of the liberalisation of traditional social norms, hitherto disfavoured women's employment, and the growing desire to live better, earning literate women in the services group are welcome in the urban as well as in the rural families. In occupations requiring hard physical labour, however, the participation rate of female workers is tapering off.

In 1961, women workers constituted 1.34 million or 18.8 per cent of total workers (7.10 million) in Punjab. Of these 1.07 million, or 80 per cent of total women workers, were engaged in agriculture and only 0.27 million in the non-farm sectors. During the decade, 1951-61, while the proportion of female cultivators to total cultivators rose from 22.1 per cent to 25.2 per cent, the rate of female participation among agricultural labourers showed a sharp decline—from 32.8 per cent to 11.2 per cent [4]. In 1951, out of every four women farm workers, one was an agricultural labourer; in 1961 there was only one female agricultural labourer for every 17 female farm workers. In some areas, female agricultural labourers have nearly disappeared from farm work. The increase in the number of women cultivators appears, however,

to be in part due to definitional changes in the classification of workers from census to census and the imposition of ceilings on land-holdings which encouraged their subsequent partitioning with female members of the family registered as land-holders in ownership records.

The rate of female participation in agriculture varies greatly from district to district. As will be seen in Table 1, there are two regions in Punjab where the female participation rate in farm work is very high. The first is the hilly area of Kangra district, where the 'weaker sex' suffers no inhibition regarding hard labour and women work side by side with the men in all agricultural operations. In fact, a large number of hill men find work away from their home areas leaving their women to manage the small agricultural holdings. The second area comprises the districts of Hissar, Rohtak, Mohindergarh and Gurgaon, which now comprise the major part of Haryana. As compared to these two tracts, in the central region of Punjab, including the districts of Ludhiana, Jullundur, Kapurthala, Patiala, Gurdaspur and Amritsar, very few women participate in agricultural work. This is attributed partly to the social values and traditions of the local Sikh communities, who do not view with favour the participation of women in farm work.

Female Participation Rate and the Level of Development

Apart from cultural traditions, there are a number of socio-economic factors which exert a strong influence on

the participation rate of women workers in agriculture. Broadly, they may be grouped into two classes:

(1) Physical and economic factors affecting farm income such as soil, water, climate, technology, marketing facilities, prices, size of holdings, human labour resources, etc, and

(2) Factors affecting outlook and attitudes of rural communities, such as educational institutions, hospitals, roads, rails, means of communication, electricity, and other amenities of life, facilitating contact with the cities and the outside world.

The first direct impact of the Green Revolution in any area is on its level of farm income. In order to see how far a rise in farm income—compared with a few other well known economic indicators—will bring about change in the female labour participation rate, a correlation analysis has been carried out with the cross-sectional data derived from the 1961 Punjab Census Report and the agricultural statistics. The following independent variables have been considered in this analysis:

- (1) gross value product per worker,
- (2) literacy among women,
- (3) Proportion of workers engaged in agriculture.

While gross value product per worker is the function of all physical and economic resources, literacy among women has been taken to represent change in outlook of the farm population. The third factor more or less is taken to indicate the stage of agricultural development in an area.

Gross value product has been computed from production and harvest price data in which total value of the main agricultural products or the values of product added has been divided by the number of farm workers. It does not show the value of productivity of labour, but only the value product of agriculture related to the number of workers. The data in Table 1 shows the wide inter-regional and inter-district differences in the gross value product per worker. The striking feature of the statement is that the gross value product per worker in Ludhiana, is three times that of Kangra and 4½ times as great as in Mohindergarh. Small mountain farms and scattered units have low value product and income. The value product per worker is also low where irrigated area is low. Physical productivity of soil also varies among regions, and the hypothesis is sometimes put forth that low income in the hilly and

TABLE 1: PARTICIPATION RATE OF WOMEN WORKERS IN AGRICULTURE, GROSS VALUE PRODUCT PER AGRICULTURAL WORKER, LITERACY AMONG WOMEN AND PROPORTION OF WORKERS ENGAGED IN AGRICULTURE IN PUNJAB BY DISTRICTS, 1961

District	Proportion of Female Workers to Total Agricultural Workers (per cent)	Gross Value Product per Agricultural Worker (in '000 Rs)	Literacy among Women (per cent)	Workers Engaged in Agriculture (per cent)
Kangra	51.0	0.77	11.3	84.1
Rohtak	41.8	1.10	8.9	71.7
Mohindergarh	38.3	0.52	4.5	81.2
Gurgaon	36.6	0.65	8.4	70.7
Hissar	34.1	1.10	7.4	79.9
Hoshiarpur	19.1	0.80	17.1	61.3
Sangrur	17.4	1.24	8.2	72.9
Karnal	17.1	1.39	9.6	68.1
Ferozepur	14.6	1.26	13.3	67.3
Bhatinda	12.3	1.42	9.5	70.0
Ambala	10.1	0.96	19.5	47.4
Ludhiana	3.8	2.32	27.4	44.7
Jullundur	3.8	1.63	23.8	43.1
Kapurthala	2.4	1.33	20.1	55.7
Gurdaspur	2.2	1.17	15.6	49.3
Patiala	1.8	1.19	15.9	58.6
Amritsar	1.7	1.43	21.4	47.2

Note: Excluding the districts of Simla and Lahaul-Spiti, the former for having mostly urban characteristics and the latter due to its distinctive situation and peculiar local conditions.

south-western regions of Punjab is the result of poor lands. But this is not a sufficient index of productivity. Returns to labour are not always low in areas with poor soils nor always high in areas with good soils.

Literacy among women has been taken as recorded in the 1961 Punjab Census [4]. In literacy, too, the central districts of Ludhiana, Jullundur, Amritsar and Kapurthala have the highest percentage of literate women and Mohindergarh and other southern districts the lowest.

The proportion of workers engaged in agriculture is an important index of the level of economic development of an area. This has been worked out for each district from the 1961 census data. Considering this criterion, too, the lowest proportion of workers engaged in agriculture happens to be in Jullundur-Ludhiana and the highest in Kangra, Mohindergarh and Hissar.

The zero-order co-efficients of correlation, between the female work participation rate and the three selected indicators of economic development, are given below:

X_1	= Participation rate of female workers
X_2	= Gross value product per worker
X_3	= Literacy among females
X_4	= Proportion of workers engaged in agriculture

All the 'r' values are significant at 0.05 level. The gross association between the participation rate of women workers and the proportion of workers engaged in agriculture is high, $r_{14} = +0.847$ and is a far stronger gross association than is found for the other two variables. The next variable in order of importance is women's education ($r_{13} = -0.718$) followed by gross value product per worker ($r_{12} = -0.634$) which, as one would expect, indicates a higher rate of female participation in farm work where the density of agricultural workers is high. With rise in literacy among women, fewer of them participate in agricultural work. Similarly a rise in gross value product per worker also results in a lower participation rate.

There is a fairly high positive correlation between the level of gross value product and literacy, and a very high negative correlation between female literacy and density of agricultural workers. All the three variables account for about 80 per cent of the variation in the participation rate

X_1	X_2	X_3	X_4
—	-0.634	-0.718	+0.847
	—	+0.661	-0.585
		—	-0.901

TABLE 2: TASK OPERATIONS AND PARTICIPATION OF WOMEN WORKERS IN THESE IN THE DIFFERENT REGIONS OF PUNJAB

Task Operation	Participation of Women in			Remarks
	Mountainous Areas	South-Western Districts	Central Districts	
Ploughing	No	No	No	In some parts of hills, women take part in ploughing.
Planking and levelling	Yes	Yes	No	Women help in levelling where they participate.
Farm yard manure application	Yes	Yes	No	Women help in loading, unloading and spreading of farm yard manure.
Bunding and making water courses	Yes	Yes	No	
Irrigation	Yes	Yes	No	Women largely help in application of water in the fields.
Planting and sowing	Yes	Yes	Yes	Transplanting rice mainly done by women in hilly areas and in the plains women help in preparing and sowing seed.
Fertiliser application	Yes	Yes	Yes	
Hoeing and weeding	Yes	Yes	Yes	
Harvesting	Yes	Yes	Yes	Women help in harvesting wheat in the central districts to a small extent but take active part in cotton picking, corn decobbing, cane stripping, groundnut harvesting.
Threshing	Yes	Yes	Yes	
Winnowing	Yes	Yes	Yes	
Transportation	Yes	Yes	No	Women in south-west districts help in loading and unloading only.

among the districts studied ($R = 0.8926$).

Contrary to normal expectations, the net correlation of gross value product per worker with the female work participation rate is fairly low, when the effect of either of the two other independent variables ($X_3 \times X_4$) is eliminated: $r_{12.3} = -0.304$ and $r_{12.4} = -0.322$. The second order correlation, when both X_3 and X_4 are held constant, improves slightly: $r_{12.34} = -0.436$. The corresponding values for r_{13} and $r_{13.24}$ are -0.718 and $+0.375$, respectively, showing thereby that the negative gross association between female literacy and work participation becomes positive when factors X_2 and X_4 (gross value product and density of agricultural workers) are held fixed. Similarly, in the case of factor X_4 (density of agriculture workers), which is rather strongly ($r_{14} = +0.847$) correlated with female work participation rate, also, the partial correlation declines slightly ($r_{14.23} =$

$+0.733$), when the other two factors, X_2 and X_3 , are held constant. Our analysis indicates that, all the three factors are important: factors X_4 , the density of agriculture workers, is more influential than X_3 , the literacy among females, which, in turn, is more important than X_2 , the gross value product per worker.

Green Revolution

The first direct effect of the 'Green Revolution' is on the gross value product per worker, which, we have seen, is not as important as the other two factors considered in our correlation analysis. During the last decade, the physical and gross value product in Punjab has changed considerably. The nature and consequences of technical improvement in various areas have, however, been greatly uneven and widely different. While in the Haryana region, cereal production rose by only 59 per cent between 1960-61 and 1968-69 [3], it increased by 144

per cent in the central districts now forming the new Punjab [5]. Thus the gap between gross value product per worker in the two areas has widened still further.

The major breakthrough in agriculture occurred through the evolution of HYV of wheat, rice, hybrid maize, jowar (sorghum) and bajra (bulrush millet). The immediate impact of this biological innovation, together with increased use of fertilisers, irrigation, and improved farm techniques was an increase in output and total costs. Of the increased costs human labour accounted for an important part, additional labour being required for better cultivation and harvesting and handling of greater output. Farm labour was much more in demand than before, and a sharp increase occurred in the level of wages, especially at harvest time in the main wheat growing areas of the central districts. All this led to a much greater use of capital-intensive mechanical innovations in critical activities for which farmers are heavily dependent upon non-family labour or where yield-increasing opportunities are great. In 1968-69, it is estimated that more than 50 per cent of irrigated wheat was under HYV, with corresponding figures of 20 per cent, 15 per cent, and 6 per cent respectively for paddy, hybrid maize and bajra; nearly one-fourth of the irrigated area was served by 1,00,000 diesel and electric pump-sets, over one-half of the wheat crop was mechanically threshed by nearly 100,000 wheat threshers, and 3 per cent of the total cultivated area was covered by 20,000 tractors. It is believed that, by 1983-84, nearly all the wheat crop in the irrigated area of the State will be under HYV; the whole of the wheat crop, both irrigated and unirrigated, will be mechanically threshed, one-half of it will be harvested by reapers; all of corn will be shelled by corn shellers; three-fifth of the irrigated area will be irrigated by pump-sets and one-fifth of the total area will be cultivated by tractors [1,2].

Female Work Participation Pattern

To gauge the impact of the postulated pattern of mechanisation of some selected farm activities on the participation rate of female agricultural workers, it is first essential to identify the tasks which are at present attended to by them.

As already mentioned, the use made of female labour varies among the three regions (hilly, south-west and central) of the State. In the hills,

women are hard working, and they take part in all field operations, including ploughing in some areas. The fields for rice, which is the main crop of the area, are worked into mud by women. Irrigation from *Kuhls*³ is done almost entirely by women. In sowing, transplanting, weeding, reaping, and winnowing, women actively help men. They also carry the agricultural products, the milk, the vegetables, and the firewood, on their head for sale to the market [6].

In the south-western districts, women perform every kind of field labour, except ploughing and carting. They help men in preparing the fields for sowing, breaking clods with mallets, making embankments of the fields, following the plough dropping seeds during the sowing season, managing water application in the fields, hoeing, weeding, harvesting, threshing, winnowing and transporting of all produce. They also personally carry food for the men working in the fields, and bring back green fodder for the milch cattle.

In the central districts, very little use is made of female labour. While full-time, regular labourers for farm work are invariably men, casual workers include women. Harvesting or the actual cutting of crops is mainly done by men workers, but women are quite frequently employed in this operation as well as for picking cotton, plucking maize cobs and millet earheads, harvesting groundnut and stripping sugarcane before crushing. Cotton picking is regarded as women's work in which women members and children of small and medium farm families actively participate.

The composition of the rural labour force, making use of family hands and hiring casual labour, mainly during the peak periods and especially for the harvest, is a typical pattern to be borne in mind in reviewing the impact of mechanisation on the participation of females in farm activities in Punjab. Practically all operations needed for the production of a crop have been listed in Table 2; also the role of women in these operations (in the three main tracts of Punjab) has been given.

Having surveyed the participation of women in farm work, it is time to take stock and examine the impact of technical innovations which have appeared, or are coming into use, in Punjab agriculture. The introduction of the HYV gave a short-term fillip to the demand for all kinds of labour, including wo-

men. This came in part from the extra yields and in part from the opportunities for more intensive cultivation and multiple cropping. However, the HYV also requires extra water, thus causing farmers to turn to mechanical pumping. Extra yields have led the operators to require mechanical threshing, and mechanical reaping will be welcome when available. What do these changes imply for women workers? A clear, unassailable answer is not possible. The best we can do is to comment on the possible effect on farm activities and then to deduce in general terms the impact these changes will have on the female labour employment.

Impact of Mechanisation on Female Labour

Following the seed-fertiliser revolution, a number of labour-saving mechanical innovations have appeared in Punjab. Of these only the following, which are most important, are considered:

- (1) Pump-sets for irrigation,
- (2) Wheat threshers,
- (3) Tractors,
- (4) Wheat reapers.

The incidence of each of these on the female labour is reviewed separately. (1) *Pump-sets for irrigation*: Irrigation on small and medium farms is usually a family operation. Adult men are almost always involved in some aspect of the operation. There is not much irrigation by pumping in the hill areas. In the Punjab plains, women are involved to a small extent in actual pumping of water. Mechanisation will affect the family labour in Haryana, allowing wives and children to devote more time to home and education.

(2) *Wheat threshing*: Threshing usually involves family as well as hired labour, even though it can be done under less pressure than cutting. While hardly any women workers are employed for this operation in the central districts, in the hilly and south-western districts women participate actively in threshing and winnowing of grains. Wheat threshers are presently used largely in the central districts. Thus their effect on women workers has so far been very small. But as wheat threshers become common in Haryana, substantial displacement of labour will take place, some of which undoubtedly will be casual women workers. Work days in May will decline and with it hired staff will diminish—to an unknown extent. By 1984, almost all of the women labour force

employed in this operation will be released.

(3) *Tractors*: There are few more controversial forms of mechanisation of farm activities than the introduction of mechanised tractor power. All of the policy issues which revolve around mechanisation are present here; especially the issue of labour displacement. Tractors have been present in Punjab for many years, but they have become important since the 'mid-sixties', and there are at present about 25,000 tractors in the State (up from 8,000 in 1961). One of the effects of the wheat revolution has been to greatly increase the demand for tractors. The pattern of displacement of human labour by tractors, in large part, reflects the new ploughing operation needs. Seed-bed preparation, which is the major function to which tractors are put, includes, besides ploughing, a number of other operations such as planking, levelling, farm yard manure application, bunding and water course making. In most of these operations women play a minor part. In the hill areas, tractors will have hardly any impact on female labour—unless small power tillers become popular. In the south-western districts, female labour will be somewhat affected because tractors, in addition to ploughing, will also be used for planking, levelling, farm yard manure application, bunding, etc.—in which operations women at present take active part. In the central districts, women play hardly any part in the seed-bed preparation and tractors will therefore have no effect on their employment. Tractors also provide power for mechanical threshing, pumping water, chaffing fodder and crushing cane; they are also used extensively for transportation of agricultural produce. This will cause some decrease in the employment of women. On the other hand, tractors also increase opportunities for greater employment through increased intensity of cropping or multiple cropping.

In planting and sowing, women at present participate actively almost throughout Punjab. While the ploughing part of the operation is performed by men, in the preparation of seed (such as sugarcane stripping and preparation of cuttings), groundnut shelling, the pre-sowing treatment of cotton, paddy and other seeds, and later in sowing, women assist men, though to varying degrees, in different parts of the State. Seed-cum-fertiliser drills with tractors will, to some ex-

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tent, displace labour in the sowing of grain crops such as wheat and gram. But human labour will continue to be used in most of the operations connected with preparation. Thus, while the female labour in hilly areas and central districts will not be much affected, some impact of the use of tractors in crop sowing will be felt by women workers of Haryana. (4) *Wheat reapers*: At harvest time, even the smallest farms rely on some off-farm assistance in cutting the crop; larger farms require very extensive work force for cutting. The broad need for extra hands across all scales of operations makes this activity the one most sensitive to changes in technology.

Rather suddenly, a market for rapid mechanical reaping has come into existence with the change in varieties, and some machines have already come in the market. A really suitable machine is yet to be developed, but there is reason to believe that, by the later part of the decade, reapers will become commonly available and make profound impact on demand for labour. It is estimated that, by 1983-84, this device will reduce human labour by 33 per cent in the month of April, most of which will be casual and women workers. The reaper-thresher system will reduce demand for human labour to about one-fifth of that required by the traditional method. Combines, which are making their appearance on the scene, will reduce it to no more than three per cent of the traditional level. These machines will greatly affect female labour in Haryana.

