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**ECONOMIC
AND
POLITICAL**

WEEKLY

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NEXT PHASE IN EAST BENGAL

DEPOSIT MOBILISATION

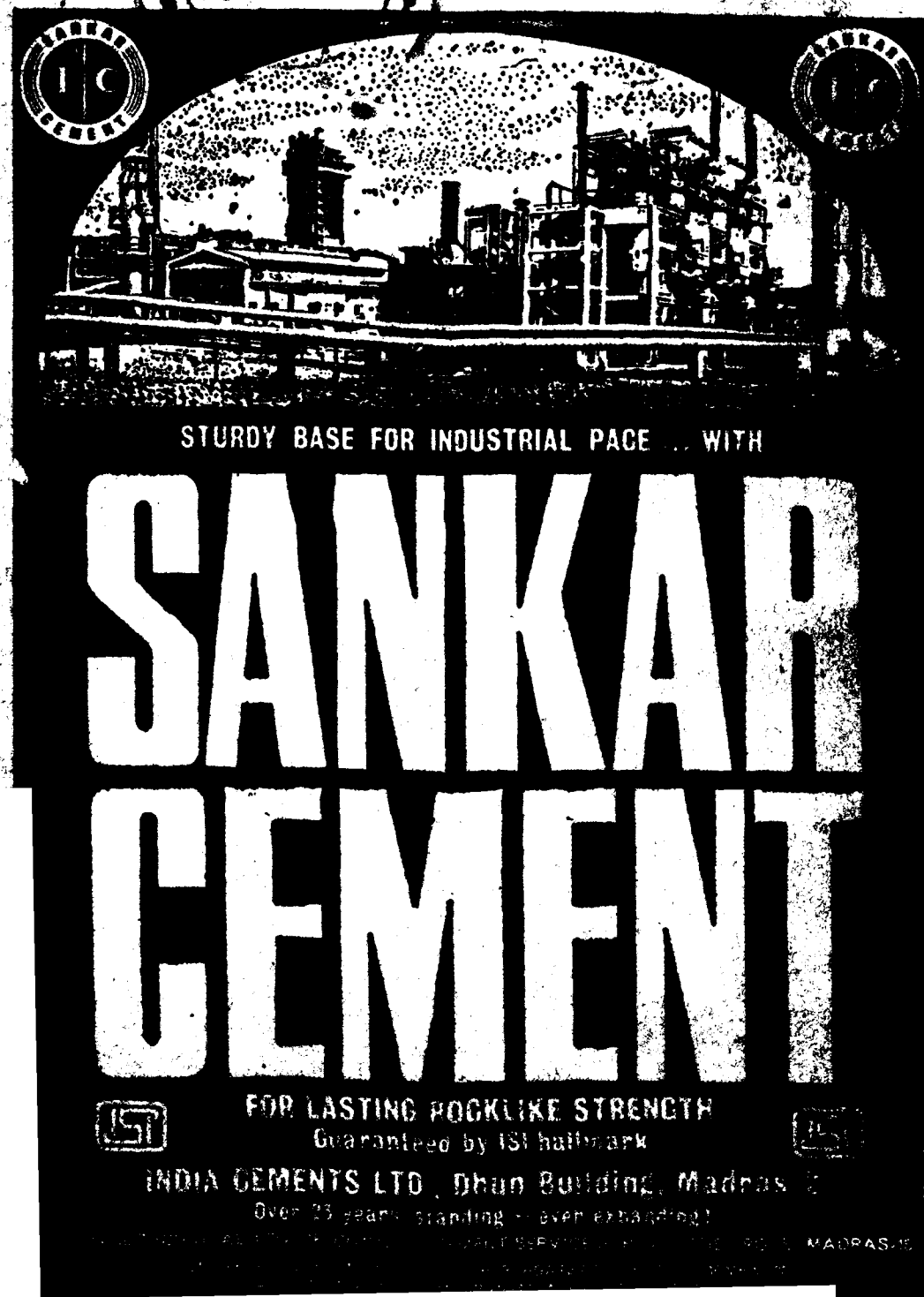
NATIONAL INCOME ESTIMATION

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ECONOMIC AND POLITICAL WEEKLY

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Pure Socialists?

LAST year in May, the Sri Lanka Freedom Party (SLFP) along with its allies, the Communist Party and the Trotskyist Lanka Sama Samaj Party (LSSP), was voted back to power in Ceylon with a grand majority on the basis of its socialist slogans which promised succour for the vast majority of the economically downtrodden. But soon after coming to power the realities of the economic situation, particularly the stranglehold the international trade structure has on Ceylon's export-oriented economy, softened the slogans of the SLFP-led Government and made it call for a period of austerity. Also, for the first time since independence there were no ready-made issues to divert the attention of the populace away from their basic economic needs.

It had also probably become clear to many university students that the top leadership of the UNP, the SLFP, the Federal Party, as well as the Communist Party and the LSSP, had all along remained in the hands of a few well-to-do, urban, English-speaking families, who had expressed the needs of the people and partly satisfied these needs. The instruments of power had never passed into the hands of the politically awakened masses. It is the disenchantment with the leadership of the UNP, the SLFP and all the other parliamentary parties, particularly among university and high school students, which originally led to the formation of the Janata Vimukti Peramuna (JVP) or People's Liberation Front under the guise of a student study group which is first said to have met in 1964, to discuss ways of bringing about "pure socialism". Its young leaders in interviews in Ceylonese newspapers in which they took part before going underground, insisted that they were a purely indigenous movement and were not foreign instigated. The origins of the movement in Ceylon's universities make this claim credible, but whether they have been aided with arms, other supplies and military training by some communist country or countries remains an open question. The existence of the JVP has been public knowledge for at least the last two or three years, but it seems to have been treated in a casual manner and regarded, initially, as nothing more than a group of revolutionary talkers who were unlikely to develop into any real threat to the established Government.

Additionally, the SLFP led Government, so enthused about its socialist charisma, did not foresee a threat from a group to its Left. On the contrary, Ceylon's governments, particularly the SLFP ones, have always been wary of coups by the defence forces and quite justifiably, as there have been coup attempts by the military. More significantly, the Ceylon police has had little or no experience or need to maintain a 'special branch' type of political surveillance over likely conspirators (outside the armed forces).

In any case, a combination of factors has led to a well-organised and widespread outbreak of armed attacks. The Government now claims that the aim of the JVP was to kidnap or murder the Prime Minister and seize power in Colombo. This claim, however, may be a ruse to rally all the parliamentary forces even more firmly to its side. The magnitude and intensity of the JVP's actions, however, confirm that the armed insurrection was carefully planned. What is more transparent is that the Government was caught quite unawares. A month ago the movement was said to number no more than about three or four thousand. Estimates have now jumped to anywhere between 30,000 and 80,000. The Government has also sought military aid from India, Pakistan, Britain, the USA and the USSR. So far India, Pakistan and Britain have responded with alacrity. Both Indian and Pakistani helicopters are operating in Ceylon on supply and relief missions, clearly showing that a movement such as that launched by the JVP can have no sympathy from the powers that be in New Delhi or Islamabad. Of course, Pakistan also wishes to retain the goodwill of the Ceylon Government so that it can use Ceylon's transit facilities to carry men and supplies to suppress Bangla Desh.

The decision to expel North Korean diplomats from Colombo, could be just a ploy to show that the JVP is a foreign-inspired movement without local foundations. On the other hand, since Colombo has close economic ties with China, particularly concerning rice supplies, it probably could not afford to alienate Peking, even if the latter had a hand in the movement, although Peking is unlikely to have dabbled in this sort of enterprise as it has consistently shown that it prizes its national interest in terms of maintaining friendly relations with a friendly, strategically placed power, even if it means not helping a nascent people's liberation movement. Or perhaps Peking is playing a double role and being helpful to both the SLFP and the JVP?

to the recent stagnation in industry. As regards exports, Kothari referred to the efforts of FICCI in the form of sending out delegations to promote the export effort.

Yet, Kothari could not resist the temptation to voice some well known Federation dogmas. He urged that public enterprises should earn surpluses and contribute to public revenues — though members of the Federation are the first to complain of any rise in steel prices or railway freight rates. Secondly, recognising the potential for playing off one State government against another, Kothari suggested that licensing powers should be decentralised to the States.

The Prime Minister, with her newfound confidence, rejected this last demand — addressing herself, in effect, as much to Chief Minister Karunanidhi of Tamil Nadu. Development of industry and allocation of foreign exchange “must necessarily be fitted into an overall scheme of national priorities”. How could this be achieved if industrial and import licensing powers were decentralised, she asked. In the context

of rising unemployment and prices, she asked industrialists to maximise growth, and offered to streamline procedures to ensure this. Controls, she however insisted, were necessary for orderly growth, adding that if private enterprise held back investment, the public sector would not hesitate to step in. But what about the public sector's own record in respect of either fresh investment in the last few years or efficient management of investment already made?

The exchanges at the FICCI session were devoid of the rancour or sensitivities which enveloped the last Associated Chamber session. As the Prime Minister said (and as the experience during the period 1958-62 showed), controls need not necessarily hamper growth, provided the other preconditions of investment exist in the economy. It is these preconditions of growth that have been lacking in the last five years — particularly, stimulation of demand through government investment. Only the budget will show how serious the government is about reviving the economy.

the fact that the injection of Rs 3 crores and odd into the market as a result of the Indian Iron deal would boost share prices. Share prices will be undoubtedly buoyant, not because of the funds released by Indian Iron, but because of the return of application money, estimated at Rs 20 crores, from the heavily oversubscribed Garware Nylon issue.

The mortal blow to the syndicate was administered by the Reserve Bank last year when it decided to not only freeze the votes attached to Indian Iron shares pledged with commercial banks but cast them against the syndicate nominee, Goenka. The take-over bid was thus foiled and scotched. The freeze covered about 9 per cent of the proxies that would have been otherwise available to Goenka at the annual general meeting of the company (see “The Cuckoo Sings Not”, October 10, 1970, p 1674). Since then apparently a larger proportion of the shares have lost voting rights to banks. This has happened not because of additional borrowings by the syndicate against Indian Iron shares, but as a result of the completion of transfer deeds which were pending at the time of last year's general meeting — reflecting the fact that banks, not bankers, have been nationalised.

Also, borrowers against these shares have been under pressure to repay their borrowings under a phased repayment programme. Such repayment schedules are not an innovation, but used to be prescribed by the Reserve Bank long before banks were nationalised. Only, the Reserve Bank took care in those days not to insist upon these schedules from the banks! To what extent the repayment schedules are being adhered to now with respect to various borrowings is not known. But the Reserve Bank has of late sharpened its policies to deter the use of bank credit for the acquisition of fixed assets.

What all this adds up to is that speculators, like generals, must not only have sound battle plans but should also be lucky. The syndicate's battle plans were sound, but Goenka clearly ran out of luck after scoring some initial victories. He did try hard to extricate himself. He threatened to take funds from a powerful Jan Sangh princely family to get out of difficulties if the authorities did not oblige him. The threat, issued just before the mid-term poll, implied that the Goenka group of newspapers would unleash a barrage of propaganda in favour of Jan Sangh and Congress(O), especially in the south. Today, the threat appears silly. But before the polls, when a landslide in

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favour of Congress(O) was being predicted in Tamil Nadu, it did sound ominous. Goenka has since carried out his threat and sold a part of his newspaper interest to the princely family.

What started the take-over bid was the realisation, about five years ago, that the fragmented shareholdings of Indian Iron — the much-praised phenomenon of People's Capitalism — made the company a sitting target once the managing agency system was abolished. After all, Biren Mookerjee was in the saddle at Indian Iron not by virtue of his control over 15 per cent or so of the company's equity but on the strength of the managing agency agreement. The objective before the syndicate was clear, even as the milieu was favourable to it.

Despite the Mundhra scandal of the fifties, even as late as 1969 a speculator could tap successive amounts of bank credit to purchase shares by pledging with the banks the very acquisitions financed by bank credit. The decade-old ban on bank finance of *badla* transactions was hardly a deterrent because of the considerable amount of funds available from the non-banking sector. Such finance was available in the shape of company deposits, borrowings from a temple trust, and short-term loans. All these were marshalled to acquire shares — not necessarily in Goenka's name, who was interested only in the voting rights attached to the shares. The holders who nursed the acquisitions on behalf of Goenka (or the Birlas, if one likes) were paid *badla* charges at over 12 per cent per annum. The effort extending over four years gave Goenka control over 42 per cent of Indian Iron equity.

The syndicate's activities did not go unnoticed by the stock exchange authorities who were concerned over Goenka's over-bought position. On their own, they resorted to the ineffective deterrent of margins, and looked up to New Delhi — the stock exchanges submit returns on share transactions to the Finance Ministry — for direction. The then presiding deity at the Finance Ministry, Morarji Desai — who is famous for his dictum that bear speculation is bad and bull speculation is good — by his silence gave a broad enough hint to the stock exchange authorities to keep their hands off the syndicate.