There seems little likelihood of introducing cotton pickers, corn-pickers or corn-picker-shellers. Potato and groundnut diggers are being developed and they may appear on Punjab farms in the next decade. They will significantly displace female labour, as and when they become common.

Corn-shelling and cane-crushing are the other farm activities which are being mechanised. While corn-shelling will affect women workers who are used for this operation, cane-crushing will have very little effect on them, except in the Haryana region.

Interculture, weeding and hoeing, in which women participate throughout Punjab, are labour intensive. And, although it is an activity which is at present least threatened by mechanisation, with the extension of the use of chemical weed control in some of the main crops of Punjab, large displace-

ment of female labour will take place here.

The overall impact of the projected pattern of mechanisation in 1983-84 will be that of reducing the demand for human energy by 27 per cent from the high level attained under the use of HYV and fertilisers. About 33 per cent of the labour displacement will be caused by pump-sets, 24 per cent by wheat threshers, 18 per cent by tractors, 12 per cent by reapers, 7 per cent by corn-shellers, and 6 per cent by power cane-crushers. In the absence of a regular study, it is very difficult to say how much of the labour displacement will fall to the share of female farm workers. On a very crude estimate, women's share in the labour displacement is not likely to be less, if not more than 19.5 per cent of their proportion in the farm labour force in 1983-84. With rise in farm income and literacy, there is every reason to believe that women will *participate* to a much lesser extent compared to their *numerical strength* in the farm working force as based mainly on demographic trends and estimates. With progressive release of women from farm work, they will devote more time to their homes, children and education, thus setting in motion a whole process of social change in the rural areas.

Conclusion

There are wide inter-regional and inter-district differences in the female work participation rates in agriculture in Punjab. On the basis of 1961 census data, the differences in work participation rates were largely associated with three factors: (1) proportion of workers engaged in agriculture; (2) literacy among females (3) gross value product per worker, mentioned in the descending order of importance. A correlation analysis of the geographical differences supports the hypothesis that, with the economic development of an area participation in farm work by women declines. The immediate and first impact of the Green Revolution has been on the gross value product per worker. The extent to which it will bring about change in the female work participation rate is rather problematic: it is not possible to give a clear unassailable answer unless a detailed study is carried out. Our broad (rather crude) survey of the task operations performed by female workers in different regions of the State indicates that:

(a) In the hilly areas, because of

limited scope for mechanisation, except for small hand-tools and implements, women will keep on participating actively in all agricultural operations as long as economic backwardness of the area continues, with the overwhelming preponderance of workers in agriculture, lack of educational and communicational facilities and low productivity of workers. The green revolution will increase rather than decrease employment opportunities for women workers.

(b) In the south-western districts (Haryana region) women's participation in seed-bed preparation, sowing, irrigation, threshing and winnowing will decrease, consequent to the increase in the number of tractors, pump-sets, power threshers, corn shellers and cane crushers. In the non-mechanised operations, particularly in hoeing, weeding, and transplanting, the demand for their labour will continue to increase until chemical weed control becomes common. Haryana has to go a long way in economic development, before cultural and social forces influencing female work participation undergo significant change.

(c) In the central districts (present Punjab) women participation work is already very low. With the greatest impact of the Green Revolution and mechanisation having been registered in this area, the much higher rate of literacy among women, the markedly lower proportion of workers engaged in agriculture, their participation is bound to decline still further. Women agricultural labourers are disappearing fast from the fields. It is only in non-mechanised operations, such as interculture, transplanting rice, cotton-picking, corn decobbing and cane stripping that small family women workers will continue to take part. Overall progressive decline in participation rates of women workers is already showing its impact on the improvement of village life.

It is important to note that this is a subject in which detailed and systematic research is needed. The study should deal not only with the extent to which female labour will be released from farm work by mechanisation, but also with the whole process of social change, and modernisation, including family income and dependency ratio of females, etc.

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Notes

- 1 In this paper, the term 'Punjab' denotes the territory of erstwhile Punjab as it existed before November 1, 1966.
- 2 Literacy is defined as ability both to read with understanding and to write a short statement on everyday life in any language. A person capable of reading only was considered illiterate in the census. Also, a person capable only of reading and writing figures and his own name was also considered as illiterate.
- 3 Small channels to carry water from rivers and streams to fields in hilly areas.

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Fertiliser Application on High-Yielding Varieties

Shyamal Roy

Application of chemical fertilisers was confined till recently to one or two major foodgrain crops and a few commercial crops raised mainly under irrigation. The reasons for such restricted use were partly economic and partly sociological.

The earlier varieties of crops were not very responsive to fertiliser application, and the crop-fertiliser price ratios were generally unfavourable so that returns on fertiliser application were not attractive.

At the same time, the tradition-bound farmers were not enthusiastic about introducing new inputs the potentials of which were not fully known to them, and the preference was for time-honoured organic manures. There were also social prejudices against the use of chemical fertilisers on food crops.

The new high-yielding varieties changed the prospect, since these varieties were highly responsive to fertiliser application. Consumption of fertiliser increased considerably, and gradually there has been growing acceptance of the fact that fertiliser application is the best single index of the level of agricultural development and that the attainment of Fourth Plan targets depends largely on the application of this key input.

The purpose of this article is to find out, for a few selected wheat growing areas, whether the actual fertiliser use on HYV wheat has been above or below the recommended doses, and in the case of a lower dose to discover what factors are responsible and what measures would be corrective.

[The views expressed in this paper are the personal views of the author and should not be taken to represent the views of the organisation for which he works.]

I
TILL recently in India, application of chemical fertilisers was confined to one or two major foodgrain crops and a few commercial crops raised mainly under irrigation. The reasons for such a restricted use were partly economic and partly sociological. The earlier varieties of crops were not very responsive to fertiliser application; the crop-fertiliser price ratios were generally unfavourable, and hence the returns from fertiliser use were not attractive. Secondly, the tradition-bound farmers were not enthusiastic about introducing a new form of input, the potentials of which were not fully known to them. The general preference was for time-honoured organic manures. There were other widespread social prejudices too against the use of chemical fertilisers particularly in relation to food crops.

With the introduction of the High-Yielding Varieties Programme in 1965-66, however, the new cereal varieties of wheat, rice, jowar, maize and bajra were evolved which were found to be fully responsive to high rates of fertiliser application. The consumption of fertilisers increased rapidly and considerably. In 1968-69, the total consumption of plant nutrients (N + P + K) was 1.98 million tonnes, as against 0.7 million tonnes in 1964-65 — an increase of 183 per cent.

There is now general acceptance of the fact that fertiliser use is the best single indicator of agricultural development and that whether or not we achieve the Fourth Plan targets of foodgrains production will depend, to a large extent, on the application of

this key input to the high-yielding varieties. It is important, therefore, to encourage the use of appropriate doses of fertiliser which will provide optimum yield without compromising with the profitability of its use.

The purpose of the present paper is to find out, for a few selected wheat growing areas, whether the actual fertiliser use on HYV wheat has been above or below the recommended doses. In the event of a lower rate of application, an attempt will be made to identify the factors responsible for it and then to discuss some policy measures which may provide the desired correctives.

Table 1 gives the average dose of N, P₂O₅ and K₂O with which all HYV acreage under wheat was fertilised in 1968-69 in the important wheat growing States viz, Punjab, Uttar Pradesh, Madhya Pradesh and Bihar. In that year, the four States taken together accounted for 82 per cent of the total HYV acreage under wheat and for 72 per cent of total acreage under wheat in India.

The recommended doses of fertilisers for HYV wheat, according to the Programme Evaluation Organisations' survey in 1968-69 are up to 150 kg/hec of N, 60 kg/hec of P₂O₅, and 150 kg/hec of K₂O. As against these, it can be seen from Table 1 that farmers in all the major wheat growing States are using a much smaller dose. In no other State, except Uttar Pradesh, does the average dose exceed 100 kg/hec of total plant nutrients.

The low rate of fertiliser application is a pointer to the underutilisation of the potentials of the high-yielding

varieties, even in wheat which, among all foodgrains, has achieved the largest measure of success in bringing about a Green Revolution in the country.

II

The pattern of fertiliser use may be attributed to a wide range of factors, more important among which are (1) economic factors concerned with the fertiliser production functions and input-output relationships, (2) technical factors relating to the various techniques in the application of fertilisers at different stages under different conditions by different classes of farmers and (3) climatic factors referring to rainfall patterns. In the subsequent discussions, we shall devote attention mainly to the first two factors. Since we are dealing with a crop (HYV wheat) which is grown largely under assured irrigated conditions, we shall assume that variations in rain will have little or no impact on fertiliser application on HYV wheat.

ECONOMIC FACTORS

The extent to which and the rate at which farmers apply chemical fertilisers will depend upon the net returns from its use. The higher the returns, the higher will be the dosage. The returns on fertiliser use will, in turn, depend on the response co-efficient according to the shape of the fertiliser production function and the input-output price relationships. These two components vary from one State to another, according to physical and economic considerations. Fertiliser application will accordingly vary from one place to another.

In order to step up the application of chemical fertilisers on a particular crop in all areas, it will be necessary to know the yield response of that crop to fertiliser use in these areas as also the crop-fertiliser price ratios and then, in the light of these two factors, to discuss the actual use pattern. In areas where low physical productivity of fertilisers appears to be the main reason for low application, efforts will have to be made to evolve new fertiliser responsive varieties or to make a proper choice among the existing varieties so that the response curve continues to move further up to the right. In areas where the crop-fertiliser price ratio is the main factor inhibiting the use of chemical fertilisers, an effort in the direction of improving the output-input price ratio (i.e. either by increasing the crop price or by lowering the fertiliser price) may be necessary. In others, where both these factors are unfavourable, an attempt should be made to correct both.

The average fertiliser¹ dose, crop-fertiliser price ratios, crop-fertiliser production ratios, returns per rupee invested on fertilisers for the high-yielding varieties of wheat, in the different States are shown in Table 2.

Before we come to the findings, the steps followed in the construction of the various items in Table 2 are briefly discussed below.

(a) *Fertiliser-crop price ratios*: The fertiliser-crop price ratio in a State has been arrived at by dividing the price of nitrogen by the index of wheat prices in that State. In the course of our examination of the price data, it was observed that, while fertiliser prices remained by and large the same in all States during the past few years, product prices have shown marked variations from State to State. In the construction of price ratios, the price of nitrogen has been shown to be constant at Rs 2.75 per kg. The price index for wheat has been constructed on the basis of the average farm harvest prices for wheat in that State during the years 1963-64 to 1967-68. In view of the wide inter-State variations in farm harvest prices, the wheat price indexes have also shown variations from State to State. The variations in factor-product price ratios are thus due to the variations in product prices only.

(b) *Fertiliser-crop production ratios*: For estimating the average fertiliser-crop response ratios, data were collected from the All India Co-ordinated

TABLE 1: AVERAGE FERTILISER DOSE ON HYV WHEAT, 1968-69 (kg/hectare)

State	N	P ₂ O ₅	K ₂ O	Total (N+P+K)
Punjab	42.14	18.06	2.36	62.56
Uttar Pradesh	59.06	26.71	15.40	101.17
Madhya Pradesh	NA	NA	NA	NA
Bihar	25.12	27.39	2.56	55.09
All States	43.92	20.44	6.79	71.15

Notes:

- (i) The above dosages have been estimated from Table 3.7 (a) of the Programme Evaluation Organisation's (PEO) report "Evaluation Study of the High-Yielding Varieties Programme — Report of the Rabi 1968-69".
- (ii) The PEO report referred to above gives the data on basal application of chemical fertilisers alone. It may be mentioned here that, the application of P₂O₅ and K₂O is in one dose as basal dressing, while N is applied in split doses. Normally, farmers use half of the total N applied as basal dose. In case of N, therefore, the basal dosages reported in the PEO survey have been doubled to arrive at the total nitrogen dose.

TABLE 2: ECONOMICS OF FERTILISER USE ON HYV WHEAT

State (1)	Average Fertiliser Dose (kg N/hect) Applied on HYV Wheat (2)	Average Crop-Fertiliser Price Ratio (3)	Average Crop-Fertiliser Production Ratio at the Mean Dose (4)	Returns Per Rupee Investment on Fertilisers at the Mean Dose (5)
UP	59.06	3.49:1	22.30:1	6.38
Punjab	42.14	4.04:1	24.66:1	6.09
MP	NA	4.40:1	18.97:1	4.31
Bihar	25.12	3.16:1	8.94:1	2.82

Trials on High-Yielding Varieties of wheat; and quadratic functions of the form $y = a + bx + cx^2$ (where y = yield; x = nitrogen, both in kg per hectare) were fitted to the data for each location. Only those equations were selected which contained significant co-efficients; the rest were eliminated. The average response ratios at various levels of nitrogen application were then calculated with the help of the equation $y = bx + cx^2$. For arriving at the average response ratio of HYV wheat for a State, as a whole, a simple arithmetic mean of the response ratios of different varieties of HYV wheat in that State was taken. The additional yield as a result of the increase in nitrogen dose from 20 kg/hect to 200 kg/hect in different States is shown in Graph 1 and the inter-State differences in fertiliser-crop production ratios (at the mean dose of 100 kg N/hect) are shown in column 4 of Table 2.

It may be pointed out that, our analysis implicitly assumes that the response ratios — obtained from one or more locations in a given State — are a fairly good representation of the average input-output relationship for that State. We have proceeded on this assumption mainly because of two factors: (a) the soil characteristics of the locations reported in our study are

found to be more or less similar in that they are soils of average fertility and represent the soils of the area and (b) the average response ratios for the States, estimated on the basis of the above assumption, compare favourably with the actual response ratios obtained in these States as reported in the Programme Evaluation Report. However, we realise that fertiliser trials will have to be conducted on a much larger scale than at present to enable a proper State-wise analysis of the yield response of the HYV crops to nitrogen application.

(c) *Fertiliser application and returns per rupee investment*: The average fertiliser doses used for HYV wheat in the different States have already been given in Table 1 and the methods of computation have also been explained in the notes to the Table. Returns per rupee investment on fertilisers have been arrived at by dividing the gross profits from fertiliser use (i.e. additional yield of wheat from application of 100 kg of nitrogen per hectare multiplied by the price of wheat) by the cost of fertilisers (i.e. 100 kg of nitrogen multiplied by the price of nitrogen).

The main findings are discussed below:

From Table 2 it can be seen that the application of chemical fertilisers

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Appendix-A

Nitrogen Response Equations for Wheat

Location	State	Year	Nitrogen Response Equation
<i>Sharbati Sonata</i>			
Bichpuri	UP	1968-69	$1700.3 + 29.22x - 0.101x^2$
Kanpur	UP	1968-69	$1405.7 + 24.88x - 0.071x^2$
Pantnagar	UP	1968-69	$2509.4 + 38.57x - 0.152x^2$
Ludhiana	Punjab	1968-69	$1749.2 + 39.25x - 0.139x^2$
<i>Kalyan Sona</i>			
Bichpuri	UP	1968-69	$1846.0 + 31.01x - 0.115x^2$
Kanpur	UP	1968-69	$1391.0 + 33.04x - 0.108x^2$
Pantnagar	UP	1968-69	$2149.9 + 40.61x - 0.107x^2$
Ludhiana	Punjab	1968-69	$1891.4 + 36.37x - 0.133x^2$
Powarkheda	MP	1968-69	$2228.2 + 26.24x - 0.069x^2$
<i>Sonalika</i>			
Bichpuri	UP	1968-69	$1777.8 + 26.45x - 0.093x^2$
Kanpur	UP	1968-69	$1545.7 + 28.19x - 0.093x^2$
Pantnagar	UP	1968-69	$2237.8 + 48.54x - 0.158x^2$
Ludhiana	Punjab	1968-69	$1824.2 + 39.85x - 0.137x^2$
Sabour	Bihar	1968-69	$2981.0 + 11.08x - 0.046x^2$
Powarkheda	MP	1968-69	$1852.1 + 28.48x - 0.099x^2$
<i>S-331</i>			
Sabour	Bihar	1968-69	$2349.6 + 20.60x - 0.092x^2$
Powarkheda	MP	1968-69	$1762.4 + 26.19x - 0.072x^2$

varies directly with the returns from fertiliser use. In UP, the returns are the highest and so also is the average fertiliser dose. Punjab ranks second (both in returns and fertiliser application). MP² comes third while Bihar is last on the list. As already stated, returns from fertiliser use are governed, on the one hand, by fertiliser-crop price ratio and on the other, by fertiliser-crop production ratio. In Punjab, the response co-efficient is the highest, but the comparatively unfavourable price ratio has caused the returns as also the rate of fertiliser application to be lower than in UP, where the response co-efficient is somewhat lower but the price ratio is more favourable. In Madhya Pradesh, both the physical productivity and the factor-product price relationship are less favourable than in either UP or Punjab, but between the two, the unfavourable price relationship appears to be the more important factor for low returns and low fertiliser use. In Bihar, the factor-product price relationship is the most favourable among the four States but this advantage has been more than offset by the extremely low factor-crop production ratio — with the result that, the returns as well as the average dose of fertiliser use has turned out to be the lowest among the four States. Thus, it is neither price relationship nor physical response alone but a combination of the two which affects the profitability

of fertiliser use and the rate of fertiliser application. This point needs special mention because of the tendency to overemphasise the response aspect by some agronomists and the price relationship aspect by some economists.

The low rate of fertiliser application is also attributable to the inadequate technical knowledge of farmers in the use of fertilisers in correct proportions and doses. Efficiency and skill among farmers in the application of fertilisers depends, to a large extent, on the practical knowledge gained by them from field trials and demonstrations on their farms. Available reports indicate gross insufficiency of such field trials and demonstrations by technically qualified extension workers. According to the programme Evaluation Organisation's survey of HYV wheat — Rabi 1969, there were no field trials or demonstrations in five out of 15 blocks. The above view is also corroborated by the reports of the Central Team which visited different States in 1969. According to the Central Team's Report, there was not a single State where field trials and demonstrations were found to be adequate.

Testing of soil samples is an essential requirement for judging the appropriate dose of fertiliser application. According to the PEO's survey, during 1968-69, such samples were taken only in seven out of 15 wheat blocks. Fur-

ther, the proportion of samples actually tested and reported upon, declined from 85.1 per cent in 1967-68 to 67.5 per cent in 1968-69. The number of cultivators who reported the testing of their soils went down from 16 to 8. There was thus a slackening rather than intensification of efforts by extension workers to step up the application of fertilisers.

III

Conclusions and Recommendations

The foregoing analysis of the economic and technical factors which contributed to low application of fertilisers highlights the need for adopting appropriate correctives to achieve the desired end. Coming to the two main determinants of "returns" from fertiliser use — which affect the rate of fertiliser applicability — *viz.*, fertiliser-crop price ratio and fertiliser-crop production ratio, it is evident that fertiliser application can be stepped up either by lowering the former or by raising the latter, or both. The former, i.e. fertiliser-crop price ratio can be lowered either by raising the product price or reducing the factor price. The latter can be done either through Government subsidy or by a direct reduction in fertiliser prices in the wake of an increase in its supply. The extent to which fertiliser prices can be reduced depends on a complex set of factors including the cost of production of domestic fertilisers, the landed cost of imported fertilisers, the distribution costs, and incidental charges in moving fertilisers from one area to another.

The cost per unit is likely to decline with increases in production and economies of scale and a more rational fertiliser distribution policy will help to lower the marketing costs, thereby facilitating an automatic reduction in prices.

Subsidy is intended to be a temporary expedient to overcome a short-term maladjustment. If given too long, it interferes with forces which contribute to an increase in production and a reduction in costs. It also entails a drain on the exchequer and a transfer of resources from productive to unproductive purposes. Greater reliance, therefore, should be placed on an augmented internal supply rather than on the element of subsidy in bringing down the prices of fertilisers.

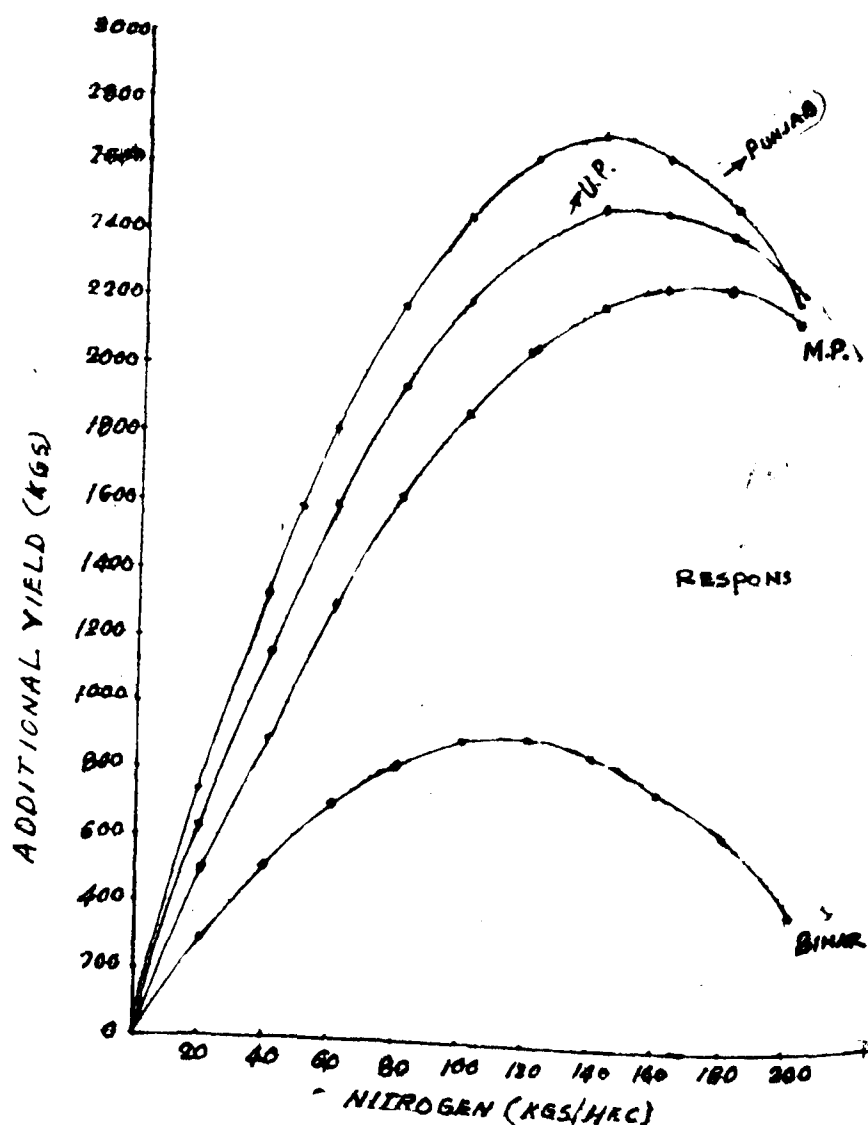
As for product prices, steps are taken to raise them when they tend to fall below economic levels. The

announcement of minimum support prices and the launching of purchase programmes are the two important economic measures taken to meet such a situation. It must, however, be mentioned that the farmers have to be assured of remunerative prices for their products. They must be provided with adequate price incentives for putting in additional investment and efforts to step up production. Further, not only should there be a reasonable price for foodgrains but the parity between the prices of foodgrains and commercial crops has also to be reasonable. An adequate price policy will induce greater fertiliser application since fertiliser is an input with a highly elastic supply schedule.

However, there is always a danger in arbitrarily pushing up either the minimum or procurement prices as this may lead to an immediate spurt in market prices and, in the existing inflationary situation, pose a threat to the stability of the entire economy. It needs to be borne in mind that, in India, prices of foodgrains are pivotal to the entire price structure. An arbitrary rise in the prices of foodgrains will lead to a rise in prices of other essential commodities which, in turn, will result in an increase in factor prices also.

Yet, the fact remains that, market prices of many high-yielding varieties of wheat particularly in Punjab and UP have been fetching lower prices than the traditional varieties of wheat — mainly because of the difference in colour, taste and other characteristics affecting consumer preference. Of course, price disadvantage is not incompatible with income advantage so long as the price disadvantage is more than offset by an increase in the response co-efficient of fertiliser crop productivity. But there is no reason why attempts should not be made to bring the prices of high-yielding varieties at par with those of traditional varieties by popularising their use and effecting the necessary improvements in quality characteristics. During the last two years, it was only through massive purchases at Government procurement rates that the prices of high-yielding varieties were maintained at economic levels.

The inter-zonal restrictions on the movement of wheat, despite their other beneficial effects, have also tended to accentuate inter-State disparity in prices. This disparity in prices is more marked as between wheat surplus



States, like UP and Punjab, and chronically deficit States like Bihar. With the free movement of wheat from one area to another, there will be a tendency for greater equality of prices, subject to the usual 'transfer costs'.

It is thus possible to bring about an improvement in the market prices of HYV wheat, thereby making product-factor price ratios more favourable, particularly in surplus States of Punjab, UP and MP.

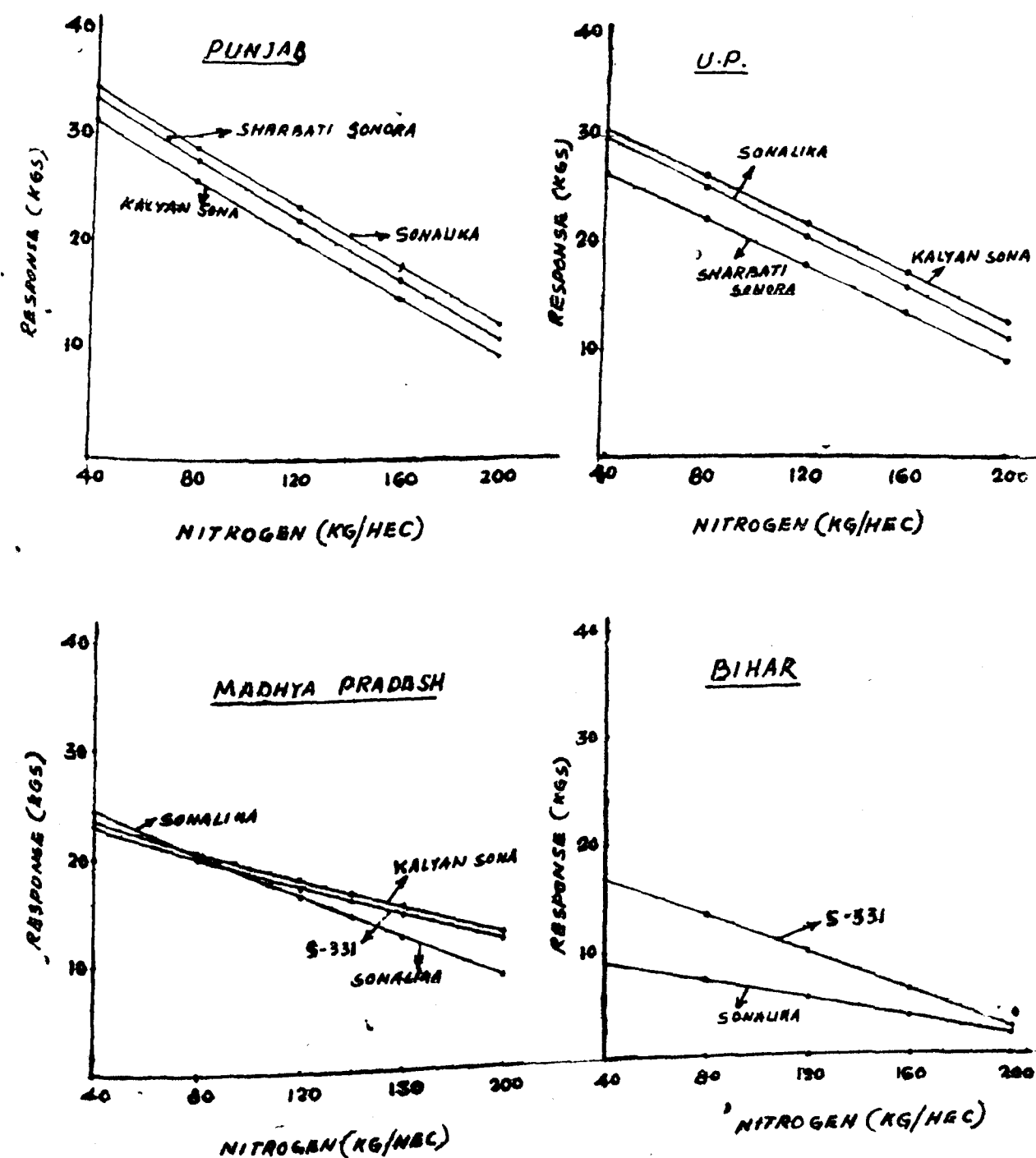
As regards the fertiliser-crop production ratio, the response co-efficient may go up substantially if some new varieties of high-yielding wheat are evolved and tried in suitable regions — particularly in Madhya Pradesh and Bihar where the yield response to fertiliser application has been found to be very low compared to that in UP and Punjab. However, this aspect of research will have to be taken up by agronomists, and we shall leave this

question to them for consideration and necessary follow-up.

From among the existing varieties, nevertheless, certain varieties can be recommended which are found to be more responsive to fertiliser application than others. This can be done by conducting field trials on a large scale in different areas and then selecting the variety which gives the highest response. For the State as a whole, this has been attempted in Graph 2, which shows the average response ratios of different varieties of wheat at different levels of fertiliser application in the four selected States in India. From this graph, it appears that HYV variety 'Sonalika' is suitable for Punjab, 'Kalyansona' is suitable for UP and MP, and 'S-331' is suitable for Bihar.

The measures suggested above are feasible and desirable but they cannot be carried out beyond a certain level.

GRAPH-2: AVERAGE RESPONSE OF HYV WHEAT VARIETIES TO NITROGEN IN DIFFERENT STATES IN INDIA



As already stated, if efforts are made to raise the prices of wheat even above those in Bihar, they will merely add to the hardship of the consumers and stoke the flames of inflation. Similarly, a reduction in fertiliser prices, though possible in the long run, if the supply of fertilisers becomes plentiful, may not be possible in the short run.

Evolution of new varieties that are more responsive than the present varieties to fertiliser application will

help to raise the rate of fertiliser application; but when, and whether, these varieties would be evolved cannot be predicted at this stage. For the present, a proper choice has to be made of the existing varieties to obtain the highest response.

Even under present conditions, it may be possible to step up fertiliser application by educating farmers about the beneficial effects of fertiliser use. For this purpose, it is necessary to organise mass trials and demonstra-

tions on farmers' fields on a much more extensive scale than at present. The farmers should be taught about the balanced use of NPK and about the appropriate doses to be applied for achieving the most profitable results. This will also considerably reduce the element of risk and uncertainty which at present assails many farmers. This direct method, of approaching and educating the farmer on his own field, is likely to be most effective in stepping up fertiliser use. As will be seen

from Graph 1, there is considerable scope for stepping up fertiliser dosage to 120 kg/hectare in almost all the States under reference. Even with the existing input/output price and product relationships, the optimum dosages on HYV wheat are quite high. Based on the response equations given in Appendix A and with the help of the following functional relationship between the optimum dose (x_0) and the factor and product prices (q and p), $x_0 = b - \frac{q}{p}$, the optimum doses²

for the different States work out as follows:

State	Optional Dosages kg of N/hect	Actual Dosages Applied (kg N/hect)
UP	135	59.06
Punjab	127	42.14
Madhya Pradesh	143	NA
Bihar	91	25.12

For providing farmers with adequate knowledge about the optimum use of fertilisers, much more emphasis than at present will have to be put on extension education, oriented towards fertiliser promotional programmes. This programme should take into account the technological changes that have taken place in the transition from traditional to modern agriculture. It should proceed at a decentralised level, touching the district, physical, economic and cultural environment of the place and the people. Fertiliser is the most costly input in the 'new technology' and, unless farmers are convinced of the profitability of fertiliser use, fertiliser use cannot be stepped up. Since the new cereal varieties are found to be sufficiently responsive to higher doses of fertiliser application, there is no reason why, given the proper training and guidance, cultivators will not feel inclined to put in more fertilisers. The message of the Green Revolution has to be increasingly conveyed, from the laboratory to the field.

The overall conclusion that emerges from the study is that in order to step up fertiliser application on HYV, a double-barrel attack on the fertiliser promotion programme and on the price front is necessary. The farmer has to be convinced of the profitability of

fertiliser use. He should acquire technical efficiency and skill in the use of fertilisers under different agronomic conditions. On the other hand, he has also to be provided with a guarantee against a crash in prices and loss in income in the event of a sharp rise in production as a result of increased application of fertilisers.

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- 1 India, Government of, Planning Commission: "Evaluation Study of High-Yielding Varieties Programme — Rabi 1968-69". Programme Evaluation Organisation, November 1969.
- 2 Mellor, John W. "The Economics of Agricultural Development", Cornell University Press, Ithaca, New York, 1966.
- 3 "Proceedings of Agronomy Subcommittee Wheat Research Workshop", August 25-28, 1969, Indore.

Notes

- 1 Henceforth, by 'fertiliser' we shall

mean only nitrogenous fertilisers. Since sufficient data on yield response to P_2O_5 and K_2O are not available, we have to proceed on these lines. This line of analysis should not, however, affect our conclusions since, even now, about 80 per cent of the total fertiliser consumed in India is of 'N' type.

- 2 We do not have any data on the average fertiliser dose on HYV for Madhya Pradesh but available evidence suggests that fertiliser application in MP is much lower than either in UP or Bihar.
- 3 The concept of optimum dose has little practical validity because of the assumption of ceteris paribus implied in it. It assumes perfect knowledge and no allowance is generally made for price or yield risk or the fact that all other inputs (costs) are not constant as the rate of fertiliser application increases. However, even if we assume that 50 per cent of the optimum dose thus calculated can be profitably applied, there is enough scope for raising the nitrogen dose from the present level.

Asia Leads Third World

SOUTH EAST Asia and the Far East led all developing regions in increasing agricultural production in 1969. The region achieved a four per cent gain, compared with one per cent in Latin America and the Near East and none in Africa. FAO reported in its annual review, The State of Food and Agriculture (SOFA).

Although the 1969 growth rate was somewhat lower than in the previous two years, it seems that in the last few years a turning point may have been reached in the region, with increases in basic food production overtaking the rate of population growth, and thus opening prospects of self-sufficiency in cereals supply in a number of countries by 1975. Primary forestry output rose six per cent, while fisheries production increased by three per cent. However, Mainland China and other countries with a centrally planned economy in Asia are not included in the above references given in SOFA.

The earnings of the region in export of agricultural, fishery and forestry products continued to lag, showing a combined annual increase of only two per cent. The major contribution was made by a 13 per cent rise in the value of forestry exports. Some countries, among them India, counter-

balanced the effect of stagnant agricultural products to some extent by their growing ability to reduce foodgrain imports.