True, Morarji did ban forward trading in shares, allegedly at the instance of J R D Tata, whose Tata Steel too was under threat from the marwari syndicate. But, it is just possible that

this is an over-simplified explanation of the ban. It is equally probable that the intention was to help out the syndicate which had over-bought. A ban would make it impossible for the sellers, who had sold forward, to press delivery in the short run. It might even have given the syndicate the upper hand in demanding delivery and, in the event of default, compensation. But these calculations went wrong.

In a bid to thwart the take-over the Mookerjee group decided to skip dividend, allegedly in the face of advice to the contrary from Morarji, but returned to the dividend list to redeem loss of popularity with shareholders. A policy of minimum dividend was pursued, justifiably, on the ground that Indian Iron's profits had been squeezed by the recession, labour unrest and rising costs. What this policy achieved, it is difficult to assess. The syndicate saw to it that share sales stemming from the dividend squeeze were absorbed, thus preventing a decline in Indian Iron prices. This support was necessary because a decline in share prices would have involved payment of margin money to the banks. (Incidentally, this is one reason why speculative shares — about half a dozen in each of the three major stock exchanges — record a secular price rise. An informal syndicate is in operation at all centres to ensure that profit-taking does not snowball into a selling avalanche.)

In sum, till July 1969, when the fourteen major banks were nationalised following the dismissal of Morarji from the Finance Ministry, the milieu was extremely favourable to the syndicate. Mookerjee's own efforts to save himself were so ineffective that he threatened to blow up Indian Iron rather than hand over the company to marwaris. In retrospect, it is clear Goenka was just unlucky that Morarji was dismissed, that banks were nationalised and that an expert on big business tactics of acquisition and control was appointed to the Reserve Bank.

In a wider context, two points need to be noted. First, that LIC, UTI and certain government-owned insurance companies have become major shareholders in not only Indian Iron and Tata Steel but a number of other companies. As in the case of Indian Iron, the companies are now managed by minority groups which gained control initially in the days of the managing agency system. How sacrosanct is the control of these groups? Should the dominant owners, the public sector institutions, seek to transfer power and res-

pensibility from the minority groups to a professional cadre of managers? It may be premature to raise the question of management by professionals, given the poor quality of managers in both the private and public sectors. But steps to correct this situation cannot be left to be taken by the dominant investors whose interest in the companies in which they have invested goes little beyond ensuring a reasonable (or, often, unreasonable) return.

Second, in the changed milieu the Reserve Bank is directing banks not merely to freeze the votes attached to shares pledged with them but to acquire the votes and exercise them. The question is, what are the criteria which ought to guide the authorities in exercising votes one way or the other? Clearly, *ad hoc* decisions should be replaced by a public announcement of the considerations that guide the public sector's voting behaviour. That alone can protect the public sector institutions against horse-trading and the likely criticism of doling out political patronage.

In other words, the issues of control and management should be covered by an open policy framework. The task cannot be left to institutional investors like LIC or UTI, or to the banks or, for that matter, to the Reserve Bank.

Credit Policy

Back to Easy Money

THE Reserve Bank ended its credit squeeze last weekend — without fanfare. A brief press note announced that it had, after a ‘review’ of credit trends during the current busy season, decided to liberalise refinancing of incremental food procurement advances by banks over the October-end level. From April 9 till June 30 refinance at the Bank rate would cover 75 per cent of such incremental advances; the proportion would be lowered to 60 per cent in July and 50 per cent thereafter. The timing of the liberalisation makes it clear that the Reserve Bank has reversed the credit policy initiated by it in January with the Bank rate hike.

The latest banking data show that banks have sharply reduced their borrowings from the Reserve Bank in recent weeks. These borrowings swelled during the first four and a half months of the current busy season by Rs 333 crores to touch a record level of Rs 443 crores on March 19. Thereafter, in just three weeks the banks repaid

BUSINESS

The Corpse Is Dead

Ottuketkal writes:

THE corpse of the marwari syndicate which made an earnest bid to enter the prestigious steel industry by taking over Indian Iron died early this week with the purchase of 30 lakh shares, or 11 per cent of Indian Iron's equity, at or slightly above par, by LIC and UTI. The block was purchased from a member of the syndicate, reportedly the Birlas. The deal was struck through a broker of the Bombay Stock Exchange with the approval of LIC's investment committee, which debated the issue for almost a week, and of course New Delhi. With this acquisition, the combined holding of LIC and UTI in Indian Iron's equity is estimated to have risen to over 33 per cent.

Did LIC and UTI make a killing by buying the shares around par? It would appear that they did, if account is taken of the fact that the break-up value of the shares — Indian Iron has huge reserves — is well above their face-value. On the other hand, it might appear that the syndicate has been let off lightly. The bargain could have been perhaps improved had LIC and UTI held out longer.

Yet, considering the mauling that the syndicate has received — it had to nurse about Rs 12 crores worth of shares, or 42 per cent of Indian Iron's equity, purchased at well above par value for over four years — it would have been pointless to carry on a war of attrition. The issue of the dominant owner of Indian Iron had to be settled, and this has been now done in favour of the public sector — if only because there was no alternative. In the process, the public sector institutions have, through this purchase, raised the market price of the share which is now unofficially quoted at Rs 12. This means that future acquisitions by LIC and UTI — sizeable holdings are still on offer — will have to be timed properly to ensure that the bargaining initiative is not lost.

The marwari syndicate has taken its losses (easily over Rs 1 crore) with clever equanimity. But consider the loss of face for the Birlas, who were Goenka's principal backers and who had at one time manoeuvred powerful US interests to support their steel project! Of course, all this has been effectively side-tracked by playing up

Rs 173 crores or over one-half of their borrowings in the busy season till then, reducing their outstanding borrowings from the Reserve Bank to Rs 270 crores by April 9. This was made possible largely by the return of food procurement advances. In this the procurement agencies were aided by budgetary allocations — and, presumably, also by State governments whose ways and means borrowings from the Reserve Bank surged by Rs 200 crores to Rs 415 crores during the fortnight ended April 9!

Eyebrows may be raised over the Reserve Bank's transactions with the banks on the one hand and those with the State governments on the other. But what is intriguing and relevant here is why banks used the return flow of procurement advances to repay borrowings from the Reserve Bank instead of using these funds to aid large industry which has been bitterly complaining of shortage of bank finance — complaints that some bankers have readily echoed? Industry's unsatisfied credit demand now appears to have been a figment of industrialists' and bankers' imagination!

At their peak, food procurement advances increased by an estimated Rs 110 crores over the level at the end of October 1970. The outstanding level of these advances at the peak was perhaps double that figure. Banks covered the bulk of these advances with their own resources, and tapped refinance to the tune of Rs 55 crores — that is, 50 per cent of the incremental advances. The essence of the so-called credit squeeze was this pre-emption of banks' resources for food procurement.

Against the Rs 55 crores of food procurement refinance actually tapped during the current busy season banks have now repaid the Reserve Bank Rs 173 crores. Resources of this order came partly from deposits — which increased during the fortnight ended April 2 by Rs 57 crores (demand deposits + Rs 71 crores and time deposits — Rs 14 crores) — and largely from return of food procurement advances. Clearly, excess resources of the order of Rs 118 crores were used to repay penal rate borrowings from the Reserve Bank. Of the outstanding borrowings of Rs 443 crores at their peak, about 70 per cent was covered by concessional refinance, and the balance, amounting to about Rs 140 crores, came under the penal rates scheme. This estimate takes into account the Rs 25 crores of extra refinance at the Bank rate that RBI recent-

ly provided to cover export credit.

The decision to liberally refinance food procurement advances, ostensibly to take care of a likely surge in these advances by Rs 100 to Rs 150 crores from May to July, was taken just when banks had already managed to buffer themselves against the penal rates scheme. Procurement advances no longer impinge on their resources. In the coming weeks, a return-flow of advances, however small, would enable the banks to wipe off their entire penal rate borrowings. Outstanding borrowings would then be entirely in the nature of refinance of advances to the priority sector — all at the Bank rate or less. More important, deposits are currently showing an uptrend, reflecting the impact of heavy deficit financing by the Government. In sum, a situation of easy liquidity — if not excess liquidity — in the banking system is emerging. Instead of mopping up this liquidity, the Reserve Bank is now bent upon adding to it by raising the proportion of procurement refinance.

It has been noted in these columns that there has been sustained retention of bank credit by borrowers since 1968. The slack seasons of 1969 and 1970 saw a 'contra-seasonal' expansion in bank credit. Instead of seeking to counter this trend, the Reserve Bank is now actively promoting it. All that now remains to be done is to reduce the Bank rate to restore the *status quo ante*.

Textile Machinery

Whose Market, at Whose Cost?

WHY is the textile machinery industry experiencing a recession when there is a flourishing domestic demand? Since 1965, when the value of output was Rs 28.38 crores, there has been a more or less progressive fall in the industry's production; in 1968, production was worth Rs 17.43 crores though in 1969 it managed to rise to Rs 24.21 crores. Moreover, this decline in the overall value of output does not give a full idea of the decline in the number of machines manufactured since the unit price of machines has been rising every year. A ring frame, which cost Rs 45,000 in 1955, is quoted today at around Rs one lakh, blow-rooms which cost Rs 2/3 lakhs in 1955 cost Rs 5 lakhs today, and an autoloom priced at Rs 18,000 today was priced Rs 5,000/6,000 15 years ago.

Domestic demand for the industry's products is weak — evidently because

the productive efficiency of indigenous machines has been in a number of cases much lower than that of imported ones. Also, according to the textile industry, indigenously produced machines involve more manual operations and they lack several other features of the imported machines which help, by introducing the latest technology in the textile industry, to substantially reduce costs of production.

It is this 'outdatedness' that is held responsible for the resort to liberal imports of textile machinery which today are worth approximately Rs 30 crores. The result is vast underutilisation of installed capacity in the textile machinery industry. This failure of the indigenous industry has, moreover, to be judged against the fact of the cotton textile industry's modernisation programme of about Rs 250 crores under the Fourth Five-Year Plan.

There is another angle from which the textile machinery industry's condition has to be judged. The industry has secured collaboration with reputed textile machinery manufacturers of the world. For instance, Lakshmi Machine Works is in collaboration with Rieter Machine Works of Switzerland, Texmaco with Hover of Japan, NMM with Platts of UK, MMC with Howard and Bullough of UK, Mather Greaves with Mather and Platt of UK, and Manecklal with Benninger Engineering of Switzerland. If access to modern technology is one of the justifications for collaborating with foreign firms, why are the textile machines produced in India wanting in the respects they are, 'forcing' the country to rely heavily on imports? Besides, since many of the textile magnates are themselves closely associated with the textile machinery industry one might have expected them to see to it that machines of the sort that their modernisation programmes require would be produced by the industry. Instead, they have preferred to put pressure on Government for liberal imports of textile machinery.

We thus have the paradox of an indigenous textile machinery industry zealous for exports even while it fails to satisfy the domestic market. Exports of textile machinery in 1969-70 shot up to Rs 5.9 crores from Rs 1.8 crores in 1968-69. In the name of exports, the textile machinery industry even quotes a long delivery period and charges a high price to the local textile industry. Is it possible that it wants to capture foreign markets while indigenous consumers form the market of the foreign machinery manufacturers?

Iron Ore Needs Perspective Planning

D C Kale

THE export of iron ore is a major factor in India's foreign trade. Iron ore mining and export, however, have not developed as systematically as one could wish. The industry has had to meet the twin demands of exports and the local steel plants. The Federation of Indian Mineral Industries (FIMI) has recently published a study which makes the point that there is enough iron ore in the country to last for centuries and suggests that, therefore, intensive efforts should be made to export the maximum possible quantity of ore in the next few years. The study further recommends the export of pellets, pig iron and crude steel, until India is in a position to export semi-finished and finished goods.

Before proceeding to the problems of iron ore production, it is useful to examine the future of the world iron and steel industry itself. There is a minor recession in the industry at the moment and steel production did not maintain its rate of increase in 1970. The estimated production of finished steel in 1970 is as follows (in mn tonnes; 1969 figures in brackets): US 120 (126), USSR 116 (110), Europe 108 (105), Japan 85 (80), world total 596 (570). During the current year, world output is expected to reach 623 million tonnes. The Chairmen of Armco and US Steel have respectively predicted that demand in 1975 would be 720 mn tonnes and in 1980, 1,000 mn tonnes. Consumption of steel varies from 1,200 lb/capita in advanced countries to as little as 60 lb/capita in parts of Asia and Africa. This, as the President of the Iron and Steel Institute said last year, provides much cause for optimism, and he foresees "a steel explosion comparable to the so-called population explosion". To reach the predicted figure for 1980, additional capacities required are estimated at (in mn tonnes) iron ore 550, coal 165 to 185, oil 45 to 55, and electrical power 40 mn kW. In short, there is enough for everybody to do.

SCALE OF INVESTMENT

Major iron ore exporters today are Australia, Canada, Sweden, Brazil, India and Liberia. The performance of all these countries has been impressive in the past few years, but the list of

mining schemes and contracts in hand is even more impressive. It is, however, necessary to examine these schemes in relation to the capital investment which is envisaged so that one does not get carried away by dreams of huge export contracts for the asking.

Australia: The latest large iron ore project in western Australia is the Robe River scheme, which has had many setbacks, including one of its major participants going into liquidation last month. The company has secured contracts for the export of 86.7 mn tonnes of sintered fines in 13 years, plus 71.8 mn tonnes of pellets in 20 years. Output level will be 20 to 25 mn tonnes per year. In terms of money, the value of orders is £580 mn, while the project cost on present estimates is £600 mn.

Hamersley Iron is the wonder child of western Australia, indeed the whole mining industry. Signing its first supply contracts in 1965, it produces 18 million tonnes/year ore at present. Work has now been taken up to reach a level of 37.5 mn tonnes annually. The company holds supply contracts for 276 mn tonnes of iron ore or pellets, together worth about \$2,200 mn upto 1987. Its first mine and services cost \$258 mn and the expansion programme calls for a further \$340 mn. According to the *Australian Financial Review*, design studies are in progress to reach yearly production rates of 90 mn tonnes.

Canada: Iron Ore Company of Canada has in hand the expansion of its two mines at Sept Iles and Carol Lake. The former has despatched 190 mn tonnes of material since 1954 and it now wants to expand its pellet capacity to 6 mn tonnes per year. Carol Lake is to be expanded to 23 mn tonnes concentrates per year. Taken together, the company estimates an expenditure of \$270 mn; the finance is to be raised mainly against annual export orders from US and Japan of 16 mn tonnes pellets and 12 mn tonnes concentrates.

The Quebec Cartier mine has announced plans to expand its mining and sinter-producing capacity at Mt Wright from 16 to 25 mn tonnes per year, at a cost of \$300 mn.

South Africa: Two companies, South African Iron and Steel and Consolidated African Mines, have been trying to secure Japanese orders. Even after the state railways offered a reduction of \$1 per ton on ore for export, the delivered cost in Japan worked out to \$13 per ton, against \$12 normally paid. Iscor's offer was for about 152 mn tonnes ore in all upto 1990, and its estimate of capital cost about \$380 mn. The two companies appeared to be engaged in a price war, and the *Financial Mail* urged government to step in and encourage a joint export programme.

ALLIED FACILITIES

The examples given above should suffice to bring home the scale of operations and investment in international iron ore trade today. Allied facilities are also being increasingly built up by iron ore producers. Pelletising plants are definitely 'in'. Brazil, for example, is comparable to India in many ways, with almost the same quantity of known reserves (30,000 mn tonnes). The main exporter, Companhia Vale do Rio Doce, has the capacity to deliver 20 mn tonnes of ore annually, and holds firm contracts for about 108 mn tonnes in 15 years. It has, however, already built a 3-mn-tonne pelletising plant and has scheduled another 2-mn-tonne plant for 1973. Argentina's target is 3.5 mn tonnes ore plus 2 mn tonnes pellets by 1973.

Railways to carry the ore from mine to port could be another very major burden. Hamersley, as mentioned above, recently announced its plans for increasing the capacity of its 180-mile railway and loading system from 20 to 37.5 mn tonnes annually. Each train load is 22,000 tonnes; the port will take 150,000 dwt carriers and there will be centralised traffic control. Hamersley further plans to build a plant at the port to produce Himet, a metallised agglomerate with iron content of 92 to 93 per cent. Taken together, the railway port expansion and mine expansion will cost \$442 mn, while the Himet plant will need another \$102 mn.

It has estimated that for developing the iron ore reserves of western Australia, for every dollar spent on mine and pelletising plants, \$2.50 had to be spent on services and infrastructure. Regional grids for power, water supply and transport are only now being considered. In spite of the success of

these ventures, there have been questions as to whether all this money could not have been better used by the country. Suggestions have been made by economists in the *Australian Financial Review* that resources should be reallocated from high-cost to low-cost producers, while maintaining production constant. Western Australia itself is now veering round to the view that more and more iron ore must be processed within the country, whether for internal use or export of products. Processing could mean any stage beyond that of crude ore, such as pellets, sinter, pre-reduced or enriched pellets, sponge-iron, pig iron, crude steel or finished steel. It is argued that ore-exporting countries (each exporting over 10 mn tonnes in 1969) contribute over 20 per cent of the world's iron ore but less than 3 per cent of its steel. This situation will certainly tend to get corrected and more steel plants in ore-exporting countries are bound to be built.

VITAL DECISIONS

India's Fourth Plan expects that production of iron ore will increase from 28 to 51 mn tonnes in 1974, and exports from 13 to 31 mn tonnes. The NMDC's projects should produce 14 mn tonnes/year and fresh outlay by the NMDC is placed at Rs 88.34 crores. And yet, even with the large investments envisaged in iron ore production and in ancillary facilities like railway transport and ports, India is going to lag far behind in the international market, particularly for pellets. Export of ore on a crash basis is not, therefore, as obvious an answer to our export problem as it seems. It appears necessary to take decisions on (i) allocation of resources between iron ore for exports and its local processing; (ii) the division of exports into long-term deals for stability and one-shot deals for higher profits; and (iii) the production of pellets from fines and low-grade ore.

Finally, long-term investment decisions in the whole field of iron and steel should be taken within a year or so, before long-term export orders are grabbed by competitors. Investment in steel forms a major part of Plan expenditure and, if a logical 20-year pattern could be set for it, it might simplify the rest of the planning process. The FIMI itself, as well government and other connected institutions, could sponsor and help such a study.

An allied problem which should be studied at the same time is that of foreign participation. Australian operators point out that even granting that

their money could have been perhaps better utilised, it would have never been mobilised in the first place but for their projects; most of it is in the form of foreign credits against orders or equity. This is indeed the new pattern of mining finance all over the world, and countries trying to go it alone will find the going very difficult. The Iron and Steel Institute itself has

said that "even if 100 per cent of all cash flow from all the world's steel producers combined—and all depreciation and all retained profit—were put back into new facilities during the next decade, there would still be a deficit of needed funds". Clearly, therefore, finance cannot be taken for granted while planning the future of the iron ore industry.

LETTER TO EDITOR

"Limited Spheres" ?

I WOULD like to express my thanks to you for the self-correction of the error regarding ICICI insisting upon both a bank guarantee and a charge on capital assets for loans provided by it. However, there are other issues raised in your notes ("Limited Spheres"?, March 27, pp 691-2, and "Cost of Guarantees", April 10, p 766) which deserve elucidation.

First of all, I would like to mention that there has been no case, during the past 16 years of ICICI's existence when a project, found viable by ICICI and assisted by it, has not been financed on the ground that the security provided was not acceptable. In fact, the basis of our decision has always been the viability of a project; security is a matter which is worked out with the clients in the light of the nature and circumstances of the case.

As you are aware, it was only in 1969 that we entered the field of small industry financing. It was in order to gain experience that we entered the field in a selective way, relying upon the sponsorship of local organisations like State finance corporations and banks for our operations. It was for this reason that we generally provided that in such cases we would look to the SFC or bank guarantee for security of our loan. We felt that local organisations, being close to the entrepreneur and conversant with his operations from day to day, would be a suitable source for sponsorship and for taking the required risk. However, this was the view taken at first and, even in the past, where for some reason such guarantee was not available, we have worked out alternative arrangements, like a mortgage or hypothecation of assets to cover our loans. When we have approved of a project our policy has always been flexible in working out an arrangement regarding the security to make our financing effective.

You have raised a question regarding

the way the guarantee commission is charged. It would be for the commercial banks to answer the points raised by you in this respect. I would only like to mention that so far as ICICI is concerned, we charge a guarantee on a diminishing balance method according to our exposure to risk, and the commission is collected, like interest, on a half yearly basis.

In your earlier note (March 27) you have mentioned our backward area scheme. I would like to state that this scheme was approved only in the latter half of 1970 on a uniform basis by all the finance institutions. Government's own policy on backward areas has been enunciated only recently and would, like all other schemes, take some time to evolve. If there were large backlogs of projects approved or waiting to rush into backward areas, there would be no need for offering the kind of incentives which a finance institution offers. Consequently, your point regarding the number of projects seems to be beside the point. I suggest that you should allow time for the new policy to enter the focus of entrepreneurs before results can be expected.

In any event, I would like to make it clear that concessions offered by finance institutions are not a substitute for intensive work by the State governments and institutions sponsored and set up by them to promote industry in backward areas. The need for SICOM-type institutions, therefore, would still remain; even when an industry is induced to go to backward areas, it would still need various facilities and concessions to compensate it for the lack of external economies in such areas. The finance institutions' concessions must be seen as part of the package intended to achieve this objective.

G L MEHTA

ICICI
Bombay
April 15

Bangla Desh

Romesh Thapar

EVENTS in Bangla Desh continue to absorb national interest. It is now clear that a considerable section of the leadership of the Awami League was able to escape the murderous assault of the Pakistani military and is active in the countryside organising resistance and regrouping the armed elements into a liberation force. The original purpose of the Yahya clique—speedily to terrorise and subdue the revolt in Bangla Desh—has failed.

This is not to suggest that from now on it will be easy going for the resistance movement. The arrival of the rains will certainly make it difficult for the Pakistani army to achieve any effective degree of mobility. Great and even crippling damage can be inflicted on this army during the rainy season. Rawalpindi (Islamabad) will soon realise that its operations cannot be sustained for any length of time without massive assistance from some quarter.

COLONIAL UNDERTAKING

A great deal of confusion exists about the nature of the operation which the Pakistan army is conducting in Bangla Desh. It is treated as some kind of international law and order problem. It is anything but that. The operations of the Pakistan army are at the end of a 2,500-mile supply line, a kind of overseas colonial undertaking which a minor developing power cannot possibly carry out. Indeed, the mere undertaking of such an operation can spell bankruptcy.

This realisation is obviously spreading in West Pakistan ruling circles.

Hence the stepped-up attack on India as the interventionary force. For the gullible, this may carry conviction. The tremendous emotion sparked by the killings in Bangla Desh (something which was not part of the experience of this subcontinent, even in the days of colonial rule!), the open border in the East, the entry into northern and western Bangla Desh of Indian correspondents, does give the impression of collusion. But this is nonsense for anyone who desires to get at the facts.

The Government of India is active, diplomatically, to halt the killings and to somehow get pressures mounted on Rawalpindi to face the reality of Bangla Desh. This is not easy, because the many nations are still assessing their interest in the developing situation. Even at the United Nations, there is a dragging of feet. U Thant is silent. So are the Arabs. And the Africans. The decision of the Soviet Union to move openly against the military junta in Rawalpindi may yet break this silence. This is the critical need of the hour, even as the people of Bangla Desh prepare for a long resistance.

The importance of this diplomatic offensive has also been underplayed. If legal quibbles are used to justify silence, and Bangla Desh is compelled to face assault after assault nourished by aid received by the military junta in Rawalpindi, anger in the subcontinent will be difficult to contain. Once again, we have been reminded that the partition divided communities and families and that events on either side cannot be insulated. The fear always remains that

uncontrolled escalations can create situations of immense complexity in this region. International opinion will have to be stirred even though there is an all-pervasive lack of faith in it. India's diplomatic offensive comprehends these facets and is being conducted with a sense of urgency.

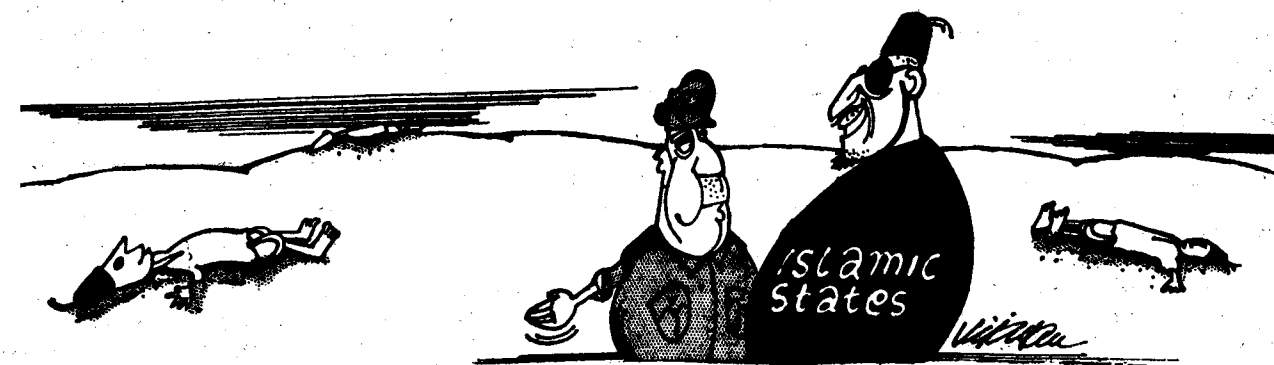
SHALLOW, PERSPECTIVE-LESS

Of course, there are a lot of people trying to make political capital out of the non-recognition of the government of Bangla Desh. Some are even wanting declarations of armed support! Indira Gandhi continues in command of the situation, fully sensitive to the issues involved, confident that the masses of the people are behind her, conscious of the activities of the lobbyists, and prepared to be judged when the full story is told of these historic events. But, one cannot help feeling that so much of the Indian elite comprises rather naive, shallow, and perspective-less elements....