While preliminary indices indicate that growth of overall agricultural output in 1969 was about one per cent lower than the five per cent rise in 1968, it is still substantially higher than the 2.6 per cent annual rate for the 10-year period 1958-68. With population annually expanding in the developing countries at 2.6 per cent, per head production of agricultural products increased by two per cent and of food by one per cent. Above-average increases in food production were notably achieved in India and some smaller countries such as Ceylon, Nepal, Thailand, Malaysia and others.

Rice production continued to expand by six per cent while wheat output rose by ten per cent. India, which accounts for 70 per cent of the region's total wheat production, improved its output by 13 per cent and another good harvest is expected in 1970. Regional barley production dropped 18 per cent; maize output was up six per cent, millet and sorghum production rose by seven per cent. Oilseeds production increased by six per cent, but output of pulses fell 10 per cent, mainly in India, the major producer.

Factors Determining Demand for Pesticides

Gunvant M Desai

Among various plant protection measures, pesticides have been found to be the most popular among cultivators. The Fourth Five Year Plan aims at substantially raising the level of pesticide use. Growth in cultivators' demand will play a crucial role in attaining the target.

An attempt is made in this paper to identify the forces behind cultivators' demand for pesticides by developing a conceptual framework as well as by analysing some empirical findings on the pesticide use pattern based on a sample of cultivators during 1967-68 to 1969-70.

[The author is grateful to A G K Murty for his useful comments on an earlier draft of this paper.]

ALTHOUGH estimates of the damage done by pests and diseases to crops vary widely, there is general agreement that it is substantial. Efforts to raise agricultural production, therefore, usually include plant protection measures. Lately these measures have become more important for other reasons. The strategy of raising agricultural production through intensive cultivation of land implies greater use of water, high-yielding varieties, and fertilisers, which in turn is usually associated with a higher incidence of pests. Moreover, success of the growth strategy, which emphasises investment in yield-raising inputs, depends not only on the effectiveness of these inputs but also on the measures which bring out the full potential of these inputs by saving losses due to pests and diseases.

Plant protection measures can be broadly classified into four groups: (1) cultural control (e.g. rotation of crops), (2) physical and mechanical control (e.g. mechanical eradication of field rats), (3) chemical control (e.g. spraying or dusting of crops with chemicals) and (4) biological control (e.g. breeding of pest resistant strains of plants). Chemical control measures, though they are of relatively recent origin, have been found to be most popular among farmers.¹

The Table shows the growth in consumption of pesticides in India from less than 500 tonnes of technical grade material in 1954-55 to over 20,000 tonnes of it in 1967-68. The Fourth Five-Year Plan aims at covering 80 million hectares (gross) by various plant protection programmes, such as seed treatment, anti-rat measures, control of epidemics, weed control and intensive treatment by 1973-74.² It has been estimated that, of the 60,400 tonnes of technical grade material which would be needed to cover the targeted area under the plant protection measures, over 53,000 tonnes would be needed for intensive treatment.³

The gap between the actual level of use and the target level indicates the magnitude of the task of raising the level of pesticide use. There are two distinctly different aspects to the task: (1) availability of the requisite quantity of the right type of chemical materials in the country, and (2) utilisation of that material. This paper focuses on the second aspect. Even with respect to utilisation, two broad alternatives may be distinguished: (1) utilisation mainly through actions of individual cultivators, and (2) utilisation mainly through direct action by government agencies. The two alternatives require different policy measures for attaining the target. For the first alternative not only have adequate and efficient distribution channels to be created but also vigorous policy measures have to be undertaken to generate rapid growth in cultivators' demand for this input. On the other hand, if government agencies are going to bring about utilisation of chemical materials, then a vast organisation with adequate resources would be needed in each State to undertake the task of spraying and dusting chemicals on farmers' fields.

It is assumed in this paper that direct undertaking of control measures by government agencies will be preferred only in times of sudden widespread pest attack, and that increase in the use of pesticides is expected mainly through the actions of cultivators. An attempt is made in this paper to identify the forces behind cultivators' demand for pesticides — first, by developing a conceptual framework, and then by presenting some of the empirical findings on the pesticide use pattern of a sample of cultivators during 1967-68 to 1969-70.

CONCEPTUAL FRAMEWORK

Pesticides are inputs purchased in the market. Therefore, given the availability and network of distribution, their utilisation in each production period depends ultimately on cul-

tivators' demand for them. An individual cultivator's demand may be viewed as an outcome of the following three decisions: (a) Whether to use pesticides (b) Which pesticides to use (c) How much of them to use.

What is true of an individual cultivator is true also of all cultivators taken together. Therefore, we may say that the total demand for various pesticides is an outcome of these three basic decisions of all cultivators. In the final analysis, the decisions are governed by returns from pesticide-use to the cultivators.

Pesticides are yield-saving, rather than yield-increasing, inputs. Therefore, returns from pesticide used on a specific crop depend on: (a) the value of the crop which could be saved as a result of pesticide use, and (b) the cost of pesticide application. The former would depend on the physical quantity of crop which could be saved and price of that crop, while the latter would depend on the kind and amount of pesticides used, the prices of these pesticides, and the method of their application. The amount of crop which could be saved in physical terms would depend in turn on: (a) the nature and intensity of pest attack, (b) the effectiveness of pesticides, and (c) the yield of the crop in the absence of pest attack.

From the above arguments it is clear that, given the awareness about pesticides, a cultivator's demand for this input is governed mainly by: (a) the nature and intensity of pest attack, (b) the effectiveness of pesticides, (c) the yield of the crop in the absence of pest attack, (d) the price of the crop, and (e) the cost of pesticide use. If at the time of making the three basic decisions a cultivator knows these factors precisely, he would generate the 'optimum' demand for pesticides. Clearly, when pesticides are used as prophylactic measures a cultivator, while generating his demand for pesticides, does not know with certainty if his crop will be affected by

TABLE: CONSUMPTION OF PESTICIDES,
1954-55 to 1968-69
(in tonnes)

Year	Total Use of Technical Grade Material
1954-55	462
1955-56	2,353
1956-57	2,564
1957-58	2,124
1958-59	5,640
1959-60	5,697
1960-61	8,622
1961-62	10,304
1962-63	9,890
1963-64	11,030
1964-65	12,065
1965-66	14,630
1966-67	17,137
1967-68	20,900
1968-69	28,200*

* Anticipated.

Source: Pesticides Association of India, "Proposals for Pesticides and Plant Protection", New Delhi, 1968, p 25.

pests. But even when they are used as curative measures, he does not know all the above factors precisely. For instance, he does not know with precision the price and the yield he will get because of uncertainties of market and weather respectively. Therefore, his demand is more likely to be guided by the size and certainty of expected returns from pesticide use rather than precise calculations. If the expected returns appear high and certain, the cultivator would readily use pesticides. Conversely, if the expected returns appear low and uncertain, the cultivators would be hesitant to use them.

Some important conclusions follow from the above discussion. First, pesticides would be more readily demanded for high value crops which are susceptible to intense pest attack than for low value crops or crops on which incidence of pest attack is low. The same would also be true about the demand for pesticides for prophylactic use. Second, given the high intensity of pest attack, buoyancy in the demand for pesticides would depend on the price and/or yield expectations for the crop. Third, use of yield increasing inputs such as fertilizer and water will shift the demand for pesticides upwards because use of such inputs generally results in higher incidence of pests, and also because it raises expectations about yields.

It also follows from the above discussion that, extension work can play a crucial role in generating rapid growth in cultivators' demand for

pesticides: (a) by spreading awareness about the incidence of pests on various crops, and (b) by educating farmers about the effective use of various pesticides. In the absence of vigorous extension work, by government or by private agencies, the limits of rapid growth in the demand for pesticides would be set by areas under high value crops which are susceptible to pest attacks. As these areas are generally only a small proportion of total cultivated land, the limits of rapid growth in cultivators' demand for pesticides are likely to be much lower than the potential as estimated from the findings of entomologists and plant pathologists.⁴ It should be emphasised, however, that the extension work needed to accelerate the rate of growth in demand for pesticides and to shift upwards the limits of rapid growth in demand should aim not at spreading awareness about the concept of pesticides but also at demonstrating the effectiveness of pesticides in saving crops at low cost.

To what extent are the conclusions reached above supported by the actual pattern of pesticide use among cultivators?

SOME EMPIRICAL FINDINGS

The following empirical findings relate to pesticide use pattern of a sample of 145 cultivators of Guntur district (Andhra Pradesh) in 1967-68, 1968-69, and 1969-70. The data were collected by conducting field work in early 1969 and early 1970. The selected cultivators were located in 8 villages. Two of these villages were served by the Krishna Canal throughout the reference period, one by the Nagarjunasagar Project since 1968-69, and five by neither of these two projects during the three years. The level of irrigation from wells and tanks was very low (between 0 and 15 per cent) in these five villages during 1967-68 and 1968-69 because of poor monsoon. In 1969-70 it improved in two of them. The predominant crops in the villages covered by the Krishna Canal were paddy and pulses. In the other villages, minor cereals, pulses, tobacco, chillies, cotton and groundnut were grown. With availability of water from the Nagarjunasagar Project the crop pattern in one of the villages underwent substantial change. The areas under paddy and cotton increased, while those under minor cereals and chillies diminished. During the first two years of the reference

ECONOMIC AND POLITICAL WEEKLY

period, rainfall was less than normal in all the villages. In May 1969, there were severe floods in the region, while in October of the same year there were abnormal cyclonic conditions. Consequently, there was a more severe pest attack on all crops during 1969-70 as compared to in the previous two years.

ADOPTION OF PESTICIDE USE

In 1967-68, at the time of the first survey, 73 per cent of the cultivators in the sample were using pesticides. This percentage went up to 88 in 1968-69 and further to 90 in 1969-70. On the other hand, though such a high percentage of cultivators were using pesticides in 1967-68, only 41 per cent of the total cultivated land was receiving pesticide application. What is more significant is that this did not change by more than one per cent in the following two years. The wide discrepancy between percentage of cultivators using pesticides and percentage of land which received pesticide application was because the users of pesticide did not use it on their entire cultivated land.

Throughout the reference period, the spread of pesticide use varied widely among different crops. On the basis of percentage of land receiving pesticide application, crops grown by the sample of cultivators could be divided into four broad categories: (1) Over 75 per cent of areas under tobacco, chillies and coriander were covered. (2) Between 33 and 50 per cent of the areas under paddy, jowar and cotton received pesticide application. (3) Areas under minor millets, pulses and groundnut were covered up to 15 to 20 per cent. (4) Less than 10 per cent of the land under bajra and fodder crops was covered by pesticide application. From the reasons given by cultivators for their not using pesticides on different crops, it appeared that the variation among the different crops was mainly due to (a) varying intensity of pest attack on different crops, and (b) varying importance attached by cultivators to different crops as far as the use of this input was concerned. A large number of cultivators who were not using any pesticides on paddy, jowar, bajra, minor millets and pulses gave mildness of pest attack as the reason for non-use of pesticides on them. Many of them were also not inclined to use pesticides on foodgrains other than paddy.

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Over the three-year period, there was a clear increase in the spread of pesticide use on tobacco (from 84 per cent to 92 per cent) and chillies (from 72 per cent to 90 per cent) and jowar (from 33 per cent to 50 per cent). During the same period, the percentage of area under pulses which was covered by pesticides declined from 53 to 20, and that under paddy declined from 55 to 47 though more severe pest attack was reported on both these crops in 1969-70 as compared to 1967-68. For coriander, it fluctuated between 69 and 93, for groundnut between 6 and 20, for bajra between 4 and 13, and for other minor millets between 10 and 23.

RATES OF EXPENDITURE ON DIFFERENT CROPS

The average rate of pesticide application (total expenditure on pesticides divided by total area covered by pesticides) was Rs 10.10 per acre in 1967-68.⁵ It went up to Rs 12.30 in 1968-69, and further to Rs 27.00 in 1969-70.⁵ In 1967-68, per acre expenditure on pesticides for paddy, pulses, Virginia tobacco, groundnut and coriander was between Rs 7.50 and Rs 12, for jowar and minor millets it was between Rs 3.50 and Rs 6, for natu tobacco and cotton it was about Rs 15.50, while for chillies it was Rs 21.30. There was a slight fall in the rates of expenditure on paddy, Virginia tobacco and groundnut in 1968-69, while rates of expenditure on other crops went up significantly. In 1969-70, per acre rates of expenditure on all crops except Virginia tobacco were higher than in 1967-68. The maximum increase was for chillies, from Rs 21.30 to Rs 148.40. The rate on cotton also went up dramatically from Rs 15.40 to Rs 88.70. Among the foodgrain crops, the rate went up most markedly for pulses (from Rs 9.50 to Rs 27.80). The rates on paddy, jowar, groundnut, and coriander, registered an increase of about 50 to 100 per cent over their 1967-68 level.

In 1967-68, the four non-foodgrain commercial crops (tobacco, chillies, cotton and coriander) which occupied only 20 per cent of the cultivated area accounted for 53 per cent of the total expenditure on pesticides. On the other hand, foodgrain crops which occupied 62 per cent of cultivated land accounted for 45 per cent of the total expenditure. The relative importance of these two groups of crops in total expenditure on pesticides changed substantially in 1969-70,

though their relative importance in the crop pattern changed little. The four non-foodgrain commercial crops grown on 23 per cent of the cultivated land accounted for 75 per cent of the total expenditure on pesticides while the foodgrains crops occupying 63 per cent of the cultivated land accounted for only 22 per cent of the total expenditure.

The total expenditure on pesticides incurred by the sample of cultivators in 1967-68, was Rs 10,133. In 1968-69, it went up to Rs 11,622. However, in 1969-70, it shot up to Rs 26,914. Of the total increment of Rs 16,850, in 1969-70 over 1967-68, nearly 80 per cent was accounted for by the non-foodgrain commercial crops mentioned above while only 12 per cent of the increment in total expenditure was accounted for by the foodgrain crops.

Among individual crops, chillies which occupied only about 4 per cent of the cultivated area accounted for nearly 50 per cent of the total expenditure in 1969-70, and about 69 per cent of the increment of Rs 16,850 in total expenditure between 1967-68 and 1969-70. Over those three years, the total area under chillies went up by only 7 acres (from 91 to 98). On the other hand, the percentage of area under this crop which received pesticides went up from 72 in 1967-68 to 90 in 1969-70, and the rate of expenditure per acre shot up from Rs 21.30 to Rs 148.40. The main forces behind these developments appeared to be (a) a very high degree of susceptibility of the crop to pests and diseases (over 90 per cent of the cultivators reported pest attack on chillies in 1969-70), and (b) a very favourable price situation (price per quintal of chillies realised by the sample of cultivators was Rs 138 in 1967-68, Rs 309 in 1968-69 and Rs 574 in 1969-70).

CONCLUSIONS

Once we assume that utilisation of increasing quantities of pesticides will have been brought about mainly by actions of the cultivators, their demand for this input assumes a crucial role in raising the level of their use. A number of factors, which determine cultivators' returns from pesticide use, influence their demand for pesticides. Among them, the most dominant seems to be the degree of susceptibility of high value crops to pest attack. Most of them do not apply pesticides on a number of crops — even after using pesticides on some other crops for a

number of years — in spite of their knowledge that these crops are affected by pests. From these findings it follows that, if demand for pesticides is to grow rapidly, vigorous extension work is needed to demonstrate the effectiveness of pesticides in saving crops that account for a very high percentage of the cultivated area in the country.

Notes

- 1 Government of India, Programme Evaluation Organisation, Planning Commission, "Study of the Extension of Plant Protection Measures in Agricultural Production", New Delhi, 1968, Chapter V, pp 35-48.
- 2 Government of India, Planning Commission, Fourth Five-Year Plan, 1969-74 (Draft), New Delhi, 1969, pp 122-123.
- 3 Pesticide Association of India, "Proposals for Pesticides and Plant Protection", New Delhi, 1968, p 8.
- 4 The National Council of Applied Economic Research has estimated that 3.44 lakh tonnes of technical grade material is needed in the country to cover 282 million hectares (gross) by chemical plant protection measures. See National Council of Applied Economic Research, "Pesticides in Indian Agriculture", New Delhi, 1967, pp 43-45.
- 5 There was no significant change in the prices of pesticides during the reference period. The index number of weighted average price of different pesticides used by the sample of cultivators, with 1967-68 as base, changed to 103 in 1968-69, and to 99 in 1969-70.

Mysore Kirloskar

MYSORE Kirloskar's sales expanded from Rs 4.58 crores to Rs 5.81 crores during the year to June 1970 but, with rise in wages, prices of raw materials and components and absence of margins in exports, gross profit was up only modestly — from Rs 1.02 crores to Rs 1.12 crores. Net profit was Rs 86 lakhs (Rs 33 lakhs) to cover the 10 per cent equity dividend 3.2 times to give a return of 13.8 per cent on the capital employed in business. The directors' report cautions that there are signs of recession in business and that the order book is not as healthy as it was in the past year. The management intends to diversify production. Export prospects have also dimmed owing to the recession in the Western countries and the continued increase in the company's costs. The subsidiary, Precision Tooling Systems, has taken up construction of factory building at Sat-tur in the Hubli-Dharwar area.



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which the Chinese would not, at present, like to deny North Vietnam. This does not mean that the Chinese are totally unconcerned onlookers as far as the 'civil war' in Laos goes. The short-term Chinese objective in Laos, in keeping with its general desire in the Indochina war, is the same; namely, the continued and increasing embroilment of North Vietnam in the War. The extended military commitments of North Vietnam should so emaciate it that it would not, in the foreseeable future, be in a position to question, much less challenge, Chinese leadership over the area. Considering the historical background of Sino-Vietnamese relations, Vietnamese assertiveness is a prospect which no regime in Peking, whatever its political colour, would ever welcome. A not too strong and independent Vietnam is part of the general Chinese strategy to have regimes established in the area which are not hostile to China's interests. For the furtherance of this aim the Chinese would like the withdrawal of American forces from mainland South-East Asia at the earliest. But for the present, the two seemingly contradictory objectives, of continued war in Indochina and of American withdrawal from the area, both serve the Chinese interest. In either case the Chinese stand to gain. This does not, however, mean that China has any territorial ambitions in the area.

As for the 'civil war' in Laos, the Chinese could not be unaware of the nature of the communist movement in that country. Laos does not have any agrarian problem of the kind that exists in Vietnam. Even the Pathet Lao representative in Vientiane, Soth Pethrasi, conceded to the author, that there is no land hunger in Laos and that land is available in abundance for cultivation. There is always a rice surplus and no starvation or famine. As a consequence, the movement has been robbed of any economic appeal. So, non-economic issues, like Western assistance and the resulting corruption, destruction of the traditional Laotian culture because of the intrusion of American culture, injustice to minority groups and the desire for peace in the war-torn country, have been promoted by the Pathet Lao. On such issues even the Rightists and conservatives in Laos would tend to agree. This results in the basic weakness of the Laotian communist movement, though the communists explain that this kind of approach is neces-

sitated by the feudal nature of Laotian society. They expect that in due course these issues will acquire an economic orientation. This is a very tenuous argument.

The Chinese are also not oblivious of the fact that the conflict in Laos is a projection, and also partly an internationalisation, of the dynastic rivalries between the various princely families. It is said that thirty princely families, between themselves, dominate the life and activities of the nation. Even the leadership of the Pathet Lao movement is in the hands of the princely families.

Notwithstanding these inherent drawbacks of the Laotian communist movement, the Chinese have been working in a very calculated manner on their strategy in Laos. A complex network of roads has been built since the early sixties by the Chinese in Laos without any fanfare. It was in fact a Rightist Prime Minister, Phoumi Nousavon, now in exile in Bangkok, who in 1960 asked the Chinese to build a road from Meng La in Yunnan (which is a Chinese province) to Phong Saly in Laos. This road was completed in 1961. Another agreement for road-building, from Phong Saly to Muong Sai, was signed in 1962 with the Chinese. This road was completed by 1963. These are roads which have been built at the request of the Laotian Government. More significantly, a link road has been constructed between Muong Sai and Dien Bien Phu (which is in North Vietnam) through Luang Prabang and Phong Saly provinces, jointly by the North Vietnamese and the Chinese, even against the declared wish of the Royal Laotian Government (RLG). Obviously, this was necessitated by the demands of war, as this road has established an important channel of communication between the Pathet Lao and North Vietnam on the one hand and between China and North Vietnam on the other. The construction of another road, the work on which is nearing completion, from Muong Sai to Pak Beng in the north-western region of Laos, almost touching the border areas of Thailand, is most intriguing. It needs to be emphasised that this area is a traditional gateway to Thailand. This road is also being built in the face of opposition by the Royal Laotian Government. The Government had protested to the Chinese Embassy in Vientiane, but only to invite a total denial. As usual, the Chinese road-builders are all

equipped with modern arms, even with anti-aircraft guns. Though the number is supposed to be 2,000 at present, it has at various times gone up to 6,000 or 8,000. In spite of the denial by the Chinese, whenever reconnaissance planes fly over the area, they are shot at by these anti-aircraft guns. The Laotians are not in a position to prevent this, and the Americans who could, would not like to. Though the explanation given is that the Laotian government has not asked for any American intervention to stop the road construction work, the more credible reason is that the United States would not like a repetition of a Korea-type Chinese armed intervention in Indochina. As the Russians rightly believe, there seems to be a tacit understanding between the Americans and the Chinese about Laos.

CHINESE MOTIVES

What could be the possible Chinese motives behind building this road. It provides access to Thailand which would enable China to maintain direct contacts with the communist insurgents in north-eastern Thailand. The Chinese by their sheer physical presence in the area could in future pressurise the regime in Bangkok to behave in the manner they deem fit. Chinese control over the north-western region of Laos is so real that in Phong Saly province the Pathet Lao had to construct another provincial capital for their own use. This is also a firm reminder and restraint upon any North Vietnamese ambitions in Laos. To the United States and Russia, this is a warning that in any future settlement concerning Laos, the Chinese would not like to be denied their proper role. In other words, the Chinese would not accept any settlement arrived at only between the two super powers. Even the RLG would demand Chinese involvement in any future settlement. One reason why the RLG does not protest too much against the Chinese road build-up is that the Chinese presence is not entirely unwelcome insofar as Laos's relations with its neighbours are concerned. Historically, the Laotians have more reason to fear the Vietnamese than the Chinese.

Though the Chinese did not evince much interest in the recent peace moves, it is believed, that they would not be averse to a peaceful settlement of the Laotian problem. In more than one way the Pathet Lao is under the control of the North Vietnamese,

though the Chinese continue to retain their influence also. And it was because of the North Vietnamese incapability in coping with their extended commitments in Cambodia that the peace moves in Laos got an encouraging response from Hanoi. The North Vietnamese have already withdrawn more than 12,000 troops from Laos to meet their requirements in Cambodia. In this context, the recent contacts between the RLG and the Pathet Lao have created some hopes in various political and diplomatic quarters and the latest meeting between the Pathet Lao envoy, Prince Souk Vongsak, and the Prime Minister, Prince Souvanna Phouma, assumed added significance. The Prime Minister had agreed in principle to confer with Prince Souphanouvong, the Pathet Lao leader, after the meeting of their plenipotentiaries to be held at Khang Khay (in the Plain of Jars), which is under Pathet Lao control and is 115 miles north-east of the capital, Vientiane. It was expected that the parleys would start without any prior conditions. Hitherto the two sides had been putting forward conditions unacceptable to each other. The talks would have started by now, but it seems that with the large-scale attacks launched by Pathet Lao troops in the Atepeu areas against Pathet Lao pockets, the prospect of peace has receded again. In the Rightist quarters in Vientiane, more specially amongst generals like Kouprasith Abhay, the commander of the fifth military region, the opinion was that the time was not opportune for any serious negotiations. The generals felt that at a time when the North Vietnamese are in a difficult position, the RLG should instead try to wrest political advantage by registering fresh military gains. Probably because of the rains and in view of their logistic difficulties, the Pathet Lao also wanted to gain some more time and so had no heart in the negotiations. The Chinese also, most probably, decided against allowing negotiations. The latest visit to Hanoi by the Russian Vice-Foreign Minister Firubin might have caused fears in Peking that a peaceful settlement in Laos could reactivate Russian diplomacy in the area, which has been sagging badly since the Lon Nol coup in Cambodia. The Russians were the greatest losers in Cambodia. In Laos, more than anywhere else in Indochina, because of their influence over the International Control Commission, the Russians have greater manoeuvrability. The

Chinese cannot ignore this point. Moreover, an abortive attempt at peace had once been made in February 1968 by the Russians. These Russian peace moves were made, it seems, to prevent the Pathet Lao from total induction into the Chinese sphere of influence during the days of the cultural revolution. China would hate the prospect of an increase in Soviet influence in such a sensitive area as Laos.

The Thais, being the most pragmatic of all the South-East Asians, have not lost time in recognising the prospect of Chinese supremacy over the area. In the higher echelons of the Government or amongst the intellectuals in Bangkok, there is universal acknowledgement and even acclaim, in some quarters, of China's power. The Thai politicians are already reconciled to the likelihood of a diminished United States role in South-East Asia. The very cautious approach that the Thai Government has been following in respect to Cambodia is an indication of its shifting stance in matters concerning the region. Thai troops stationed in South Vietnam, numbering about 12,000, have been called home. Following these steps the Thai Foreign Minister, Thanat Khoman, has concretised his oft-repeated proposal to start a dialogue with China by suggesting a meeting between the representatives of the two countries in any neutral capital. Though the Thai Government has, as yet, not received any official reaction from the Chinese Government, a radio broadcast from Peking has offered a counter-proposal. The broadcast suggested that the two countries could start holding secret talks. These talks could follow the same pattern as that of the Sino-US parleys in Warsaw. It is not known whether the two governments have agreed to work on this suggestion. But these overtures have greatly reduced

the inflexibility that existed in the relations between the two countries. This has also underlined the basic non-ideological approach of Chinese foreign policy. These contacts (which are bound to be established before long) could have many surprises in store. In mainland South-East Asia, apart from North Vietnam and South Vietnam, Thailand is the only other country which has the potentialities of a substantial regional power. It has the population (35 million), the resources and a well-equipped army and air force. Fortunately for Thailand, unlike the two Vietnams, it has not been affected by the devastation of war. The Chinese cannot overlook the role that Thailand could play as a regional counter-poise to possible Vietnamese ambitions. In the absence of the Americans, the Chinese could play up the traditional fears and suspicions of the Thais and the Vietnamese. The establishment of a non-military regime in Bangkok would make it easier for the Chinese to negotiate. Though, it has not been put forward as a precondition, a national coalition headed by Pridi Panyong, the exiled Thai leader who has recently shifted from Canton to Paris, would be the natural preference for China. Superficially, this would also indicate a departure from the past. Whether the present Thai authorities would agree to their own gradual self-effacement is a doubtful proposition. But then the Chinese do have as a bargaining counter, the growing guerilla activity in north-eastern Thailand, which Bangkok can ignore only at its own peril. Even as the exhausting war in Vietnam and in Cambodia continues, in the Chinese scheme of things, Thailand will draw greater attention in the seventies. It depends on Thai ingenuity to make the best of the new exigencies. If history is any guide, the Thais can make it!

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Implementation of the Scientific Policy Resolution

B M Udgarkar

The principal objectives set before the Third Conference of Scientists, Technologists and Educationists in Delhi last month were:

- (a) to make a comprehensive review of the progress made in the implementation of the Scientific Policy Resolution, 1958;
- (b) to suggest, in the light of this review, measures to remedy any lacunae observed in the implementation; and,
- (c) to consider whether there is any need for restatement of the Scientific Policy Resolution in order to incorporate policy for technology and, if so, to suggest the necessary modifications.

An attempt is made here to delineate some of the major issues discussed at the Conference and some of the recommendations that emerged.

[The views expressed are those of the author.]

THE Third Conference of Scientists, Technologists and Educationists was held at New Delhi on November 28-30, 1970, under the auspices of the Committee on Science and Technology (COST). It was attended by about 150 participants who represented a fair cross-section of those involved with science, technology and education in the country, covering a wide diversity of experiences, academic and non-academic, governmental and non-governmental, administrative and industrial, pure and applied research, senior and junior. The principal objectives set before the Conference were: to make a comprehensive review of the progress made in the implementation of the Scientific Policy Resolution, 1958; in the light of this review suggest measures to remedy any lacunae observed in the implementation; and to consider whether there is any need for restatement of the Scientific Policy Resolution (SPR) in order to incorporate policy for technology, and if so, suggest necessary modifications or amendments to the SPR.

The subject matter for discussion was broadly divided into four major areas:

- (1) Scientific Policy;
- (2) Climate of Science and Management of Science;
- (3) Reorganisation of Research and Development Structure, Industrial Development and Transfer of Technology; and,
- (4) Higher Education and Manpower.

Participants at the Conference were divided into four groups, each group of 35-40 being called upon to discuss in depth one of these four themes. Several background papers were made available to them. These included a Preliminary Report on the Implementation of Scientific Policy prepared by the COST, and a report entitled 'Management of Scientific Research' prepared by the Administrative Staff College of India, Hyderabad, based on the Seminar on 'Management of Scientific Research

Laboratories" held a few weeks earlier at Hyderabad.

Given the short time available for discussions on such a wide canvas of subjects, and also because of the rather large size of each individual group, one could not expect any detailed recommendations to emerge as recommendations of the Conference. Nor did the participants have — as an *ad hoc* group — any mandate for this purpose. What I shall therefore attempt to do, is to delineate, in my individual capacity as a participant, some of the major issues, as they appear to me, and some of the ideas and recommendations that emerged. Though most of them could probably be said to represent a broad consensus, the choice of suggestions and emphasis is entirely mine.

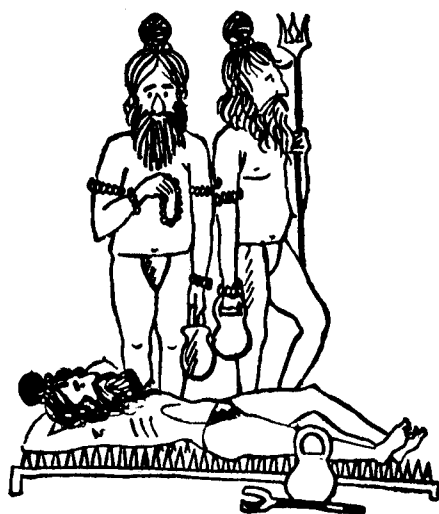
SPR AND NEED TO SUPPLEMENT IT WITH A TECHNOLOGY POLICY RESOLUTION

The Scientific Policy Resolution represents a declaration of the Government's faith in science and its vital role in the transformation of our country, and of the Government's resolve to support it in all possible ways. It is an admirable document as far as it goes, and needs no modification. Since its adoption by the Government in 1958, the Government support to R and D, which was about Rs 26 crores in 1958-59, has increased to about Rs 120 crores in 1969-70, representing a doubling time of about 5 years. The number of Universities and research laboratories, and that of qualified scientists and engineers (QSEs) has grown very rapidly (*vide* COST reports) until we now have a QSE manpower comparable with that of countries like UK, France and Germany, and substantially higher than that of countries like Canada, Switzerland, Sweden or Italy. In other words, the SPR has led to very considerable advances in building up an infrastructure for science and technology in the country, and we can no longer be called underdeveloped in this regard. Yet we

continue to be poor, continue to harbour an underdevelopment syndrome, at least our national managers do, and we continue to run to the above mentioned countries, among others, in our never-ending quest of foreign know how and foreign collaboration, paying a heavy price for it. The price is heavy not only in terms of money, not only in terms of the avoidable delay in achieving technology self-reliance and a take-off capability, but also in terms of the frustration generated in the minds of the large number of highly trained scientists and engineers. Many of them migrate abroad, and we have the phenomenon of brain-drain. These QSEs are the greatest asset of a society that wishes to embark upon a programme of technological development and material progress. We are here face to face with a very serious mismatch — the failure of our society to utilise the infrastructure it has built up, and to marshal the talents it has, for the challenging tasks which exist.

The prime question then is how to remove this mismatch, how to make an optimum utilisation of the infrastructure that has been built up since the adoption of the SPR, so as "to secure for the people of the country all the benefits that can accrue from the acquisition and application of scientific knowledge" (SPR). For this purpose, it appears necessary (though it was perhaps not stated so explicitly in any of the reports to the plenary session) to supplement the SPR with a Technology Policy Resolution, which affirms the country's resolve to achieve self-reliance, and clearly states that it is vital to adopt a very selective approach towards the import of foreign technology, that such import can be condoned only if it is meant for buying time, that import of black boxes must be minimised, and that whenever it is necessary to buy foreign know how and/or to enter into foreign collaboration, this must be accompanied by an appropriate sub-

For some people there's no cotton shortage.



People who are conspicuous by what they are not wearing, may not be affected by the cotton shortage. That leaves only about 550 million who are affected!

Is the much-talked-about cotton shortage fact or fiction? Here's the naked truth:

India's cotton production has remained stagnant for the past 5 years, but not the population. This year's crop is expected to be only about 55-57 lakh bales. The requirement is 70 lakh bales (at a

per capita consumption among the lowest in the world). Shortage is now an indisputable fact that must inevitably create an impact on a basic necessity of life.

What is the choice? If the mills are to work full steam, the gap should be filled by a time-bound import programme. Otherwise the machines have to go idle, either by a planned cut in consumption or by sporadic and large-scale closure of some 50 to 100 mills—leading to unemployment and misery all round.

The Indian cotton mill industry is all for the cotton growers getting good returns on their outlay and labour. This is better achieved by more carts of cotton per hectare than by more price per cart. This will also help us maintain our impressive export performance, instead of virtually wiping out Rs.120 crores in foreign exchange earnings. Which must happen if prices spiral.

Unless we are willing to go back to nature, let's make short work of the cotton shortage now.

INDIAN COTTON MILLS' FEDERATION

P.O. Box No. 1449, Bombay 1.

stantial investment on R and D effort in related areas within the country. Further, any import of know how must as far as possible be channelised through a local R and D group rather than going directly to the industry. The Japanese example would be relevant in this context. Rapid industrialisation of Japan in the post-war years to become a major industrial power in the short span of about two decades is mainly ascribed to the fact that for every Yen spent on borrowed technology, Japanese industry has spent as much as about seven Yen on adapting or improving it through indigenous R and D [Source UNCTAD II (TD/28/SUPPL 1)].

In terms of such a technology policy, the country must augment the current allocations to R and D, which are at the level of about 0.43 per cent of the GNP, to bring them to the level recommended by CASTASIA, viz, 1 per cent of GNP, within the next five years or so. This would imply an R and D budget of about Rs 300-350 crores by 1975. The bulk of this amount, about 50-60 per cent, would go to design and development activities, about 25-30 per cent would go for applied research, and 10-20 per cent would go to basic research. A significant part of the last would have to go to Universities and research institutes, thereby contributing to an improvement in the training of QSEs.