It looks very much as if we are on the eve of developments which will announce the formal institution of a government of free Bangla Desh. Recognition will then be on the agenda of many nations. And recognition will set in motion a whole series of new developments with wide repercussions. The situation in South Asia is undergoing profound transformations, the dimensions of which have yet to be assessed fully. India, by virtue of her geographical position, holds the centre of the stage. And how fortunate that it is an India refreshed and revived by the test of a democratic election.

Tailpiece: Overheard the other day: "God help us! FICCI has gone socialist, too!"

April 12



MARKETS

The Mood Changes

Nishtar

THE stock market presented an altogether different look last week. There was no trace of the uneasiness which had been in evidence for some time, reflecting tax fears and deep concern over the possible consequences of a prolonged civil war in East Pakistan. The market was again a picture of confidence, and it took a big leap forward which carried it fairly close to the highest level reached earlier this year. Several factors contributed in varying measure to the marked change in sentiment.

Since the market had been drifting lower for quite some time, technical considerations favoured recovery. Turning its attention away from the coming Central budget, for which there are still some six weeks to go, the market responded to good corporate news which was quite plentiful last week. The revival of investment inquiry, in the wake of return of funds from the heavily oversubscribed issue of Garware Nylon, helped recovery: good scrips were not easy to come by. Measures taken by the Reserve Bank to ease the pressure on credit, specially larger refinance for food procurement, also provided a psychological boost.

The stock market drew some comfort also from the deliberations at the annual session of the Federation of Indian Chambers of Commerce and Industry. The very conciliatory sentiments expressed by Indira Gandhi and fully reciprocated by the leaders of business and industry held out hope of a more meaningful co-operation between Government and the private sector which cannot but have a favourable impact on the climate for investment and the pace of industrial growth. Indira Gandhi has assured captains of industry that Government would be always willing to listen to their views on economic and industrial policies, and she promised sympathy and support to industry if it placed accent on growth.

This has encouraged the stock market to take the view that the pressure of economic realities will keep the Prime Minister and her Government on the path of pragmatism — because, in the new political equation, the logic of economic realities will equal the logic of power. It is now being argued that, in raising additional resources, the Fin-

ance Minister will take adequate care not to adversely affect the incentive to save and to invest. One only hopes that the stock market's optimism is not misplaced.

Yet another factor which has had a profound impact on market sentiment near the weekend is the reported purchase of about 30 lakh shares of Indian Iron by the Life Insurance Corporation and the Unit Trust. The acquisition of such a large block of shares from a prominent bull operator is a great relief to the market; a big load is off the market. The story of how a big operator came to acquire a huge block of Indian Iron shares over the years, and the subsequent developments leading to the delisting of these shares by the Bombay Stock Exchange authorities, is too well known to need mention here.

Foreign Cotton

FOREIGN cotton has started to arrive in increasing quantities. Nearly two lakh bales are reported to have arrived since about the beginning of this month, and much more is on the way. Considering the acute shortage of cotton, mills ought to have been very eager to acquire this cotton, especially since it is cheaper than indigenous cotton. But they are not. It is not that they do not need this cotton but that they are short of funds; credit is scarce and costly. Many mills are reported to have asked their importers to carry the cotton for them. But importers have the same problem; they too have no easy access to funds. The result is that stocks have been piling up in the docks. And some of the mills who normally do not consume foreign cotton have resorted to clandestine sales to other mills — at a profit, of course. Foreign cotton is allocated on spindle basis, and mills which do not intend to consume the cotton allotted to them are required to surrender their quotas. Official sales are not permitted by present policy.

Reports from New Delhi indicate that the Ministry of Foreign Trade has declined to clear the Bill which the Maharashtra Government intended to move in the Assembly to introduce monopoly purchase of cotton in the State. It is not that the Centre is having second thoughts on the desirability of

the proposed take-over of the internal trade in cotton. It is merely against monopoly purchase of cotton by the State, because it feels that it would be a duplication of operations which could be undertaken by the Cotton Corporation of India. This suggests that the Centre is even more ambitious than the State Government in its take-over plans.

There have been no important developments in the indigenous cotton market this week. Prices have been moving up and down without any decisive trend. The general tone has been barely steady, reflecting financial stringency and the mills' anxiety about Government's textile policy. Current prices are about Rs 600 to Rs 900 below the highest levels recorded in the last week of January.

The details of the textile policy to be worked out by a special committee headed by C S Ramachandran, additional secretary to the Ministry of Foreign Trade, are awaited with anxiety. The Foreign Trade Minister has made it abundantly clear that there is to be no increase in controlled prices in the near future and that mills have to produce a certain minimum of controlled cloth to meet the requirements of the weaker sections of the community. In view of the enormous rise in production costs — over 65 per cent, according to industry — since controlled prices were last revised in May 1968, this will naturally impose a heavy burden on the industry, depending upon its ability to make good the loss from the sale of uncontrolled varieties. Can the industry bear the additional burden? If not, how is the gap between costs of production and controlled prices to be bridged? There is no easy answer to these questions. Since large imports of cotton are intended to make good the shortfall in indigenous production, it might be a good idea if part of the funds collected through the levy of Rs 250 per bale on foreign cotton — these funds are at present used entirely for export promotion — are utilised for subsidising the production of controlled varieties.

Unexciting

THE oilseeds market has had a rather quiet time last week. Net changes over the week have been too small to call for any special comment. The spread between the spot and futures quotations and between the maturing

hedge contract and distant contract in castor and linseed has narrowed further because of the steady flow of supplies. Apart from the progress of the marketing season, financial stringency has also tended to discourage stocking of goods. Castor futures have been distinctly subdued on light but persistent selling. While arrivals of castorseed have been on a fairly high side, overseas advices have been easier and there has been hardly any fresh export business in castor oil. Linseed has kept quietly steady as both bulls and bears have been inclined to mark time. Groundnut oil has ruled a little steadier because of satisfactory offtake.

No big changes are anticipated in oilseeds prices in the near future. The supply position being reasonably satisfactory for the time being, prices are

unlikely to register any important rise. And since prices have already come down appreciably from the high levels of March, the scope for further decline would seem to be limited. Mustard oil which had been marked up to Rs 5,200 (per tonne) in March is currently quoted around Rs 3,850. During the same period, linseed oil has moved down from Rs 4,500 to Rs 3,650, and castor oil (commercial) from Rs 4,000 to Rs 3,275. Groundnut oil prices have moved irregularly between Rs 4,575 and Rs 4,250 over the past few weeks.

Fairly good business was reported to have been put through in groundnut extractions last week. Russia purchased about 40,000 tonnes, the UK about 15,000 tonnes and Japan about 3,500 tonnes. Prices realised have not been remunerative, however.

COMPANIES

Expanding Cheaply

Hansavivek

INDIAN ALUMINIUM is expanding its Belgaum smelter by adding a fourth potroom, expected to be in production by the end of this year. This will raise installed capacity by 10,000 tonnes per annum. As the capacity of some of the installations for the first stage of the project will be adequate for the fourth potroom, the additional capacity will cost only Rs 4 crores. The third potroom, and the alumina plant at Belgaum, were commissioned during 1970, all the major units of the smelter and the alumina plant are now in operation. Construction work at the new sheet mill at Talaja has been slowed down by delayed steel supplies. The hot mill equipment is being installed and production is expected to start by the end of 1971.

During 1970, smelter production was 48 per cent up at 61,665 tonnes — the increase being due to the additional output from the Belgaum smelter where production was 27,210 tonnes against only 1,128 tonnes previously. Production at the Hirakud smelter, however, was down at 16,196 tonnes (22,576 tonnes) owing to a three-month strike. The Alupuram smelter produced slightly more at 18,257 tonnes. The Muri alumina plant operated at capacity and bauxite mining at Lohardaga kept pace with that plant's requirements. At Belgaum, hy-

drate production started in March 1970 and alumina calcination in August. Output from the alumina plant at Belgaum is still low, but is expected to improve during the next few months. Record production was achieved at the sheet rolling mill at B-lur, the extrusion press at Alupuram, and the foil plant at Kalwa. Less powder and paste was produced at Kalwa than in 1969, because demand was weak. The Properzi mill at Alupuram produced substantially more, following continued high demand.

Industrial relations at the Hirakud plant have been satisfactory since a long-term agreement was signed with the workers in April 1970. Long-term agreements were also signed at Kalwa, Muri and Belgaum. The number of employees increased over the year by only 298 to 6,412, though both output and sales were substantially higher compared to their levels in 1969. Volume of sales was 45 per cent higher, at 62,595 tonnes, with most of the additional tonnage sold as ingot. Sales of semi-fabricated products aggregated 22,737 tonnes (20,378 tonnes). Exports were 600 tonnes of semi-fabricated products, valued at Rs 37 lakhs. On the better results, the directors have maintained equity distribution and also recommended issue of bonus shares on a one-for-two basis by capitalising

Rs 1.25 crores from the capital reserve and Rs 4.76 crores from the general reserve.

The company is awaiting Government's decision on the recommendations of the Working Group on the selling prices and distribution of aluminium products. The Group was formed to examine the industry's price structure after Government imposed statutory price control in March 1970 fixing sale prices at the ex-factory level, less excise duty absorbed by the producers, as on February 28, 1970. The Orissa Government has legislated an increase in duty on power supply to all consumers, from 15 per cent to 25 per cent, as from April 1, 1970. The OSEB has notified levy of a coal surcharge at 62 paise per kilowatt-hour of power consumption from February 1971. INDAL's management considers this levy, which would involve additional expenditure of about Rs 33 lakhs per annum, *ultra vires* its subsisting agreements and will take steps to resist the imposition. The cases relating to the electricity surcharge and the revision of electricity tariff rates, applicable to the Alupuram works, are pending before the Supreme Court and the High Court of Kerala, respectively.

ELECTRIC CONSTRUCTION AND EQUIPMENT has been experiencing steady demand for various types of equipment produced by it. But its units in West Bengal could not take advantage of the good demand because of "continued labour unrest". The switchgear and lift division had to be closed down from the end of November 1970 and the Cossipore division from the end of January 1971. Total production of transformers at the Vizag, Cossipore and Sonepat plants was 563,000 kVA in 1969-70 against 400,970 kVA in the previous year, although availability of raw materials remained difficult. The rotating machinery division at Barrackpore worked on a maintenance production level. Demand for industrial motors improved in the latter part of the year. The Chaziabad factory for the manufacture of motors and other components is nearing completion, and is likely to go into production soon. Work has started on the project for manufacture of GLS and fluorescent lamps, but the company has not yet received licence for import of capital goods. Expenditure on land, buildings, and equipment, amounted to Rs 1.36 crores against Rs 19 lakhs in the previous year. ECE's sales increased by 51 per cent to Rs

9.56 crores and, with margins widened, its gross profit more than doubled at Rs 127 lakhs (Rs 62 lakhs). Of total sales, transformers accounted for 48 per cent, motors 5 per cent, switch-gear and lifts 7 per cent, meters 34 per cent, and other miscellaneous items 6 per cent. The company's executive office has been shifted from Calcutta to New Delhi for "effective functioning".

ELPRO INTERNATIONAL received an industrial licence in October 1970 for raising capacity of alloy magnets from 120 tonnes to 180 tonnes per annum. It is accordingly stepping up production. An application has been made for further expansion to 300 tonnes, as the directors feel that even the present increased capacity will be inadequate to meet the growing demand. A 'letter of intent' has been received by the company for expanding the capacity for intensifying screens from 2,640 pairs to 7,500 pairs per annum. Another 'letter of intent' is expected for manufacture of Cobalt-60 tele-therapy equipment. The company has also submitted an application for an industrial licence to manufacture oriented ceramic magnets. A new 15 MA portable X-ray unit was developed and put on the market. It is manufactured under the company's own design. Only

the X-ray tube is imported for this unit. The company has a good growth rate with an increase of 74 per cent in sales during the 15 months to December 1970 over the preceding 12 months' figure. A major contribution to the increase in turnover came from alloy magnets and X-ray products. Manufacture of ferrite magnets was started in this period. The short-term loan of Rs 16 lakhs was fully repaid to International General Electric Company (India).

BALLARPUR PAPER AND STRAW BOARD is to establish a newsprint mill in Himachal Pradesh. Under an agreement, the State Government has agreed to supply to the company 57 lakh cubic feet of fir and spruce for newsprint-making. The felling of this wood, debarking of the logs, floating of the logs, and their truck transportation, would be undertaken by Ballarpur. It would be the first time that the Himalayan coniferous forests would be harvested and utilised on a large scale for the industrial development of Himachal Pradesh. The venture, earlier proposed to be set up in collaboration with a Canadian firm, will now be built with Indian expertise and local knowhow. It will go into production in another three years and will have an initial production

capacity of about 85,000 tonnes; this will be further increased to 1.23 lakh tonnes, as the mill gains experience in utilisation of hardwoods. At present, over 1.87 lakh tonnes of newsprint are consumed annually in the country, of which 1.55 lakh tonnes are imported. It is in this context that the Himachal Pradesh enterprise has to be seen.