IMPLEMENTATION OF SPR: NEED FOR A SCIENCE AND TECHNOLOGY PLAN

Association of Scientists with Decision Making

The SPR asserts the Government's decision to pursue the aims of the SPR "by associating scientists with the formulation of policies". The Conference strongly felt that no such association has taken place in practice. This is in spite of the recommendations of the first and second conferences of Scientists, Technologists and Educationists and has given rise to considerable cynicism and frustration among them, as was noticeable at the conference. Though decision making on important national policies involves technical, administrative and political components, at present only the politician and the generalist administrator participate in the decision making. National development tasks with high scientific and technological content will never be accomplished satisfactorily unless scientists and technologists, who are concerned with the ultimate implementation of these tasks, are also associated with the actual decisions on policy.

Formulation of a National Science and Technology Plan

Once the Technology Policy is clearly enunciated as above, the stage will be set for formulating a National Science and Technology Plan, and an adequate machinery will be necessary for this purpose. This National Science and Technology Plan must identify the products and processes which would be needed by the country during the next few decades, define both long-term and short-term goals, and include a break down into specific projects of high priority, and an evaluation of the manpower, financial and other resources required for them. The plan should in the first instance be prepared without too much constraint arising from supposed paucity of resources, so as to avoid distortions arising from a psychology of poverty. The Science and Technology Plan so prepared should then be integrated with economic plans, particularly with the perspective plan.

A National Apex Body and Expert Panels

How is this Science and Technology Plan to be prepared? There is obviously a need for a National Apex Body (with say 15 members) to take full responsibility for drawing it up. This Apex Body will have to be assisted by expert committees or panels of active scientists and engineers (and economists) in related fields, who would work out the details of various sectors of the plan. In order to enlist the participation of the scientific community at large in the country, the draft plan prepared by the Apex Body and its Expert Committees should be made a public document and freely accessible to the scientific community for scrutiny examination and debate. It could also be discussed at a conference of scientists and technologists before being given a final shape and being presented to the cabinet for decision at the highest political level.

The present National Apex Body (NAB) is COST. The general feeling at the Conference appeared to be that COST, with its present composition, procedures and secretariat support, is inadequate for playing the dynamic role expected of the NAB, and that it would have to be reconstituted. There were several suggestions in this regard. Diametrically opposite views were expressed as to whether Agency heads should be members of the NAB. The value of their advice on various aspects of policy making and plan formulation was recognised, but a question was raised as to whether heads of large or-

ganisations (AEC, CSIR, ICMR, ICAR, BARC, DRDO, Cabinet Secretariat, etc), who would be already heavily burdened with their executive responsibilities, would find sufficient time to devote to the tasks and responsibilities of the NAB, especially where innovation is called for, and whether the NAB should therefore continue to consist predominantly of such very busy people. Would it not be desirable to have an infusion of some younger people who would have more time to devote to the tasks of the body? Would it not be desirable to have a full-time Chairman who leaves his normal research activities and responsibilities for a limited period, e.g. 2-3 years? And perhaps a few full-time members?

The above questions with regard to the membership of the NAB would also apply to membership of panels or expert committees. Some of the members may have to be full-time members borrowed from their normal organisations for limited periods. Others also should be capable of spending a good part of their time for the work of the panels, and be paid for it, and correspondingly be held accountable for it.

The Apex Body must have close links with the Planning Commission since the National Science and Technology Plan has to be an integral part of the overall economic plan.

The Apex Body (reconstituted COST) must be backed by a strengthened secretariat, equipped not only for the usual secretariat tasks but also for systems analysis, operations research, etc.

IMPLEMENTATION OF NATIONAL SCIENCE AND TECHNOLOGY PLAN

Role of the Scientist

The scientist or technologist must be assigned the primary role in the implementation of scientific and technological tasks. Any department or agency of the government concerned largely with such tasks must be headed by a scientist or technologist, who will have the full responsibility for, and necessary powers to run, the department. With this responsibility and power would go accountability. Further, he should have a secretariat status sufficiently high to ensure that in all matters concerning his department, he will have direct access to the minister concerned, without having to go through the intermediary of a generalist administrator.

Viability and Criticality of Effort

Once a project under the national plan has been accepted and politically

confirmed as a project of high priority, it is vital to accept concepts of criticality and viability, i.e. to guarantee that at least minimum resources of manpower, equipment, money etc. are deployed. Subminimal investments will only lead to a waste of resources and to a failure to achieve targets.

Problems of Technology Transfer: Integrated Approach Needed

The Conference discussed various possible ways for bridging the existing gap between technology and its transfer to industry. In this connection it is worthwhile to note that when we seek foreign collaboration and/or technical know how, what we approach abroad is not a research laboratory like one of our national laboratories but a production agency. It is therefore unfair to expect one of our National Laboratories, as they are, by themselves, to provide know how, blue-prints, guarantees, etc. at that level. The innovation chain which is the foundation of industry is an inter-related complex of links, comprising planning, scientific research, development, design, fabrication of equipment, construction and commissioning of plants, production, marketing and sales services. All aspects of this innovation chain must be adequately taken care of, by suitable analyses and deployment of task forces, if scientific research is to lead to successful industrial development and production. One needs an integrated approach.

It was, however, recognised that there could be more than one route for successful utilisation of R and D, especially in view of the fact that we already have a certain complex of research laboratories, including co-operative research associations, and a National Research and Development Corporation (NRDC). A strengthened NRDC was one possibility. Use of consultancy organisations and a consortium approach wherein existing institutions are combined to achieve specific tasks, was another. A more specific suggestion in this direction was that Research Development Corporations or Technology Transfer Centres (TTCs) may be set up in given specified areas with an integrated approach covering all aspects with full authority, responsibility, funds and accountability. A strong case was also made for an integrated approach in which research, design, production and marketing were all the responsibility of a single mission-oriented agency (e.g. BARC, FCI).

It seems clear that given the historical development of laboratories and facilities in the country, different routes

will have to be followed. The NAB (reconstituted COST), when it defines priority projects and task forces, could also spell out organisational frameworks (including alternative frameworks) that would be best calculated to carry out the given tasks. Whatever the route one adopts ultimately, one must ensure that the accountability is not diffuse as it is often the case today.

R and D Organisation: Autonomy of Laboratories

The accountability must however come at the end. Once time-targeted tasks and appropriate resources are assigned, and the norms of functioning defined, the laboratory must be given full freedom to function, to adopt appropriate personnel policies, etc. For example, the existing system of selection through UPSC or Selection Committees nominated by Agency Headquarters should be abolished and a positive system of recruitment based on talent hunt and participation by the concerned laboratory scientists themselves must be introduced. Intermediate controls, which make functioning impossible and only serve to provide alibis, must be minimised. The main function of auditing should be, not fault finding, but constructive, as an aid to good management by acting as a feedback to the management to enable better performance.

Democratisation of Laboratories

The SPR has implied a decision to democratise scientific and technological institutions and to eliminate hierarchy in science. Except in a few institutions, no such democratisation has taken place. Various organisational changes were discussed at the Conference. However, organisational gimmicks cannot carry one very far. Ultimately whether an institution succeeds or not depends on the people who run it, and the *esprit de corps* they generate, and there the responsibility has to be taken by the scientists themselves. We have yet to develop a scientific community, which takes pride in itself, has its own norms with respect to quality, publication ethics, etc. and thereby introduces a certain tone in the relationships not only within an institution but also between institutions.

At present there is a sad lack of dialogue and collaboration between the Universities and various national research laboratories or agencies. While it will help if a National Apex Body evolves a suitable formal machinery for this purpose, the lead will again have to be taken by the scientists themselves

at the level of their own laboratory or University.

MANPOWER PLANNING AND UTILISATION: Integration of Manpower Planning with Overall National Planning

Manpower planning has to be done in relation to national goals and resources, and employment planning has to be a significant part of manpower planning. Otherwise mismatches and frustrations develop, as one sees in the country today. Once the manpower requirements are defined in terms of a National Science and Technology Plan, one would probably find that the present excess of QSEs is only a parent. Any cut-down in the out-turn of QSEs would be in the long run a retrograde step.

Training and Retraining Manpower for Industries

Universities and technical institutes are to be expected to supply well-educated personnel in various fields and at various levels, but not tailor-made ones to suit a specific assignment or organisation. The latter must therefore come forward to provide a substantial component of practical training to students while they are still in educational institutions, and apprenticeship opportunities after they have passed out. They cannot just complain that University training is too theoretical, etc. without taking their share of responsibility to provide the practical component. Employing organisations should also make provisions for periodically retraining their scientific and technical personnel, so as to avoid obsolescence. For this purpose there should be refresher programmes and possibilities of sabbatical in Universities for scientists from industries and research laboratories.

Both these call for joint programmes involving industry and user agencies on the one hand and Universities and IITs on the other. This raises a problem of interface and co-ordination. The problem is national but solutions will have to be found at the level of individual organisations.

Service Conditions for Optimal Utilisation

The SPR declares the Government's intention of "offering good conditions of service to scientists and according them an honoured position". However, the service conditions of scientists, whether in Universities or National Laboratories, continue to be blatantly inferior to those of the Administrative Services. For example, the highest sa-

lary that the most eminent scientist can get as a Professor in a University is the same as that of any Deputy Secretary in the Government. In our hierarchical society, this naturally reflects on the role scientists are allowed to play in various important aspects of decision making. It is therefore imperative that the salaries, advancement possibilities and other service conditions of scientists be made comparable with those of other sectors of society. Further, scientists should be able to rise to the highest positions as scientists, even if they do not take up managerial responsibilities such as those of a Director.

At present, there are several obstacles to the mobility of scientists, between one kind of job and another in the same laboratory, or between different laboratories. It will be desirable to remove the distinctions between scientific and technical grades for similarly qualified personnel which exist in some research institutions. Mobility of scientists and technologists between different institutions would be facilitated if there is a mutual sharing of financial responsibilities between the borrowing and lending organisations in the case of short-term assignments, and a carry-over of accumulated service benefits in the case of long-term assignments.

HIGHER EDUCATION

Universities Must Be Strengthened

It is a matter of great concern that Universities, which are the source of our trained manpower and which should provide the leadership in terms of research and innovation, are not given the priority they deserve in allocation of research grants. Research has to be an integral part of higher education. It, however, often tends to be regarded as the personal activity of a professor in a University, and as such does not get adequate support. It is high time that research got recognition as an important normal and legitimate activity in Universities, and that there be grants which are clearly and specifically marked for research in Universities.

One notes that in advanced countries like UK and USA, about 7-8 per cent of the total public funding of R and D is spent on scientific research in Universities. The figure in India seems to be only about 3 per cent (about Rs 4-5 crores from all sources). There is an immediate need for increasing the research allocation to Universities, allowing it to double and reach a figure of Rs 10 crores per year in the course of the next five years. There must also be a liberal allocation of foreign exchange for research in Universities, with liberalised procedures for granting import licences.

Centres of Excellence

There has been a very considerable proliferation of post-graduate departments in the country during the last two decades. A stage has now been reached when some priority must be given to a consolidation of the infrastructure by strengthening the Ph.D. and post-doctoral programmes. One will have to adopt a selective strategy for this purpose, concentrating scarce human and financial resources at a few well-chosen points, so as to develop critical-size groups in reasonably broad-based viable departments, creating centres of excellence which could set the pace for all future development. The UGC programme of Centres of advanced Study must be strengthened for this purpose.

In a country as large as ours, it is necessary and desirable to have in each discipline, at least 5 or 6 different centres of excellence within the next few years. In establishing such centres one must scout for young talents and look out for areas of contemporary as well as future relevance.

An attempt should also be made to identify Universities where several departments are strengthened at a time so that the University as a whole may provide a broad thrust to the development of research and education. This would be one way of ensuring that meaningful interdisciplinary programmes are introduced in Universities.

Every possible effort must be made to utilise the personnel and facilities of various national research laboratories and agencies for furthering the aims of education through a close collaboration with Universities.

Relevance

The question of 'relevance' of scientific research in educational and other institutions has been raised again and again. Relevance can only be determined in terms of well-defined national tasks and targets. In their absence, the bright scientist in an open society like ours is bound to look out for what is intellectually most challenging and exciting, and he is very likely to use an international criterion for what is relevant.

It is important to encourage and support basic research, irrespective of its immediate utility, especially in educational institutions, whose primary task is generation and transmission of new knowledge and creation of cadres. The style, the scale and the level of all scientific and technical work are determined by pure research. First-rate pure research, which is recognised as such by international standards, helps in the development of creativity and self-confidence. This can then penetrate every

cultural frontier and in particular it can be applied to any national tasks that may be assigned. This has been seen in the important contributions that 'pure' scientists have made during the war to the development of radar, A-bomb, operations research, etc. or the contribution TIFR made in the early stages of development of our atomic energy programme.

In an integrated approach to the innovation chain discussed earlier, and in terms of its importance for education, it would be appropriate to allocate about 10 per cent of R and D expenditure to basic research in Universities.

CONCLUDING REMARKS

What we have discussed above is only one aspect of Science Policy — what one may call 'Policy for Science'. There is also another aspect — 'Policy through Science'. This is the policy for the utilisation of scientific concepts, methodology, materials and manpower for nation-building activities of all kinds — in general in the process of innovation, not only innovation in a technological sense, but innovation and a systems analysis approach to problems of health, social affairs, education, administrative and management practices, in fact the whole fabric of national activity. This is what one calls the impact of science on society. It also includes attack on problems created by science — problems of pollution, changes in life patterns produced by urbanisation and crowded living, etc. This aspect of science policy has yet to receive active recognition both by the Government and by the scientific community. This situation must change, and both the NAB and the scientific community at large will have to take a responsibility in this regard.

What is the outcome of the Conference? The initiative for calling the Conference was taken by COST, which is today the highest level scientific advisory body in the country. It will therefore be for COST to make detailed specific operative recommendations on the basis of views and suggestions expressed at the Conference, which should then be the basis of Governmental action. COST must also take full responsibility for following up the recommendations and ensuring that they get implemented within a reasonable time. If this happens, if scientists get intimately associated with the formulation of a Technology Policy and a National Science and Technology Plan and its implementation, then one would be able to look back upon this Conference as an important milestone in the scientific and technological development of the country.

Bank of India

Balance-Sheet as at 31st December, 1969

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
1.	Paid-up Capital: (wholly owned by Central Government)			4,05,00,000.00	
2.	Reserve Fund and other Reserves :				
	Reserve Fund	6,52,15,822.51			
	Special Reserve	14,50,000.00			
	Development Rebate Reserve	13,50,000.00		6,80,15,822.51	
3.	Deposits and other Accounts :				
	Fixed Deposits	213,04,93,364.87			
	Savings Bank Deposits	106,34,91,823.96			
	Current Accounts, Contingency Accounts, etc.	116,48,51,302.49		435,88,36,491.32	
4.	Borrowings from other Banking Companies, Agents, etc. :				
	(i) In India	16,56,52,614.64			
	(Amounts borrowed from —				
	(a) The Industrial Development Bank of India	Rs. 9,62,75,314.64	P.		
	(b) The Agricultural Refinance Corporation	18,77,300.00			
	(c) Reserve Bank of India	6,75,00,000.00			
	(ii) Outside India	1,69,33,251.37		18,25,85,866.01	
	Particulars :				
	(i) Secured:				
	a) By part of the Bank's Investments <i>per contra</i>	7,00,000.00			
	b) Under the Industrial Development Bank of India Scheme by part of advances <i>per contra</i>	9,62,75,314.64			
	c) Under the Agricultural Refinance Corporation Scheme by part of advances <i>per contra</i>	18,77,300.00			
	d) By part of balances with other banks <i>per contra</i>	80,10,000.00		10,68,62,614.64	
	(ii) Unsecured	7,57,23,251.37			
5.	Bills Payable			2,31,49,181.13	
6.	Bills for Collection being Bills Receivable <i>as per contra</i> :				
	i) Payable in India	12,70,25,327.78			
	ii) Payable outside India	10,49,21,497.69		23,19,46,825.47	
7.	Other Liabilities :				
	i) Unexpired Discounts	8,35,668.33			
	ii) Branch Adjustments	45,36,257.95			
	iii) Unclaimed Dividends	6,00,937.57			
	iv) Due to a Subsidiary Company - The Bank of India (Uganda) Ltd	8,36,816.72		68,09,680.57	
8.	Acceptances, Endorsements and other Obligations <i>per contra</i>			30,42,29,900.56	
				Carried over	521,60,73,767.57

Bank of India

Balance-Sheet as at 31st December, 1969

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
1.	Cash :				
	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)				29,72,96,792.65
2.	Balances with other Banks :				
	(i) In India	48,45,651.21			
	(ii) Outside India	13,14,61,387.25		13,63,07,038.46	
	Particulars :				
	(i) On Current Account	3,83,80,645.05			
	(ii) On Deposit Account	9,79,26,393.41			
				1,83,87,500.00	
3.	Money at Call and Short Notice				45,19,91,331.11
4.	Investments at below Market Value :				
	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments			104,16,26,571.43	
	(ii) Shares :				
	(a) Fully paid Preference Shares	74,03,884.00			
	(b) Fully paid Ordinary Shares	1,56,46,347.97			
	(c) Partly paid Preference Shares	Nil			
	(d) Partly paid Ordinary Shares	59,30,385.17			
	(iii) Debentures or Bonds — Fully paid	5,53,39,929.00			
	(iv) Other Investments—Foreign Governments and Trustee Securities	3,37,26,853.20			
	(v) Gold	Nil			115,96,73,970.77
5.	Advances :				
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
	(I) Loans, Cash Credits, Overdrafts, etc. :	Rs.	P.		
	i) In India	242,53,56,969.26			
	(Includes term advances amounting to Rs. 12,26,46,984.60 in respect of which refinance has been obtained from the Industrial Development Bank of India to the extent of Rs. 9,62,75,314.64 and from the Agricultural Refinance Corporation Rs. 18,77,300.00 <i>per contra</i>)				
	ii) Outside India	11,58,49,286.98		254,12,06,256.24	
	(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments) :				
	i) Payable in India	17,54,08,606.39			
	ii) Payable outside India	24,01,36,597.73		41,55,45,204.12	295,67,51,460.36
	Particulars of Advances :				
	i) Debts considered good in respect of which the bank is fully secured			241,30,80,553.78	
	ii) Debts considered good for which the bank holds no other security than the debtors' personal security			12,57,19,695.33	
	iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors			41,79,51,211.25	
	iv) Debts considered doubtful or bad, not provided for			NIL	
				295,67,51,460.36	
	v) Debts due by directors or officers of the Bank or any of them either severally or jointly with any other persons			1,22,90,817.59	
	vi) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members				
	vii) Maximum total amount of advances, including temporary advances made at any time during the period 19th July, 1969 to 31st December, 1969 to directors or managers or officers of the Bank or any of them either severally or jointly with any other persons			1,22,90,817.59	
				Carried over	456,84,16,762.24