The new mill is to have among other things (a) refiner ground wood pulping systems; (b) a small high-yield chemical pulp mill; and (c) a high-speed paper machine with a twin wire formation system. For consumers requiring newsprint in sheets and glazed newsprint, it is also proposed to install a super-calendar and a duplex sheet cutter. Tentative estimates are that initial investment in the project would be Rs 30 crores. Since a major part of the equipment will have to be imported, immediate foreign exchange expenditure on this account would approximate Rs 20 crores. Newsprint manufacture being highly capital-intensive, the Himachal Pradesh Government is likely to derive considerable indirect benefits from income and corporate taxes, excise duty, and sales tax. Eventually, the indirect income to the State would probably be greater than the amount of royalty payable on forest raw materials.

The Week's Companies

(Rs in lakhs)

	Indian Aluminium		Elpro International		Electric Construction	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-10-70	Last Year 31-10-69
Paid-up capital	1241	1241	85	85	169	169
Reserves	1911	1551	27	13	173	132
Borrowings	2301	2179	85	89	359	394
of which Term borrowings	2301	2079	19	40	104	122
Gross fixed assets	5705	4773	138	129	539	428
Net fixed assets	3842	3197	78	60	411	300
Investments	—	—	—	—	1	1
Current liabilities	947	922	30	15	236	185
Current assets	2138	2280	148	118	523	578
Stocks	1913	1354	106	87	345	355
Book debts	511	412	42	31	173	216
Net sales	3540	2843	261	150	956	632
Other income	97	124	2	2	11	11
Raw material costs	999	1018	145	89	564	363
Wages	470	420	32	21	114	93
Interest	176	136	9	8	32	33
Gross profit(+)/loss(-)	817	713	35	20	127	62
Depreciation provision	290	188	13	8	27	26
Tax provision	—	59	—	—	42	3
Net profit(+)/loss(-)	527	466	22	12	58	33
Development rebate provision	252	205	3	11	3	7
Transfer to reserves	105	91	11	—	26	22
Dividend						
Amount	170	170	8	—	E 25 P 4	P 4 E Nil
Rate (per cent)	14	14	10	—	E 20 P 9.3	— P 9.3
Cover (times)	1.62	1.53	2.37	—	1.96	—
Ratios (per cent)						
Gross profit/sales	23.07	26.97	13.41	13.33	13.28	9.81
Net profit/capital employed	9.66	14.34	11.16	6.41	8.27	4.74
Inventories/sales	37.09	51.23	40.61	58.00	36.08	56.17
Wages/sales	13.27	15.89	12.26	14.00	11.92	14.71

FROM OUR CORRESPONDENTS

NEW DELHI

Treading Softly

THE most remarkable feature of the annual session of the Federation of Indian Chambers of Commerce and Industry last weekend was the spirit of accommodation and sweet reasonableness towards the government that leaders of business and industry displayed. This was probably best expressed by N K Somani, a former Swatantra MP, when he said: "I have been attacking the government in the past, but I will not do so now." Indian businessmen have always shown an admirable capacity to adjust their thoughts and sights to the prevailing political reality. The results of the last Lok Sabha elections appear to have overwhelmed and subdued them. They are now anxious to adjust their functioning to the changed political situation, though, of course, they will do everything they can to fashion and influence political and administrative decision-making — but this will be done quietly, without making too much noise.

The subdued tone of the Federation session, very much unlike similar occasions in the past when government policies were roundly criticised and demands aired stridently, was set by the address of the FICCI president, D C Kothari. He congratulated the Prime Minister, present on the opening day of the session to inaugurate it, on her victory in the election and paid tributes to her sagacity and insight and her approach to the problems facing the country. He did not raise issues of larger economic policy, much less put forward demands for changes in policies. He confined himself to airing some of private industry's problems in respect of administration of policies.

NO CONFRONTATION

Speeches by other leaders of business and industry followed the tone set by the presidential address. The resolution questioning the entry of the public sector into the area of trade was taken up with great restraint. Differences of approach and outlook between the trader and the industrialist and between the big industrialists and the small and medium ones have been often reflected in past FICCI sessions. But the notable feature of the discussion on the resolution on trade this time was that

by far the majority emphasised the need for traders to behave more responsibly if they wanted to avoid greater intervention by the state. The discussion on the only other resolution taken up at the session, on dynamic industrial growth, was equally revealing of the mood in favour of coming to terms with the prevailing political climate. The two industrialist brothers, Bharat Ram and Charat Ram, gave the lead. Charat Ram cautioned against "parrotting time-worn cliches" and Bharat Ram commended the concept of the joint sector as a preferable alternative to outright nationalisation or the growth of fully public sector enterprises. The concept of the joint sector as outlined by Bharat Ram would certainly very much suit private business since it would combine government participation in enterprises with management continuing to be in private hands; at the same time, the sting would have been taken out of the rising protest against monopoly and concentration of economic power.

There was no question of any kind of a confrontation between the government and leaders of private business in such a setting. The Prime Minister had, therefore, no need or occasion to stage one. Her address was equally conciliatory. It was certainly not expected that she would use the FICCI session to make any policy announcements. But she did make certain observations which indicated the problems and di-

lemmas that the government is facing though she did not suggest how the difficulties were sought to be resolved

'VICIOUS CIRCLE'

The crux of the matter, as she put it, was the 'vicious circle' of rising prices and rising costs in the economy. The Prime Minister said that the farmer wanted higher prices for his produce even when unit costs in agriculture had come down. Workers wanted the rise in the cost of living to be neutralised to prevent erosion of their standards of living. The industrialists, in their turn, wanted to be compensated for every item of increase in the cost of their manufactures with prices fixed on a cost-plus basis.

Indira Gandhi did not indicate how this so-called 'vicious circle' was proposed to be broken. She did want the cost-plus formula, sanctified by the Tariff Commission for price fixing, to be given up. But otherwise her principal prescription was the plea to different sections to moderate the use of their sectional bargaining power. Even if this plea were accepted, which is doubtful, it might somewhat moderate the viciousness of the vicious circle but will not break it. To achieve that, decisive action will have to be taken at certain strategic points. One such strategic point obviously is the procurement price for foodgrains which come to the market. The Agricultural Prices Commission has recommended a modest reduction in the procurement price of wheat in the coming season. Will this recommendation be accepted?

In the case of prices of manufactures, the issue should not be viewed as one

In book format

Poverty in India

by
V M Dandekar
Nilakantha Rath

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of prices in general. It has to be narrowed down to the problem of prices of essential commodities of mass consumption. In this light the fuss over car prices would appear to be misplaced. The cost-plus formula must, on the other hand, be totally rejected in respect of items of mass consumption. If industry has to suffer temporary losses on this account these would be more than made up by the margins on luxury items for the consumption of the affluent sections.

AND NOW, REAPPRAISAL OF PLANNING !

An important observation in the Prime Minister's address to the FICCI was that a reappraisal of the planning process would soon be undertaken. There has been a lot of talk lately about recasting, revising and enlarging the Fourth Plan. Another dimension has been added to such speculation by this latest remark of the Prime Minister about reappraising the planning process itself. It is not possible to find out exactly what is in view while work on

planning stands still with the Planning Commission paralysed and Plan implementation continuing to remain neglected — a situation which will apparently remain unchanged at least till the Budget for 1971-72 is presented towards the end of May.

In his speech while presenting the interim Budget, the Finance Minister did indicate that more resources would be raised to provide for a Plan of adequate size this year. This implies that the tempo of Plan implementation may pick up somewhat, though a larger allocation by itself is no guarantee that the funds will be actually utilised. In the last two years at least there have been large shortfalls in the implementation of Plan programmes for which financial allocations had been made. Recasting of the Plan or reappraisal of the planning process will not necessarily touch the basic factors responsible for this state of affairs.

Meanwhile, there is no knowing when even the reconstitution, not to speak of the reorganisation, of the Planning Commission will materialise.

BANGLA DESH

Next Phase of the War

Sumanta Banerjee

THIS is a suburban town in Khulna, Bangla Desh. The people are changing under the shadow of possible attack any moment by the Pakistan armed forces occupying Jessore which is 40 miles away from here.

One can make out how they used to live before the war started — the usual complacent life so common in the hitherto undisturbed villages of Bengal. One can see the traces of the peaceful past, even today, in the soft features of the young East Pakistan Rifles boys, whom we met at the EPR camp here. They are the nucleus of the armed resistance in Bangla Desh today. But the people, along with their town, are changing.

On our way to the town from the Indian border, we met streams of cycle-rickshaws carrying women, children and their belongings, moving towards India. The town was being evacuated. The people were determined not to make the mistake made elsewhere, and to save their women from the fate which overtook women in Dacca, Jessore, and other towns, when the Pakistan armed forces occupied them, and raped and killed the women.

When we reached the town, it wore a deserted look. There were hardly any young men left. They had gone to the front equipped with whatever weapons they had.

SHIFTING EMPHASIS

We met a young Awami League volunteer at the police station which had virtually become the party's headquarters. "We are no longer planning a direct confrontation with the Pakistan army equipped with superior arms and ammunition", he said. Formation of small squads to ambush the army vehicles — that classical mode of guerilla operation — is now being emphasised. Able-bodied civilians left in the town are being trained in this. Obviously, they are learning from their past mistakes of throwing an entire company of ill-equipped EPR men against the superior forces of the Pakistan army.

That the emphasis was shifting to guerilla tactics was further evident from our talks with the EPR men in the town. "We can never stay in occupation of the towns for long if the Pakistan army shells us. We have, therefore, opted for guerilla movement

in the surrounding villages", one of them said. Sons of peasants, the EPR boys know the countryside and are aware of the advantages of fighting entrenched in the paddy and jute fields.

Their peasant background has given them a highly emotional and sensitive character. One EPR boy — his face as soft as the new green mangoes which had just started sprouting in the countryside of East Bengal — said: "Amago apnara zorai dharen, ankarai dharen!" ("Embrace us, cling to us"). They expect a lot from India. As one EPR boy put it, it is a fight for a secular democracy and India being a secular and democratic state has her fate entangled with that of Bangla Desh.

Meanwhile, the Pakistani armed forces are occupying Jessore. The battle here will be crucial, as the town is strategically important. Whoever occupies it — or rather the five-point crossing in the area known as *Chanchar more* — will command the main roads to some of the important places in Bangla Desh: Kushtia in the north and Khulna in the south and the borders on the west. The liberation forces are at present holding Jhikorgacha, between Jessore and this town. It is their headquarters for directing operations.

PROPHETIC ECHOES

As we left the town we were visiting, we passed by buildings, walls of which were covered with traces of the recent election campaign. The students' wing of the Awami League had scribbled slogans denouncing the undemocratic provisions of the election system; the Islamic Students League — the communal body — had warned against the bifurcation of Pakistan and demanded an Islamic constitution. The Communist party (Marxist-Leninist) had painted Mao's face and coined the prophetic slogan: "There is no liberation through votes; the only way is armed revolution".

For the people of Bangla Desh, in today's context, of all the slogans, this was the only relevant one.

April 6

It is a strange war. On one side are ranged machine guns, mortar shells and tanks, reinforced by ruthless savagery. Facing these are old-fashioned .303 rifles, bamboo staves, ramshackle trucks and a desperate determination.

This is the common sight everywhere in Bangla Desh today. We were proceeding in a truck accompanied by half a dozen of Mujahids — the counter-parts of our National Volunteer Forces

— along Benapole Road towards Jessore town which is under occupation by the Pakistan army. The Mujahids, the East Pakistan Rifles men, and the Ansars, form the core of the liberation forces in Bangla Desh.

DESPERATE RESISTANCE

As we were about to reach Malanchi — a village three miles away from Jessore town and the last outpost of the liberation forces — a Mujahid came running, waving his rifle. He and four other comrades had resisted the advancing Pakistan army with their rifles. They had exhausted their bullets, and they were retreating. Could they get reinforcements? The young Mujahids accompanying us in the truck jumped down and in a mad rush ran towards Malanchi soon disappearing behind the bend of the road.

We wondered how long these youngsters — many of them using a rifle for the first time — would be able to withstand shells which were bursting in the distance.

The majority of the fighters in Bangla Desh are in their teens, recruited recently into the Ansar Bahini or the Mujahids. Those belonging to the East Pakistan Rifles are also juniors. The recent fate of the EPR has been tragic. Young members of the force, in outworn uniforms and chappals, and armed with outmoded rifles, told us the nightmarish story of how their senior commanders had been eliminated. When the negotiations were going on between Yahya Khan and Sheikh Mujibur Rahman, the EPR in Jessore were asked to deposit their weapons at the central high command and were promised new, modern weapons as replacements. A couple of days later, the senior officers were asked to come and collect the new weapons; they went, and never returned.