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
9. Profit and Loss :		<i>Brought forward</i> 521,60,73,767.57			
Balance as per Balance-sheet as at 31st December 1968	Rs. P.	33,32,645.15			
Less : Bonus to staff for 1968	78,48,524.47				
Less : Amount transferred from a Contingency Account to which transfers had been made from income from time to time including the year 1968	45,48,524.47	33,00,000.00			
		32,645.15			
Add : Profit for the period from 1st January, 1969 to 18th July, 1969		81,33,177.36			
		81,65,822.51			
Less : Amount appropriated towards Bonus to Staff Transferred to Reserve Fund	29,00,000.00 52,65,822.51	81,65,822.51			
		NIL			
Profit for the period from 19th July, 1969 to 31st December, 1969		79,81,583.97			
Less : Transferred to Reserve Fund	16,00,000.00				
Amount appropriated towards Bonus to Staff: Bonus to Staff for the year 1969 Rs 87,51,000.00					
Less : Amount appropriated as above Rs. 29,00,000.00					
Amount to be transferred from a Contingency Account to which transfers have been made from income from time to time including the period from 19th July, 1969 to 31st December, 1969 Rs. 32,51,000.00 Rs. 61,51,000.00	26,00,000.00	42,00,000.00			
Balance to be transferred to the Central Government				37,81,583.97	
10. Contingent Liabilities :					
i) On partly paid shares	59,74,350.00				
ii) Claims against the Bank not acknowledged as debts	22,54,900.57				
iii) Money for which the Bank is contingently liable (Including guarantees given on behalf of customers Rs. 55,16,13,536.83 of which guarantees given on behalf of officers Rs. 37,990)	55,26,05,878.25				
iv) Bills of Exchange re-discounted : Bills of Exchange re-discounted with the Industrial Development Bank of India	9,50,33,082.30				
v) Outstanding Forward Exchange Contracts	52,60,16,643.23				
		Total Rupees		521,98,55,351.54	

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
viii) Maximum total amount of advances, including temporary advances granted during the period 19th July, 1969 to 31st December, 1969 to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members		<i>Brought forward</i> 456,84,16,762.24			
ix) Due from banking companies		2,43,67,868.28			
6. Bills Receivable being Bills for Collection as per contra :					
i) Payable in India		12,70,25,327.78			
ii) Payable outside India		10,49,21,497.69		23,19,46,825.47	
7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per contra					30,42,29,900.56
8. Premises, Less Depreciation :					
At cost as at 31st December, 1968		4,28,70,486.34			
Additions during the period 1st January, 1969 to 18th July, 1969		13,82,198.05			
		4,42,52,684.39			
Less : Depreciation written off upto 18th July, 1969		1,29,60,773.83			
		3,12,91,910.56			
Additions less deductions during the period 19th July, 1969 to 31st December, 1969		Less 1,18,742.84			
		3,11,73,167.72			
Less : Depreciation written off for the period 19th July, 1969 to 31st December, 1969		3,46,272.52		3,08,26,895.20	
9. Furniture and Fixtures, Less Depreciation :		Rs.	P.		
Cost upto 31st December, 1962, completely written off		NIL			
At cost as at 31st December, 1968		2,76,42,044.46		2,76,42,044.46	
Additions less deductions during the period 1st January, 1969 to 18th July, 1969		41,31,940.12			
		3,17,73,984.58			
Less : Depreciation written off from 1963 to 18th July, 1969		94,36,919.71			
		2,23,37,064.87			
Additions less deductions during the period 19th July, 1969 to 31st December, 1969		22,92,035.86			
		2,46,29,100.73			
Less : Depreciation written off for the period 19th July, 1969 to 31st December, 1969		15,45,548.19		2,30,83,552.54	
10. Other Assets :				69,45,062.50	
i) Application Money on Investments					
ii) Investments in Subsidiary Companies (at cost) :					
Shares of The Bank of India (U.K.) Nominees Ltd.		1,335.65			
Shares of The Bank of India (Nigeria) Ltd.		78,64,995.30			
Shares of The Bank of India (Uganda) Ltd.		2,10,05,442.60		2,88,71,773.55	
iii) Due from a Subsidiary Company—The Bank of India (Nigeria) Ltd.		32,51,445.32			
iv) Stamps		1,43,421.76			
v) Interest accrued on Investments		1,86,22,144.40			
vi) Shares Receivable		33,61,068.00			
vii) Silver		NIL		6,11,94,915.53	
		1,71,500.00			
11. Non-Banking Assets Acquired in Satisfaction of Claims (at cost)		13,000.00			
Less : Depreciation written off to 18th July, 1969		1,58,500.00			
		2,000.00		1,56,500.00	
Less : Depreciation written off for the period 19th July, 1969 to 31st December, 1969					
		Total Rupees		521,98,55,351.54	

The Balance-Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

Bank of India

Profit and Loss Account for the Period 19th July, 1969 to 31st December, 1969

EXPENDITURE		INCOME	
	Rs.		P.
1. Interest paid on deposits, borrowings, etc.	7,17,03,335.29	1. Interest and Discount	11,08,09,299.20
2. Salaries and Allowances and Provident Fund	3,67,62,355.86	2. Commission, Exchange and Brokerage	1,82,02,323.08
3. Directors' and Local Committee Members' Fees and Allowances	NIL	3. Rents	3,35,219.83
4. Rent, Taxes, Insurance, Lighting, etc.	55,08,683.48	4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	7,07,443.39
5. Law Charges	27,771.20	5. Net Profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or Account)	NIL
6. Postage, Telegrams and Stamps	14,30,263.59	6. Income from non-banking assets and profit from sale of or dealing with such assets	2,555.00
7. Auditors' Fees	8,76,531.84	7. Other Receipts	9,63,318.80
8. Depreciation on and repairs to the Bank's property	25,17,105.56		
9. Stationery, Printing, Advertisement, etc.	24,43,694.28		
10. Loss from sale of or dealing with non-banking assets	NIL		
11. Other Expenditure	17,68,834.23		
12. Balance of Profit subject to provision for bonus	79,81,583.97		
	Total Rupees		Total Rupees
	13,10,20,159.30		13,10,20,159.30

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949. Particulars of remuneration paid to the Custodian during the period 19th July, 1969 to 31st December, 1969 :
(i) Salaries — Rs. 32,516.13 (ii) Allowances — Rs. 1,083.87 (iii) Contribution to Provident Fund — Rs. 2,709.68 (iv) Monetary value of other benefits or perquisites — Rs. 11,802.99. Total Rs. 48,112.67.

Bank of India

Auditors' Report to the President of India

1. We have audited the foregoing Balance-Sheet of Bank of India as at 31st December, 1969 and also the foregoing Profit and Loss Account of the Bank for the period 19th July, 1969 to 31st December, 1969, in which are incorporated the audited returns from all the Branches (except Karachi Branch—*Vide* Note (2) on the accounts), of which 240 Branches have been audited between us and 80 Branches by other Auditors.

2. The Balance-Sheet and Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

- (a) In our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Bank :—
(i) the Balance-Sheet read with the Notes on the accounts is a full and fair Balance-Sheet containing the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1969
and

- (ii) the Profit and Loss Account read with the said Notes shows a true balance of profit for the period covered by the Account;

- (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

- (c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

- (d) The returns received from the Branches of the Bank have been found adequate for the purposes of our audit.

S. B. BILLIMORIA & CO.
Chartered Accountants.

SORAB S. ENGINEER & CO.
Chartered Accountants.

A. F. FERGUSON & CO.
Chartered Accountants.

BOMBAY, 22nd December, 1970.

Notes on the Accounts

1. The Profit and Loss Account includes expenses of the Bank of India (U.K.) Nominees Ltd., one of the subsidiary companies of this Bank.

2. Consequent upon the outbreak of hostilities between India and Pakistan, the affairs of the Karachi Branch have been in charge of the Custodian of Enemy Property, Pakistan and hence no audited returns are available since 30th June, 1965. The figures of Assets, amounting to Rs. 1,44,68,003.58, and Liabilities amounting to Rs. 1,45,06,744.07, as per the last audited returns of Karachi Branch for the half-year ended 30th June, 1965 have been therefore, incorporated under individual heads in the preparation of the Balance-Sheet as at 31st December, 1969. Contingent Liabilities include figures of Rs. 9,18,386.00 for Guarantees and Rs. 1,20,000.00 for Forward Exchange Contracts of Karachi Branch as at 30th June, 1965 as per the last audited returns. The rate of exchange is taken at Pakistan Rs. 100/- = Indian Rs. 100/-. The Profit and Loss Account for the period from 19th July, 1969 to 31st December, 1969 does not include any figures of Income and Expenditure of Karachi Branch.

3. Consequent upon the nationalisation of Banks in Tanzania, the Assets and Liabilities of the former Dar-es-Salaam Branch of the Bank were taken over by and vested in the National Bank of Commerce as from the close of business on 6th February, 1967. Pending finalisation of the compensation payable by the Government of Tanzania, no account has been taken thereof in the preparation of these accounts.

4. Under the Uganda Banking Amendment Act 1969, a subsidiary company, the Bank of India (Uganda) Ltd. was incorporated in Uganda on 1st November, 1969, to take over the Assets and Liabilities of the former Jinja and Kampala Branches of the Bank. The Profit and Loss Account for the period 19th July, 1969 to 31st December, 1969, therefore, includes figures of Income and Expenditure of the former Jinja and Kampala Branches for the period from 19th July, 1969 to 31st October, 1969 only. This company has, however, ceased to be a subsidiary company of the Bank with effect from 1st May, 1970, when 60 per cent of its capital was acquired by the Government of Uganda pursuant to the Companies (Government and Public Bodies Participation) Act, 1970.

5. Consequent upon the nationalisation of Banks in Aden, the Assets and Liabilities of the former Aden Branch of the Bank were taken over by the Government of the People's Republic of Southern Yemen as from the close of business on 27th November, 1969. The matter of compensation is under negotiation and has still to be settled. The Profit and Loss Account for the period 19th July, 1969 to 31st December, 1969 does not include any figures of Income and Expenditure of the former Aden Branch for the period from 19th July, 1969 to 27th November, 1969.

6. The figure of Auditors' Fees in the Profit and Loss Account for the period from 19th July, 1969 to 31st December, 1969 includes an amount of Rs. 3,85,253.34 being the audit fees for the additional audit of the accounts as at 18th July, 1969.

7. These being the first accounts of the Bank, the corresponding figures of the previous year are not given.

C. D. KHANNA
MANOHAR SINGH MEHTA
DHARM NARAIN
C. D. PARIKH
A. RAMAN
P. D. KASBEKAR

Directors

J. N. SAXENA
Custodian

R. S. BALSEKAR
General Manager

S. B. KAJI
Deputy General Manager

S. L. KOTHARI
Chief Accountant

Bombay, 22nd December, 1970.

The Bank of India (U.K.) Nominees Ltd.

Directors' Report for the Year Ended 31st December, 1969

The Directors submit the Balance-Sheet for the year ended 31st December, 1969. The Auditors' Report is also annexed. The Principal activity of the Company is to act as Nominees.

No Profit and Loss Account is submitted as none has been prepared. No profit was made and no loss was sustained. The expenses of the Company have been paid by Bank of India, of which the Company is a wholly-owned subsidiary. The interest of the Directors in the share capital of the Company was as follows:—

	31st Dec. 1968	31st Dec. 1969
MR. T. D. KANSARA	NIL	NIL
MR. J. S. DHONDY	NIL	NIL
MR. O. W. ENG	NIL	NIL
MR. R. N. BHARUCHA	NIL	NIL

London, 1st January, 1970.

J. S. DHONDY
O. W. ENG } Directors

Balance-Sheet as at 31st December, 1969

Capital Authorised and fully Paid-up :	Cash at Bankers	£100.0.0
100 Ordinary Shares of £1 each		£100.0.0
		£100.0.0

Signed on behalf of the Board
J. S. DHONDY
O. W. ENG } Directors

Report of the Auditors to the Members of The Bank of India (U.K.) Nominees Ltd.

In our opinion the Balance-Sheet complies with the Companies Acts, 1948 and 1967 and gives a true and fair view of the state of affairs of the Company at 31st December, 1969.

No Profit and Loss Account has been prepared as the Company has no income and the expenses are paid by the Holding Company.

London, 1st January, 1970.

FERGUSON, ROWLAND & DAVIES
Chartered Accountants, Auditors

Bank of India (Uganda) Limited, Kampala, (Uganda)

(Incorporated in Uganda)

Report of the Directors for the Period Ended 31st December, 1969

Your Directors are pleased to submit to the members their Report together with the Balance Sheet and Statement of Accounts for the period ended 31st December, 1969. Auditor's Report is also annexed.

1. You are well aware of the fact that under the Statutory Order of the Government of Uganda and under the Banking Act of Uganda erstwhile Bank of India was incorporated in Uganda on 1st November, 1969. The result of the operation submitted to you is therefore for a period of two months only.

2. The Company made a net profit of U. Shs. 71,798.95 after providing for taxation and statutory reserve.

The Directors propose that this balance be carried forward to 1970.

3. During the period under review, the business of the Bank continued to function satisfactorily.

4. His Excellency The President of Uganda proclaimed on the 1st May 1970, that the Government of Uganda was to acquire Shares not exceeding 60% of each class of shares issued, of all the Banks operating in Uganda. This was enacted under the Companies (Government and Public Bodies Participation) Act 1970. Since then the Government have appointed:—

Mr. M. Okai
Mr. F. Irumba

Mr. C. Musoke
Mr. C. W. Oguli

We extend our sincere and warm welcome to all the New Directors.

5. **Directors:** Under Article 89 of the Articles of Association of the Company all the Directors retire.

You are requested to elect them as they retire by rotation and offer themselves for re-election.

6. You are requested to appoint auditors for the ensuing year and fix their remuneration. The present auditors, M/s. Patel, Shah & Joshi, have shown their willingness to continue in the office.

7. Our sincere thanks are due to all the members of the staff for their splendid work and to our customers for their co-operation.

By the Order of the Board
ORIENTAL SECRETARIAL SERVICES LTD.,
Secretaries

Kampala,
4/8/1970.

Bank of India (Uganda) Limited, Kampala

(Incorporated in Uganda on 1st November, 1969 under Companies Act 1958)

Balance Sheet—31st December, 1969

	Ug. Shs.	Cts	Ug. Shs.	Cts
SHARE CAPITAL :				
Authorised : 1,000,000 Shares of Shs. 20/- each	20,000,000.00		969,462.85	
Issued and Paid up : 1,000,000 Shares of Shs. 20/- each fully paid	20,000,000.00		3,793,202.55	
RESERVE AND SURPLUS:				
Statutory Reserve under Uganda Banking Act	17,949.75			
Profit and Loss Account	71,798.95			
				447,011.00
DEPOSITS AND OTHER ACCOUNTS:				
Fixed Deposits	6,137,926.20			
Savings Bank Deposits	19,784,492.60			
Current Deposits, Contingency Accounts etc.	11,841,360.50			
				14,000,000.00
BILLS PAYABLE				
BILLS FOR COLLECTION BEING BILLS RECEIVABLE PER CONTRA				
OTHER LIABILITIES :				
Unexpired Discounts	41,219.35			
ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA				
Contingent Liabilities : Guarantees given on behalf of Customers	1,083,973.00			
Note : Securities held by Bank against advances and Banks Building are in the name of Bank of India Ltd. and/or Bank of India.				
				16,062,548.80
				5,589,809.10
				4,747,802.00
				2,630,754.00
				155,570.10
				833,537.30
				1,057,596.45
				254,201.35
				300.00
				2,145,635.10
				68,238,295.50

Notes Attached to and Forming Part of Balance Sheet as at 31-12-69

- (1) All Assets and Liabilities of Bank of India as on 31st October 1969 have been taken over at book value by this Bank on incorporation.
- (2) Some of the Assets of the Bank are still in old names of the Bank (i.e. Bank of India Ltd., and/or Bank of India).
- (3) Current Assets and Current Liabilities in Foreign Currency have been shown in Books at the approximate rate of Exchange ruling during the period.
- (4) **Fixed Assets :**
 - (a) Premises — Plot No. 27, Kampala Road, Kampala have been taken by this Bank from Bank of India at book value as on 31st October 1969;
 - (b) Furniture & Fixtures — Furniture & Fixture of Bank of India have been taken over by this Bank at cost as on 31st October 1969 less depreciation as provided in the books. Any new addition or sale during the period have been accounted for at cost less amounts written off as depreciation.
- (5) Securities in respect of advances are in the name of Bank of India Ltd., and/or Bank of India, awaiting transfer to this Company.

As per our attached Report.
For PATEL, SHAH & JOSHI
Chartered Accountants

C. M. SHAH

Kampala,
4-8-70

M. D. GUARATI
Director

N. D. PASTAKIA
Director

Bank of India (Uganda) Limited Kampala

Profit and Loss Account for the Two Months from 1st November, 1969 to 31st December, 1969

Net Profit before charging the following but after Corporation Tax and Statutory Reserves		88,178.95
Less: Directors' Remuneration	12,630.00	
Auditors Remuneration	3,750.00	16,380.00
	Shs.	71,798.95

Bank of India (Uganda) Limited Kampala

Report of the Auditors to the Members

We have audited the attached Balance Sheet of BANK OF INDIA (UGANDA) LIMITED as at 31st December 1969 and also the attached Profit and Loss Account for the period ended on that date and have to report as under:—

- (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
- (b) In our opinion, proper Books of Accounts, as required by Companies Act 1958 have been kept so far as appears from examination of those books and proper returns adequate for the purpose of our audit have been received from Branches.
- (c) The Balance Sheet and Profit & Loss Account, dealt with in this report are in agreement with the Books of Accounts and the returns from Branches of the Bank.
- (d) In our opinion, and to the best of our information and according to the explanation given to us the said accounts together with notes thereon give the information required by the Company's Act 1958 and;
- (i) The Balance Sheet gives a true and fair view of the state of affairs of the Bank as on 31st December 1969, and
- (ii) Profit and Loss Account gives a true and fair view of profit for the period ended upon that date.

PATEL, SHAH & JOSHI
Chartered Accountants

Kampala,
Dated 4th August, 1970.

The Bank of India (Nigeria) Limited

(Incorporated in Nigeria)
36, Balogun Square, P. O. Box 1252, Lagos

Report of the Directors for the Year Ended 31st December, 1969

1. The Directors submit their report together with the audited Balance Sheet and Profit and Loss Account for the year ended on that date.
2. The profit of the Bank after providing for taxation was
- | | |
|---|--------|
| £ | 40,418 |
| £ | 4,811 |
| £ | 45,229 |
- Add unappropriated profit brought forward
- | | |
|---|--------|
| £ | 25,531 |
| £ | 10,200 |
| £ | 9,375 |
| £ | 45,106 |
- Less: Appropriated—
Profit capitalised
Statutory Reserve
Proposed Dividends
- Leaving unappropriated profits as at 31/12/69 carried forward
- | | |
|---|-----|
| £ | 123 |
|---|-----|
3. The Auditors Messrs Peat Marwick Cassleton Elliott and Company have indicated their willingness to continue in office.

By Order of the Board
Marina Nominees Ltd.
Secretaries

The Bank of India (Nigeria) Limited

Balance Sheet as at 31st December, 1969

1968	1969	1968	1969
EN 250,000	EN 750,000	CURRENT ASSETS	22,816
		Cash in Hand	
		Bills Discounted—	205,125
		Nigerian Government Treasury	1,978
		Bills	
		Other Bills (abroad)	2,500,000
		Other Bills (in Nigeria)	109,502
		Quoted Investments at Cost	67,808
		(market value EN 10,000)	
		Loans and Advances	10,000
		Less: Provision for doubtful Accounts	458,726
		Other Assets	7,821
			3,383,776
		FIXED ASSETS	
		Equipment, Vehicles etc. at Cost	8,458
		Less: Depreciation	3,657
		CUSTOMERS LIABILITIES FOR CONFIRMED CREDITS AND OTHER OBLIGATIONS	4,801
		(Signed) S. Ramaswami } Director & Manager	765,887
		(Signed) C. K. Advani } Director & Accountant	EN 4,154,464
			EN 2,587,053
			EN 4,154,464
			EN 4,154,464

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
10	Contingent Liabilities	<i>Brought forward</i>		187,49,33,452.39	
i)	Claims against the Bank not acknowledged as debts of which Rs. 1,78,348.30 is reimbursed by insurance company in case the liability arises.	9,42,842.84			
ii)	Liability on Bills of Exchange — re-discounted	52,49,281.68			
iii)	Liabilities on account of outstanding forward exchange contracts (for purchases and sales)	9,87,81,709.21			
iv)	Money for which the Bank is contingently liable for guarantees given	9,15,99,574.99			
v)	Estimated amounts of contracts remaining to be executed on capital account and not provided for	2,53,775.62			
vi)	On partly paid shares of joint stock companies	15,70,250.00			
TOTAL.		Rs.		187,49,33,452.39	

Place : BANGALORE
Date : DECEMBER 21, 1970.

H. N. RAO H. N. PAI
Chief Accountant General Manager

K. K. PAI
Custodian

B. K. KAPUR
M. B. MOHAMED
D. SWAMINATHA REDDY
V. V. BHATT
K. RAMAMURTHY

As per our Report of even date attached
BRAHIMAYYA & CO.,
P. C. HANSOTIA & CO.,
VARMA & VARMA
Chartered Accountants

M/s BRAHIMAYYA & Co.,
Chartered Accountants,
2-2A, Kasturba Road,
BANGALORE 1

M/s P. C. HANSOTIA & Co.,
Chartered Accountants,
Jehangir Wadia Building,
51 Mahatma Gandhi Road,
BOMBAY 1

M/s VARMA & VARMA,
Chartered Accountants,
'Sriniketan' Nettepadum Road,
Ernakulam,
COCHIN 16

Certificate

To

The President of India :

1. We have audited the attached Balance Sheet of Syndicate Bank as at 31st December, 1969, and also the attached Profit & Loss Account of the Bank for the period from 19th July, 1969 to 31st December, 1969, in which are incorporated the returns of 105 Branches audited by us, 50 Branches audited by other auditors, and the unaudited returns in respect of 200 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

2. The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the relative provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1969;

(ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank; and

(d) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Sd/-
M/s Brahmayya & Co
Chartered Accountants

BANGALORE
Date : 21.12.1970.

Sd/-
M/s P. C. Hansotia & Co
Chartered Accountants

Sd/-
M/s Varma & Varma
Chartered Accountants

Syndicate Bank

Balance Sheet as at 31st December, 1969

PROPERTY AND ASSETS				Rs.	P.	Rs.	P.
1 Cash							
(In hand and with Reserve Bank and State Bank of India—including foreign currency notes)						8,68,74,965.38	
2 Balances with Other Banks							
i) In India		In Current A/c 1,86,97,169.62	In Deposit A/c 50,000.00*	1,87,47,169.62			
ii) Outside India		36,36,652.42		36,36,652.42			
*Earmarked for Staff Security Deposit						2,23,83,822.04	
3 Money at Call and Short Notice						40,00,000.00	
4 Investments at Book Value							
i) Securities of Central and State Governments and other Trustee Securities				44,99,00,392.23			
(Total Face Value Rs. 47,01,99,949.77)							
(Total Market Value Rs. 45,04,62,120.20)							
ii) Shares of Other Corporations and Companies:							
		Face Value	Market Value				
a)	Shares of Madras Industrial Investment Corp. Ltd.	50,000.00	50,000.00	50,000.00			
b)	Shares of other companies and banks						
	Equity fully paid	20,95,853.00	19,49,876.35	20,23,597.12			
	Equity partly paid	31,54,200.00	16,39,345.25	17,14,936.03			
	Pref. fully paid	14,29,090.00	13,42,851.35	13,92,154.75			
	Deferred fully paid	3,172.00	3,172.00	3,172.00			
		67,32,315.00	49,85,244.95				
iii)	Debentures and Bonds fully paid	12,25,000.00	11,45,750.00	12,11,250.00			
iv)	Other Investments						
	i) Units of Unit Trust of India	2,00,000.00	2,07,000.00	2,00,000.00			
	ii) Initial Share Capital of Unit Trust of India	3,00,000.00	3,00,000.00	3,00,000.00			
v)	Gold	Nil	Nil	Nil			
				45,67,95,502.13			
Note : Securities of the face value of Rs. 10,06,000/- are held with Government and Post Office for specific contracts.							
5 Advances :							
1) Loans, Cash Credits, Overdrafts, etc :				89,84,06,393.12			
a) In India							
(Includes an amount of Rs. 30,70,428.55 advances in respect of which finance has been obtained from Industrial Development Bank of India per contra)							
b) Outside India				Nil			
2) Bills Discounted and Purchased :							
a) Payable in India				10,49,73,943.43			
b) Payable outside India				4,58,61,751.63			
				15,08,35,695.06			
						104,92,42,088.18	
(Particulars of advances as per Schedule I attached)							
				Carried forward	161,92,96,377.73		

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
6 Bills Receivable		Brought forward 161,92,96,377.73			
(Being bills for collection as per contra)					
a) Payable in India		8,92,15,587.32			
b) Payable outside India		1,27,66,012.39		10,19,81,599.71	
7 Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra				5,58,08,171.96	
8 Premises Less Depreciation—as per Schedule II Attached				74,02,472.96	
9 Furniture, Fittings, etc.—Less Depreciation—as per Schedule III Attached				89,26,415.00	
10 Other Assets:					
i) Interest accrued on Investments		67,91,146.38			
ii) Interest accrued on Advances, etc.		62,44,601.58			
iii) Motor Vehicles and Library (Less Depreciation), Paper and Stamps, Stock of Stationery		33,66,024.72			
iv) Branch DDs, TTs paid, bills realised in transit pending adjustment		3,62,54,247.24			
v) Income-tax paid in advance		2,09,26,759.43			
vi) Sundries including prepaid expenses†		74,11,236.18			
vii) Assets of amalgamated Banks for collections (contra)		2,26,450.30			
viii) Constructions		1,69,136.34		8,13,89,602.17	
† (Sundries include Rs. 4,000/- deposited with the Post Office for purchase of cars)					
11 Non-Banking Assets Acquired in Satisfaction of Claims—Less Depreciation—as per Schedule IV Attached				1,28,812.86	
Approximate Market Value of the Properties is Rs. 1,73,200/-.					
Note: One item of property is subject to a charge of Rs. 2,000/- and interest thereon.					
TOTAL		Rs.		187,49,33,452.39	

Place: BANGALORE
Date: DECEMBER 21, 1970

H. N. RAO
Chief Accountant

H. N. PAI
General Manager

K. K. PAI
Custodian

B. K. KAPUR
M. B. MOHAMED
O. SWAMINATHA REDDY
V. V. BHATT
K. RAMAMURTHY

Directors

As per our Report of even date attached:

BRAHMAYYA & CO.
P. C. HANSOTIA & CO.,
VARMA & VARMA

Chartered Accountants

Syndicate Bank

Profit and Loss Account of the Syndicate Bank Limited (Existing Bank) for the Period from 1st January, 1969 to 18th July, 1969 taken over by the Syndicate Bank (Corresponding New Bank)

EXPENDITURE		INCOME		
Sl No	Rs. P.	Rs. P.	(Less provisions made during the period for Bad and Doubtful Debts, Taxation and other usual or necessary provisions)	
1	Interest paid on Deposits, Borrowings, etc.	2,54,87,095.10	1 Interest and Discount	4,63,87,669.83
2	Salaries and Allowances and Provident Fund Contribution (including provision for Bonus and Gratuity)	1,90,73,341.48	2 Commission, Exchange and Brokerage	40,40,691.76
3	Directors' and Local Committee Members' Fees and Allowance		3 Rents	3,48,894.48
4	Rents, Taxes, Lighting, Insurance, etc.	36,408.18	4 Net Profit on sale of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserve or any particular Fund or Account)	4,73,602.22
5	Law Charges	16,30,401.78	5 Profit on re-valuation of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserve or any particular Fund or Account)	Nil
6	Postage, Telegrams and Stamps	16,085.29	6 Income from Non-Banking assets and Profit from sale of or dealing with such assets.	2,895.34
7	Auditors' Fees	11,97,281.23	7 Other Receipts	19,44,712.23
8	Depreciation on and repairs to the Bank's property	Nil		
9	Stationery, Printing, Advertisement, etc.	7,29,967.72		
10	Loss from sale of or dealing with non-banking assets	13,44,028.40		
11	Other expenditure	Nil		
12	Balance of Profit	21,14,757.70		
		15,69,098.98		
TOTAL		Rs. 5,31,98,465.86	TOTAL	Rs. 5,31,98,465.86

Note:

Particulars of remuneration relating to the Chairman :

i) Salary	Rs. 29,903.23
ii) Allowances	—
iii) Bonus	—
iv) Employer's contribution to Provident Fund, Pension Fund or any other Superannuation Fund	2,491.90
v) Monetary value of any other benefits or perquisites	987.10

Note: Particulars of remuneration relating to the Chairman:
i) Salary Rs. 29,903.23
ii) Allowances —
iii) Bonus —
iv) Employer's contribution to Provident Fund, Pension Fund or any other Super-annuation Fund 2,491.90
v) Monetary value of any other benefits or perquisites 987.10

Place: BANGALORE
Date: DECEMBER 21 1970
H. N. RAO
Chief Accountant

H. N. PAI
General Manager

K. K. PAI
Custodian

As per our report of even date attached.
BRAHMAYYA & CO
P. C. HANSOTIA & CO
VARMA & VARMA
Chartered Accountants

B. K. KAPUR
M. B. MOHAMED
O. SWAMINATHA REDDY
V. V. BHATT
K. RAMAMURTHY
Directors

Syndicate Bank

Profit and Loss Account for the Period from 19th July, 1969 to 31st December, 1969

EXPENDITURE		Rs.	P.	INCOME		Rs.	P.
1	Interest paid on Deposits, Borrowings, etc.	2,52,92,332.25		1	Interest and Discount	4,43,87,647.57	
2	Salaries and Allowances and Provident Fund Contribution (including provision for Bonus and Gratuity)	1,80,08,709.72		2	Commission, Exchange and Brokerage	47,25,404.61	
3	Directors' and Local Committee Members' Fees and Allowances	—		3	Rents	3,00,375.05	
4	Rents, Taxes, Lighting, Insurance, etc.	16,26,705.39		4	Net Profit on sale of Investments, Gold and Silver, Land Premises and other assets (Not credited to Reserve or any particular Fund or account)	3,12,832.35	
5	Law charges	11,928.21		5	Profit on re-valuation of Investments, Gold and Silver, Land, Premises and other assets (Not credited to Reserve or any particular Fund or Account)	NIL	
6	Postage, Telegrams and Stamps	10,54,873.31		6	Income from non-banking assets and profit from sale of or dealing with such assets	595.13	
7	Auditors' Fees	1,24,450.00		7	Other Receipts	17,99,092.97	
8	Depreciation on and repairs to the Bank's property	7,98,916.53					
9	Stationery, Printing, Advertisement, etc.	13,66,251.01					
10	Loss from sale of or dealing with non-banking assets	3,150.10					
11	Other Expenditure	19,18,322.44					
12	Balance of Profit	13,20,308.72					
NOTE :							
Particulars of remuneration relating to the Custodian :							
1	Salary	Rs.	27,096.77				
2	Allowances		NIL				
3	Bonus		NIL				
4	Employer's contribution to Provident Fund, Pension Fund or any other Super-annuation Fund		2,325.23				
5	Monetary value of any other benefits or perquisites		812.90				
TOTAL				TOTAL			
Rs 5,15,25,947.68				Rs 5,15,25,947.68			

BANGALORE
Date : DECEMBER 21, 1970

H. N. RAO
Chief Accountant

H. N. PAI
General Manager

K. K. PAI
Custodian

B. K. KAPUR
M. B. MOHAMED
O. SWAMINATHA REDDY
V. V. BHATT
K. RAMANURTHY

As per our Report of even date
attached

BRAHMAYYA & CO
P. C. HANSOTIA & CO
VARMA & VARMA
Chartered Accountants

Chartered Accountants

ECONOMIC AND POLITICAL WEEKLY

Syndicate Bank

SCHEDULE I

Schedule of particulars required by the Banking Regulation Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st December, 1969

PARTICULARS OF ADVANCES		Rs.	P.	Rs.	P.
i)	Debts considered good in respect of which the Bank is fully secured	81,96,55,156.59			
ii)	Debts considered good for which the Bank holds no other security than the debtors' personal security (inclusive of advances on joint and several promotes)	12,48,46,502.00			
iii)	Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	10,47,40,429.59			
iv)	Debts considered doubtful or bad not provided for	—			
v)	Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons (Due by Directors does not arise)			26,46,553.00	
vi)	Debts due by the Companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of Private companies as Members (Due by companies or firms in which the Directors are interested does not arise)			—	
vii)	Maximum total amount of advances including temporary advances made at any time during the period to the Directors or Managers or officers of the Bank or any of them either severally or jointly with any other persons (Due by Directors does not arise)				27,30,747.00
viii)	Maximum total amount of advances including temporary advances granted during the period to the companies or firms in which the directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of private companies as members (Due by companies or firms in which Directors are interested does not arise)				—
ix)	Due from Banking Companies				10,74,490.65
TOTAL				104,92,42,088.18	

Place: BANGALORE
Date: DECEMBER 21 1970

H. N. RAO
Chief Accountant

H. N. PAI
General Manager

K. K. PAI
Custodian

B. K. KAPUR
M. B. MOHAMED
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K. RAMAMURTHY

BRAHMAYYA & CO
P. C. HANSOTIA & CO
VARMA & VARMA
Chartered Accountants

Chartered Accountants

தமிழ்நாடு ஆவணக்காப்பக நூலகம்,
எழும்புர், சென்னை-600 008.

துவணைத்தாள்.

சே எண் :

ப. எண் :

வழங்கிய நாள். (1)	திரும்பிய நாள். (2)	வழங்கிய நாள். (1)	திரும்பிய நாள். (2)
2 - 11 - 1971			