The fate of the East Bengal Regiment has been as humiliating. A few companies of the Regiment were posted in Bangla Desh during the negotiations. When the negotiations were about to fail, Yahya Khan became alert. The members of the EBR who were in East Bengal were sent out on excise duties and other such assignments. When they came back to their barracks, they found them occupied by the Pakistan forces who at the point of machine guns made them surrender their arms.

Thus, the soldiers fighting in the liberation force today were deprived of their leadership, rendering them almost helpless in the face of superior military tactics.

We entered Laujani, the village on which the liberation forces fell back as their last outpost after the fall of Malanchi. We found the villagers leaving their homes. We ran into a pair of EPR men guarding an outpost surrounded by deserted homes. They took our hands and placed them on their beating hearts, trying perhaps to feel the warmth of company in this desolate spot which in all probability was to be wiped out soon.

We had not imagined that our worst fears would prove correct. When we reached India a few hours later, we heard that the Pakistan army had captured Laujani and that the village was in flames.

When we reached Jhikorgacha, where the liberation forces retreated after the battle of Laujani, the Awami League leaders struck their foreheads and complained bitterly that they could have resisted the advance of the Pakistan army if they had even a few shells. A bridge near Malanchi, which had opened the way for the advance of the Pakistan army, could have been blown up by the liberation forces; but it was within range of the Jessore cantonment from which the Pakistan army shelled the liberation forces when they tried to reach the bridge. Wherever one goes in Bangla Desh, one comes across instances of the liberation forces being handicapped for lack of even such

TAMIL NADU

Post-Election Manoeuvres

THE offer of the post of Assembly Speaker to Mathialagan, former Finance Minister who had been eased out of the Ministry along with two others, is the latest in the series of moves made by Karunanidhi to consolidate his position in the party. No doubt, the DMK's resounding electoral victory provided undeniable proof of the organising skill of the party President-cum-Chief Minister and raised his stature even in the eyes of his detractors. This paved the way for his unanimous re-election to the two posts and confirmation as the supreme boss of the DMK. Karunanidhi accommodated Nedunchezian as Number Two in the Cabinet and pushed Anbalagan, leader of the DMK in the dissolved Lok Sabha and one-time contender for the Chief Minister's post, to the third place. But Mathialagan who, despite the odium he had acquired particularly towards the fag end of his term as Minister, had managed to

weapons as are usually more easily available, like mortars, dynamite, or even hand grenades.

Political leaders and soldiers are fast realising that it would not be possible to defeat, or even resist, the Pakistan army by traditional warfare. The Awami League leaders are realising the need to arm the peasantry. The peasants are eager to take up arms. An agricultural labourer at Benapole, near the Indian border, watching the streams of villagers fleeing the front, gnashed his teeth and said: "zodi hatiar patam!" ("If I could only get a weapon!").

The next phase of the war — a protracted war in all likelihood — is about to begin. Volunteers are being raised from the local population. They are being trained in the use of arms by the EPR. They are taking up the civil administration also.

In Benapole, for instance, we heard from the local population how the night patrol, formed by the youngsters, caught two notorious smugglers who were about to loot the Customs godown. One of them was found out to be an Indian national and was promptly handed over to our Customs people across the border. The other was tried in a 'people's court', and was executed.

Jessore District
April 9

END OF HONEYMOON

The DMK is still to decide its attitude to the vastly strengthened Congress Government at the Centre, but the statement of the interim Speaker of the Lok Sabha, Seth Govind Das, that he hoped that the proceedings of the Lok Sabha would soon be in Hindi brought forth a sharp reaction from the party. The DMK declared that it would fight the imposition of Hindi tooth and nail. Karunanidhi also harped on the theme of more autonomy for the States while expressing support to Mujibur Rahman and the freedom

fighters of Bangla Desh. Once the recommendations of the Rajamannar Committee become available in a month or so the DMK may even whip up an agitation. The DMK-Congress(R)

honeymoon will soon end, now that the Congress(R) is being reactivated in the State. C Subramaniam has already set the tone by declaring, in an obvious retort to Karunanidhi, that the Centre

had to be strong.

The Congress(R) has in the meantime to face its own problems. The dissolution of the TNCC(R) and the appointment of an *ad hoc* committee is inter-

preted as an attempt to bypass democratic discussion of the conduct of the party leadership in the pre-poll negotiations with the DMK and as a manoeuvre to eliminate devoted party workers for purely factional purposes. The formation of the *ad hoc* committee is a victory for C Subramaniam. Those who had felt that his leadership had not paid off in the negotiations with the DMK are now further disappointed that his approach is sought to be vindicated even at the heavy price of a division in TNCC(R) ranks.

The TNCC(R) is not alone in having to face internal dissensions. The TNCC(O) is also engaged in a debate as to whether it should continue as a separate party or merge with Congress(R). There is said to be a section led by E V K Sampath which was not happy over Kamaraj's alliance with the Swatantra and is now waiting for an opportunity to quit the party. Sampath, who is one of the Secretaries of TNCC(O), did not turn up at two party meetings called to discuss the party's post-poll programme. This lends credence to the view that he may walk over to the TNCC(R). Sampath incidentally, has quite a few such walk-outs from various political parties to his credit. He went out of the DMK and formed the Tamil National Party and after its rout in elections joined the Congress. It is not surprising that after the defeat of TNCC(O) he is thinking of getting on the Congress(R) bandwagon.

LUCKNOW

The Wrong Strength

THE victory of the Congress(R) in the Lok Sabha elections and the fall of the SVD Ministry in the State are inter-related. In the mid-term poll for the Lok Sabha, Congress(R) was the only party that gained 26 net seats. The rest lost — Congress(O) losing 6 net seats, Jan Sangh 7, SSP 6, CPI 1, CP(M) 1, BKD 3, and Independents and others 2. Congress(R) secured 48.57 per cent of the total votes polled; the reactionary parties, headed by the four-party alliance, polled 46.66 per cent of the votes; and the Left parties secured only 4.77 per cent of the votes. Overall, therefore, the potential strength of reaction should not be minimised.

Among the Left parties, CPI, with 3.7 per cent of the votes, came out at the top; and the Indian Socialist Party, with its 0.01 per cent, at the bottom.

While Sampath's might be a purely opportunistic move, there are many among the rank and file of the TNCC(O) who question the wisdom of the party continuing in its present form since the people have reposed overwhelming confidence in Congress(R). To keep the waverers in the party and to revive the sagging morale of party workers, the TNCC(O) has done a lot of explaining that its rout had nothing to do with its alliance with Swatantra but that it was on account of manipulation of the voters' lists and official interference in the elections. The Executive Committee of the TNCC(O) even passed a resolution urging the Union Government to 'dismiss' the Election Commissioner and to appoint a high power commission to go into the alleged irregularities committed by him during the elections.

While not many would dispute some official interference, the efforts of TNCC(O) to make a scapegoat of the Election Commissioner is seen as a desperate bid to prevent a further erosion of the morale of party workers. Kamaraj, who intends to undertake intensive tours of the districts to strengthen the party at the grass-roots level, will have a tough task explaining that it was the vanishing ink and not his alliance with the Swatantra party that brought disaster to the party. His task is made all the more difficult because the TNCC(R) is poised for intensive activity in the wake of its great election victory.

not increased the area of its influence.

Meanwhile, despite Congress(R)'s Leftist stance, its activities in the State need to be watched. Though it is well known that the party that comes out successful easily gets defectors from the other parties, if the victorious party is committed to socialism — as the Congress(R) claims it is — and expects to carry its commitment through, then either the defectors should be those who are similarly committed or at least they would have to be politically cleansed through education. But the strategists of Congress(R) have welcomed all and sundry with a view to toppling the SVD Ministry. Some of those accepted from the Syndicate Congress and the BKD are known for their corruption and have obviously joined Congress(R) not out of love for socialism but to protect and further their own careers. One of them is distinguished for his unbroken family record of siding with the ruling party since the mutiny of 1857.

The Tripathi Ministry at present has none of the old guard nor any of the defectors, but expansion of the Ministry is to take place before July. Kamalapati Tripathi appealed to the Secretaries of the various departments of his Government to make the administrative set-up a better instrument for serving the desires and aspirations of the people; but no objective criteria have been put up to indicate how this is to be achieved. It would be good to have a 'committed' Civil Service, but how can it be obtained when the ruling party itself lacks ideologically committed cadres? Tripathi's appeal that a new UP be created by taking the developmental programmes to the huts in the villages, might be taken to indicate a new orientation from politics to economics — if it were not for the fact that no economic programme of action has been announced, or seriously formulated for that matter. The take-over of the sugar mills and a new ceiling on agricultural land are in the air. But it is not clear in whose interest the first is, nor how efficiently the second is to be implemented. If the sugar industry is taken over it will not harm the interests of the MLAs and might help individual mills, but a lower ceiling on land and its effective implementation will do so. Meanwhile, what are the plans for increasing the income and employment opportunities in the State? About the only concrete measure taken so far is the withdrawal of the controversial UP Universities Union (Amend-

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ment) Ordinance, which sought to make student membership optional.

For formulating and implementing a policy of radical economic development, Congress(R) will need members in the Legislature who are committed

to its election manifesto. This can be ensured only through a mid-term poll, sooner than later. Hopefully, once this political precondition is established, a definite programme of economic development might be attempted.

MAHARASHTRA

Getting More Secular?

V P NAIK became Chief Minister of Maharashtra in November 1963. Since then, his continuing and efficient stewardship of the State Government has helped to usher in a change in the social composition of the leadership, and in the power structure in the State. V P Naik himself belongs to the socially backward Vanjari (Banjara) caste. It was therefore natural that, during his Chief Ministership, the unorganised, heterogeneous, non-Brahmin-non-Maratha castes in the State should begin to see hope for their entry into politics and hence for a redressal of their group grievances. In fact, Naik's continuance in office for more than seven years has already caused some shift of power from the exclusivist Maratha caste to the non-Brahmin-non-Maratha castes — exploding the old myth that, next to the Brahmins, only the Maratha caste is capable of ruling.

The shift of political power from the Brahmins to the Marathas in the late fifties under the leadership of Y B Chavan — himself a Maratha — had marked the start of one phase in Maharashtra politics. Chavan's ascendancy had drawn together the aspirations of the Maratha-caste political elite. Though Chavan was careful not to alienate the Brahmin intellectuals, the transfer of political power to the Marathas under him — hailed by that caste as a return of the glorious days of Maratha rule under Shivaji — certainly established the eclipse of the Brahmins in politics.

The transfer of the Chief Ministership from Y B Chavan — when, in 1962, he left the State to join the Central Ministry as Defence Minister — to the late Kannamwar, and then to V P Naik, acknowledged and introduced many new trends in Maharashtra politics. The 15 years of Maratha hegemony in the State Congress Party and Government had reduced the Brahmin leadership of the Congress to insignificance. Ironically, this also meant that the Maratha political elite could no longer use its anti-Brahmin idiom to garner or sustain support — although anti-Brahminism had been a powerful

weapon for wresting power from the Brahmins in the early fifties. Secondly — as a sequel to this and as a result of Naik's non-Maratha rule — the Marathas are now facing an increasing political confrontation from the non-Brahmin-non-Maratha castes, aided and abetted by the Brahmins in the background. Moreover in this confrontation the Marathas are being challenged in their own forte. While the Brahmin leadership in the Maharashtra Congress could claim that it had intellectual skills and sensibilities which the Maratha politicians did not have, there is little difference between the skills and idioms used by the Maratha politicians and those used by Naik and his followers. In fact, Naik has shown superior skills in maintaining harmonious relations among the various other sections of the community in the State. Even before Naik came to the forefront of the State's politics, the non-Brahmin-non-Maratha castes did have some representation in the State Congress; but they were always subdued under the weight of Maratha dominance, especially since they were not quite so organised.

It would appear that Chavan, a shrewd politician and tactician, had foreseen the possibility of a conflict emerging between the numerically, and hence politically, socially, and economically, strong Maratha caste and the heterogeneous and heretofore politically unorganised non-Maratha castes. In transferring power to Naik, Chavan was in fact aiming at two objectives. First, he was neutralising the anti-Maratha feelings that had been aroused by the emergence of the sugar co-operatives (owned and managed by the Marathas) and by the domination of the Maratha caste elites in politics and government; indeed, with Naik's help he has since been able to widen the base of the Congress. Secondly, he was seeing to it that, while he was away at the Centre, the other Maratha politicians would not get an easy lead over him within the State.

Naik's tenure of office has struck at

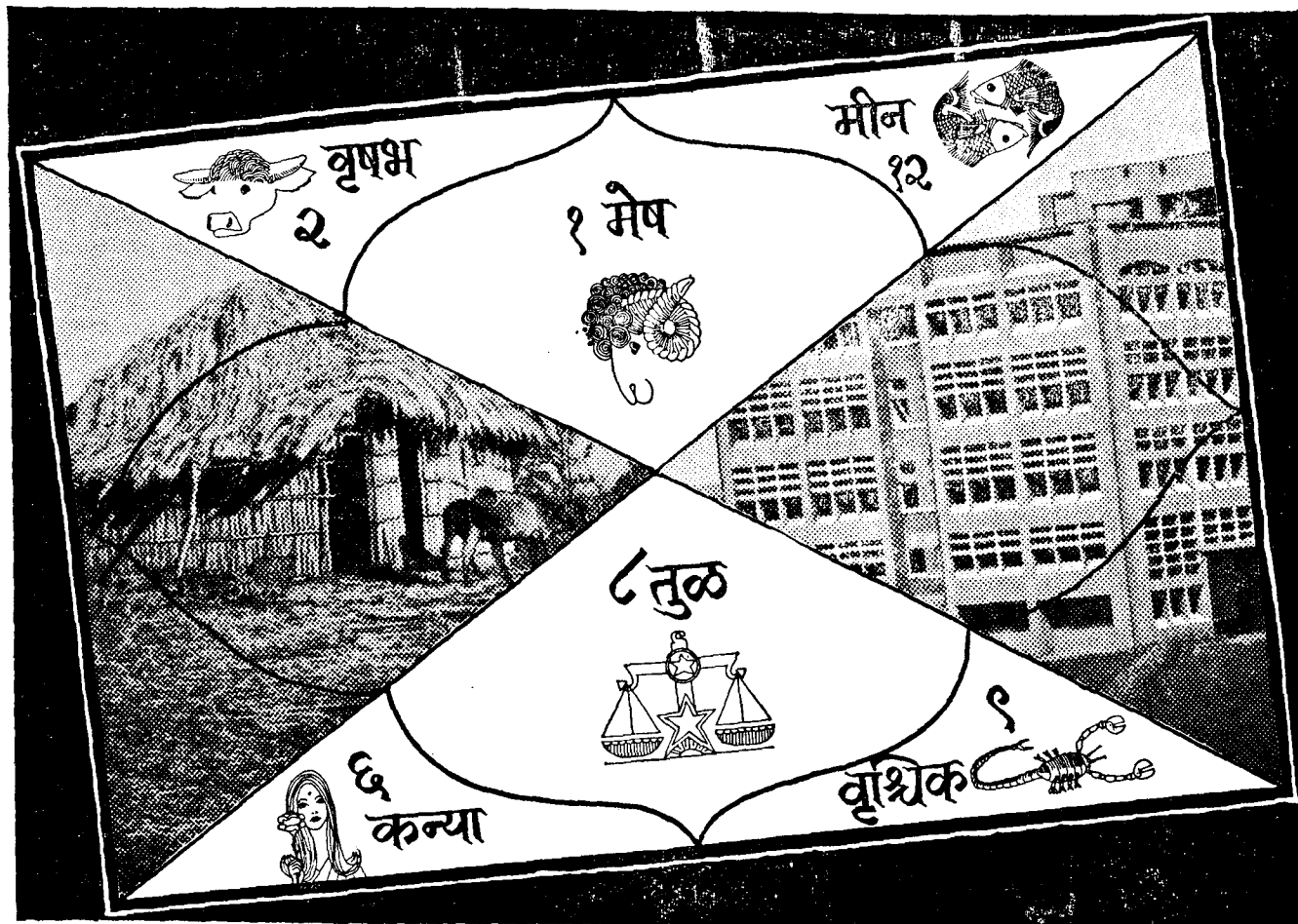
the base of the other political parties in the State — such as the Peasants and Workers Party, the PSP, the SSP, and the two Communist parties. The mass following of these parties, which generally consisted of the non-Brahmin-non-Maratha castes in the cities and in the villages, has since found scope for articulation of their aspirations and urges in the Congress under V P Naik. It was Naik who successfully attracted the RPI leadership and Harijan mass to the Congress in the State. It is well known that the post-Ambedkar Harijan leaders had never trusted the Marathas, including Y B Chavan, for historical reasons. The move towards the Congress, in preference to the Left parties, was, no doubt, helped by the fact that the Congress was the ruling party. What facilitated the process further is the fact that, while Chavan was the first to act on his insight, there is now wider recognition of the new requirements even among other Maratha leaders, like S B Chavan, R A Patil, and Vasantrao Patil (PCC Chief), that the non-Brahmin-non-Maratha castes will have to be given increasing representation in the Legislature, in the Government, and in the Party if the Congress is to hold together on its own and return to power in the State in 1972.

It is therefore expected that 1972 will witness many changes in the composition of the Congress in the Legislature as well as in the Government. The massive support the non-Brahmin-non-Maratha castes gave Congress(R) in the recent Lok Sabha elections, will make these castes expect a greater say in Government and in the Legislature in 1972.

The change in the caste-balance in politics is also reflected elsewhere. The reason why Congress(O) could not make much headway was that its leadership belongs to the rich Maratha caste peasants or to the Marwaris. The Jan Sangh too failed to strike roots in Maharashtra because it has been too identified with the Brahmins and the Banias, and it has made the further mistake of belatedly propping up Marathas as leaders of the State party.

That the caste consideration has ceased to operate with its old assurance on the wider State scene in the context of the changing political atmosphere is evident from the events that followed D S (alias Balasaheb) Desai's resignation. Desai, known for his casteist outlook, had always resented the rise of Naik to the Chief Ministership. He tried to whip up Maratha caste feelings in the Legislature Party against the Chief

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Minister and to throw him out of power, but in vain, even though he was helped by prominent leaders of the Peasants and Workers Party. In fact, Desai's attempts were foiled by no lesser Marathas than PCC Chief, Vasantrao Patil, and by Y B Chavan — for, they thought that any move to remove Naik from the Chief Ministership would be resented by the non-Maratha castes. Naik's acceptance of Desai's resignation thus had the support of Chavan and Patil. Even in the highly Maratha city of Kolhapur, Desai failed to organise a Kolhapur Bandh in sympathy for his exit from Government.

Another significant development is that many Maratha politicians in the Congress no longer openly associate with the caste conference. S B Chavan, R A Patil, B J Khatal, and other politicians, did not attend the all-India Maratha Conference held in Bombay in 1969. Though Y B Chavan inaugurated the conference, Balasaheb Desai was the main spirit behind it. The change in reaction, among Maratha politicians, toward a caste conference may indeed betoken the pressures towards secular politics.

It is an interesting aside that, while the Congress is trying consciously to get out of its sectarian rut, the PWP, which has always had a strong sectarian bias, is losing credibility. PWP is losing ground not for any lack of ideological clarity, but because of its undercover Maratha sectarianism in the rural areas. PWP was formed by a large section of Maharashtra Congressmen, led by Keshavrao Jedhe, Shankarrao More, etc — all of them Maratha-caste leaders. It was formed mainly as a protest against Brahmin domination (notably of the Deos, Deogirikars, Khers and Gadgil) in the Maharashtra Congress. Since the Maharashtra Congress consisted of "Shet-jis" and "Bhatjis" (capitalists and Brahmins) and was suspected of "pro-capitalist" leanings, PWP automatically acquired a "progressive" Marxist veneer. But with the disappearance of the Brahmins from the Congress, and with the ascendancy of Chavan and other Marathas in the Maharashtra Congress, the whole Marxist front of the PWP collapsed, and most Maratha leaders in the PWP like Y J Mohite, D R Chavan, and hundreds of their followers, joined the Congress. The same change-over occurred in Maharashtra's Communist Party over the same period. CPI in Maharashtra had a strong base in certain districts, with educated Maratha youths manning the party offices and spreading the message of communism in the coun-

tryside. But again, the Maratha caste Communist youth was successfully persuaded by Y B Chavan to give up the Communist Party and join the Congress.

The Congress in Maharashtra has thus shown a flexibility which may make it difficult for the Opposition parties to pull the carpet of power from under its feet for several years to come.

Obsession with Financial Losses

(From a Special Correspondent)

THE Annual Conference of the Business Economists' Group, held in Bombay on April 8 and 9, was a marked improvement on the previous session in Delhi. The 'dismal economists' showed that there was some life in them, some reason for their existence. The conference consisted of two sessions devoted to economic forecasting and one to the iron and steel industry.

In the first session P K Sunderasan, an economist from Esso, talked about the methods used by him to forecast GNP and industrial production. His procedure starts off by generating forecasts of agricultural production and imports of industrial raw materials. These forecasts are linear time trend projections modified by 'judgment'. A proportion of non-food agricultural production and imports of industrial raw materials are defined as inputs into the secondary sector from outside it. The output of the secondary sector is forecast via an allegedly predictable ratio between this output and the inputs defined earlier. The output of the tertiary sector is treated as a residual. GNP is forecast via a regression equation linking it to two of its constituents — the outputs of the primary and secondary sectors. Inflation is forecast via a multiple regression equation which the author alleges reflects the forces of aggregate demand and supply. This is unlikely in view of the fact that the regression co-efficient against imports is positive and that against exports negative. The r^2 (presumably unadjusted) of this regression calculated on the basis of 20 observations and involving 6 independent variables, is reported as .99298952.

SHORT-TERM FORECASTING

The discussion centred around the fairly simple assumptions underlying the method. The basic assumption that in the short run the availability of material inputs determines secondary sector output is not implausible. The details about how material inputs into the sector are defined, the relationship between these and output, the regressions used to estimate GNP and inflation, are not

equally plausible. But this is neither here nor there. Ultimately the test of any forecasting procedure is whether it works. Unfortunately neither the author nor the discussants felt that this was important enough to warrant attention.

Sunderasan also presented specific forecasts suggesting that the economy will grow at around 5 per cent over 1971-72. Since we do not know how reliable his forecasting mechanism is, it is difficult to assess the usefulness of this forecast.

The other session on forecasting was devoted to a progress report by Samuel Paul and C Rangarajan of the Ahmedabad IIM on their US AID sponsored project on short-term forecasting. Paul talked about the use of anticipatory data (investment intentions, orders for capital goods, etc) to generate forecasts of aggregate investment. Unfortunately the results of the research so far are not encouraging. There was some doubt about the usefulness of forecasts of aggregate investment which have wide margins of error and which, like most forecasts based on the use of anticipatory data, refer only to the next time period. Rangarajan talked about his work on the use of data on capital consents, sanctions and disbursements by financial institutions, etc, for forecasting investment.

The second session was devoted to a paper on the iron and steel industry by Hiten Bhaya of Hindustan Steel. Bhaya was very apologetic about the fact that he is not an economist. He need not have been. If anything it was refreshing to hear the views of someone actively involved in the management of industry. The paper concerned itself largely with the financial losses suffered by HSL and the related question of the steel pricing policy.

There is a lot of loose thinking about the financial losses suffered by HSL. One sensed that Bhaya and most of the participants in the discussion felt that the failure of HSL to make financial profits is a bad sign. In this connection three related but distinct questions must be recognised:

- (i) Is HSL efficiently run?
- (ii) Was investment in HSL 'justified'?
- (iii) Should we continue to invest in new steel plants?

The answer to the first question will depend on how efficiently HSL uses material inputs like coke and iron-ore, how many skilled and unskilled labourers it has per unit of output, whether its inventories are unnecessarily high, whether its productive capacity is fully utilised or not and so on. Assuming that the marginal social value of steel is never less than the marginal variable cost of producing it, HSL can be said to be working efficiently if it functions at full capacity and minimum variable cost with inputs valued at appropriate shadow prices. This is true even if market prices are such that HSL makes losses. The historical cost of HSL's capital equipment is irrelevant to this judgment since this capital equipment cannot be used for anything else. Efficiency has to be judged with respect to things which we can choose.

EFFICIENT USE OF INPUTS

From Bhaya's paper and subsequent remarks it was clear that HSL is reasonably efficient in its use of material inputs and skilled labour. There was a suggestion that its inventories are higher than they need to be. However its real failure lies in its total inability to function anywhere near full capacity. One felt that Bhaya and the discussants should have pursued this problem further. HSL management cannot do anything about the high book-value of its capital equipment. It can do something about excess capacity.

The losses made by HSL may be relevant in judging whether investment in HSL was justified and whether new steel plants should be set up. But even here the financial losses are relevant only if the money price received by HSL for its output is assumed to reflect the true value of steel production to the economy. Since the ex-works price of steel has tended to be below the cif import price, this is highly unlikely.

Hence all things considered the obsessive concern with the financial losses suffered by HSL is unfortunate. The various suggestions made by Bhaya and others were misguided. Writing down the book value of capital equipment, altering debt-equity ratios and other such bits of financial jugglery are unnecessary except for the purposes of public relations. Equally, if Bhaya's suggestion that steel prices should be raised is accepted it must be on grounds other than

the need to reduce the losses of HSL. Of course a logical consequence of this view is that the Planning Commission must not insist that HSL earn 10 per cent on its capital. After investment has taken place, summary statistics like the rate of return, must be used as control variables only if the heterogeneity of output prevents us from judging directly how efficiently physical capital is being used.

However, these criticisms must not detract from the fact that Bhaya's paper and the discussions that followed were both very interesting.

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A Time for Passion

Nireekshak

NO one reading Indian newspapers these days can fail to be impressed by the passion that the Press so obviously brings to bear on the "reporting" of the upheaval in East Bengal. A cause has been found, it seems, to campaign for without fear or inhibitions. And no holds are barred in the good fight. However that is the best that can be said of the performance so far, for though a few enterprising reporters have managed to cross the border and write accounts of what they have actually seen and heard in Bangla Desh much of the information that is daily doled out from this side of the border has to be regarded as little more than hearsay or plain gossip. To some extent at least, this was probably unavoidable as no Indian newsman had been allowed inside Pakistan after 1965 and all other foreign reporters were bundled out of East Bengal with the very first bark of Yahya Khan's guns. Newspapers, again, are not authenticated records of history, and exaggeration, which is not uncommon even in text-books of history, must be expected. Yet it may be worthwhile pondering if the Press is justified in squandering away its not undeserved reputation for credibility by giving currency to too many rumours.

Editorial writers have been only a shade less impetuous in picking up gossip. Some of them, for example, seem to have accepted the resolution passed by the Indian Parliament as well as reports of the constitution of a provisional government of Bangla Desh both as equally self-evident facts on which to base their comments. The

The next session of the Business Economists' Group is to be held in Calcutta. Besides the usual sessions on forecasting and on some industry, the group also hopes to devote a session to urban development. This will no doubt be very interesting. One wishes, however, that the business economists do more to exploit their comparative advantage which lies in their special knowledge of how businesses function in India — how investment decisions are made, how labour relations are managed, how credit policy affects operations, and so on.

factual uncertainty about the whereabouts of Sheikh Mujibur Rahman does not seem to have deterred some of them from identifying him as the head of the provisional government, as *Tribune*, for example, did. What seems to be remarkable about editorial comments generally on the events in East Bengal is, not so much their accuracy or professional brilliance as the depth of feeling they have reflected for the cause of Bengali self-determination and universal revulsion against the carnage of innocents committed by Pakistan's armed forces. "It is... a macabre tragedy of ruthless suppression, genocide and massacre of unarmed and defenceless people that is being enacted across the border", as *Hindustan Times* wrote. "The world must be made aware by every means possible of what is happening in Bangla Desh.... The tyrants will be pursued by their terrible crime before humanity."

DEAD CONSCIENCES?

Words such as "genocide", "barbarous", "ruthless" and "reign of terror" recurred in comments. "The world is not dead?" asked the *National Herald* rhetorically. "The biggest genocide, probably the biggest since Attila and the Goths, has been taking place, but the world seems to pretend not to know it", it stated. "It cannot be that the Christian conscience which was upset by the 1956 events in Hungary, that the Communist conscience which was so upset by the events in Guatemala, that the Buddhist conscience in Ceylon and

Burma or that the Islamic conscience among the Arabs of West Asia is not at all upset over what is happening in Bangla Desh. [Yet] is it to be left to India alone, situated as she is, to take whatever risks are to be taken...?"

The *Statesman* discerned an "area of darkness" in the failure of the United Nations to organise relief for the victims of the holocaust in East Bengal. It also took note of the "cynical" approach of the Soviet Union, the United States and China to the human suffering in East Bengal. "If Washington and Moscow wish still to profess their concern for humanity and peace with any degree of credibility", the paper argued, "they must do whatever they can to make Islamabad see reason. And reason can only dictate an immediate termination of military repression and a recognition of the fact of East Bengal's distinctive identity. Whether this could mean independence or autonomy can be decided only after an end to the present bloodshed."

One comment differed from another only in the choice of words used to express the horror at the killings and admiration for the "freedom fighters". It will not be said that the Press failed to stand by the oppressed people of East Bengal or to carry their voice to the world, however factually inaccurate some of its assessments of the political and military situation inside Bangla Desh may have been. Indeed, it may be said that the Press has led and helped rouse national opinion, as subsequently reflected in Parliament, as well as contributed to the world's understanding of the magnitude of the tragedy in East Bengal. It proved, also, to be one of those rare occasions when the Press spoke with one voice, finding spontaneous unity in a full-throated condemnation of, what the *Daily Telegraph* called, "a prime example of man's inhumanity to man".

MINOR UPHEAVALS

While East Bengal was erupting, some minor upheavals which go by the name of "toppling" had been going on apace in some Indian States. The spectacle of Congress(O) governments falling one after another in Mysore, Uttar Pradesh and Gujarat made *Tribune* exclaim "Congress(Oh!)". It was "defection by instalments in Gujarat and elsewhere", it said, "with the traffic strictly one way". The shock of the general election, the paper reasoned, had been so great that the dominoes had begun to fall. "No wonder that Mr S K Patil advocates vanaprasta for him-

self and his esteemed colleagues of the Syndicate." In all the three States where Congress(O) Ministries had fallen, commented the *Deccan Herald*, "there is evident scope for the Congress(R) to form Ministries though whether it should form one in each of these States is a different question." According to it, "no Ministry in any of these States can be formed without the support of flat-footed floor-crossers, and though to a limited extent they [the floor-crossers] may be said to have performed a progressive role, the fact of their having defected only after the election results were announced suggests that the motivation was expediency and not principle, and no premium must be put on expedience". In its view, "the right course is to go to the polls fielding the right type of candidates dedicated to the party's ideals and get a mandate...".

The *Hindu*, as might have been expected, found nothing "progressive" in the defections. "The landslide victory of Mrs Gandhi's Congress in the recent Lok Sabha poll", it ponderously proclaimed, "has set in motion another wave of political instability in many States, just as the great split in the old Congress Party did earlier. It is hardly surprising that the Congress(R) seeks to cash in on its popularity at present by relentlessly pressing on the erstwhile citadels of its rival. And with many of our politicians only too eager to get on

the bandwagon, the outcome of these efforts is not hard to foresee, though the degree of resistance to the onslaught may differ from State to State."

POLICE RAJ?

West Bengal was another State which held the spotlight. When, with the formation of the Democratic Coalition, a new Ministry appeared to be in the offing, the *Amrita Bazar Patrika* noted the trend with some satisfaction. But it was quick also to warn Ajoy Mukherjee's incoming "third Ministry" that it was going to "inherit a worse legacy" than even the "bad legacy" which the advisory regime had inherited from the United Front Government. And "no Government, whatever be its ideology or programme, can deliver the goods if the administration is a corroded one with no will to work". Later, commenting on Ajoy Mukherjee's pledge to ensure safety and security in the State, the *Hindustan Standard* said "peace isn't enough". Curbing violence was not and end in itself and no wrong notions should be created that a police raj was going to be installed in the State. "It should be the endeavour of the third Ministry headed by Mr Ajoy Mukherjee", the paper remarked, "to make life worth living for the lowly and the downtrodden. On its success will depend not only the Government's survival but also that of the democratic order in the State."

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Concessional Rates Are Not Applicable to Institutions

Status and Flatus

Evelyn Wood

Homo Hierarchicus by Louis Dumont; Gallimard, Paris, 1966; pp 445; Maps and Charts; Francs 32.

A NICE concordance is obtained by the publication of the latest, and most complete study of the traditional hierarchy in India by Louis Dumont and the present political imbroglio, which will not culminate with the 1971 Elections.

This is the first occasion when a social anthropologist has made a systematic effort to study *varna*, caste, *jati* and *gotra* (treated by him as clan systems) in interacting forms of hierarchy. His method is by analysis of the documentation and of the observed action — which are compared in parallel, each of the four systems separately; and then by re-synthesis, to reveal a working model — or rather a very large number of different working models — with the changing reasoning or rationalisation which has supported them through the centuries.

Doubtless it will be four or five generations yet before the four elements of Hindu societies are ironed out of the family and individual structures of behaviour. In the mean time, it looks

as if Indians (not only Hindus) are in for a period of merry hell, part of which will be caused by the decay of the useful — and accommodating — system which has maintained the social unities in the country for so many centuries.

Two major errors were made in the first series of Plans, with regard to social organisation. The first was a negative error: the piddling amounts allotted to education, which of course was the prime need in a country embarking on accelerated development for transformation into an Industrial Civilisation. The second, positive, error was the erection of the bastard organisation called (eventually) Community Development, *Panchayati Raj*, Co-operatives Ministry, with which was fused the National Extension Service. Even if this omnium gatherum had been headed by Mann, Plato, Asoka, Akbar and Vinoba Bhave, it could not have produced anything but chaos during the past 20 years. In principle, it seems pretty silly to claim the ability to teach the peasants, who have kept India's social unity going for

nearly 3,000 years, how to organise their societies (communities, if you like), and how to play politics. Social Education, indeed! Why not a course on teaching grandmothers to suck eggs?

India is in a flux of very intense and extensive changes. The economic stresses of too many people and too little land may be paramount; but the attempt to mitigate these by raising technology to high levels very quickly is the factor which causes social, political and cultural changes — especially among the working classes, and most of all among the peasants. Yes, the Punjab can take it; but consider the disciplined foreign experience which has seeped back into Punjab villages.*

Louis Dumont is not a predictor. He has drawn on others' research and experience. He comes from a country in which the population is still considerably peasant. But he is a man with an expert knowledge of people in their social forms. There are not many such people in India. The late Irawati Karve was perhaps the most distinguished on

* M S Randhawa and Prem Nath: "Farmers of India", Volume I, Punjab Himachal Pradesh, Jammu and Kashmir, Indian Council of Agricultural Research, 1959; 304 pp; Illustrated, Glossary, and Index; Rs 14.

this topic, though M N Srinivas runs her close. But this knowledge is simply not possessed, or even regarded as serious, by the politicians who have created and can yet create muddles like the Ministry I mentioned earlier.

Yet we have sociologists and anthropologists in the service of the Union Government. Many of them have been patient investigators in the Programme Evaluation Organisation of the Planning Commission. Others have served in the many institutes of research, training, and in advisory capacities as created by the Government of India to help its Ministries. But when has their advice been taken?

This is a political question, with which I am not competent to deal. I only know a few cases besides those of the PEO, whose recommendations were consistently turned down — usually on the pretext that "it's too late now...". Other, more distinguished, investigators on these socio-economic-technological aspects of development have presented papers to Associations outside the official orbit; and these, too, have received the usual compliments, but with no action taken by the Ministry concerned. As a political layman, I ask Why?

Dumont's principal concern with the human subjects of his study is typically French. He tries to see all the fields of thought from the religious to the economic in terms of power. His tentative conclusion is that the Hindu system of social etc organisation has invariably tried to ensure that power was assigned amongst those who could use it for the benefit of the social entity concerned, as a whole.

This principle is a great tribute to the Indian past from a Frenchman. In fact, I would say that it is as great a tribute as was paid to democracy in America by Alexis de Tocqueville. But tributes do not seem to affect politicians; and we are left with a very acute dilemma. If, as Dumont says, power resided with a number of persons — especially, of course, the balance between the twice-born *varnas* — how has it suddenly switched to a hierarchy which has a very distinct and sharp single apex?

Why, in fact, has the entire socio-cultural pattern of life in India been thrown overboard? And what has India obtained from the vasty deep to replace that 3000-year-old unity?

The immigrants join IWAs and vote in elections because their leaders ask them to. In the fifties village and kinship ties were all-important in the formation of political alliances. The leaders fought elections in order to win and to gain prestige within the immigrant community. Battles were rarely over issues as there was a general consensus on what the problems facing the immigrant community were and how they should be tackled.

The nature of traditional IWA politics shows why it is difficult for immigrant politicians to be on British sponsored integration committees and play the role of Eisenstadt's ideal immigrant leader. One cannot participate effectively in British political life if the basis of one's political standing is personal influence within the immigrant community based on village and kinship ties. For instance the presence of one such immigrant leader in an integration committee arouses the jealousy of other leaders and they withdraw their support; and in some cases Britons by nominating one leader rather than another have found themselves drawn into IWA politics.

Recent years, however, have seen a change in style. The immigrant settlements are becoming permanent communities and individual immigrants are becoming increasingly aware of their low status in British Society. The monopoly which the IWAs had of being the sole formal associations representing the immigrants is being broken down and combating racial discrimination has become a major issue within the community. For the future the immigrant leaders have two alternatives. They can abandon IWA politics and become effective spokesmen on British sponsored integration committees or they can turn militant and mobilise the immigrants. Adaptation would in this case mean focusing hostility on "racist" sections of the British populace. John thinks that the first alternative is more likely.

John's book gives a lucid account of an important aspect of the life of Indian immigrants in England and should be very helpful to those to seek to improve race relations. His chapters showing the similarity between Indian village politics and IWA politics should be of help to students who may seek to understand the politics of Indian trade unions, for instance. The book is an example of good social science exposition for its clear presentation of hypothesis followed by evidence and discussion as to tenability.

Indian Immigrants in Britain

Amit Sen

Indian Workers' Associations in Britain by John Dewitt; published for the Institute of Race Relations by Oxford University Press, 1969; pp xii+194; 25 sh.

THIS book was submitted as a master's paper in Political Science at the University of Chicago. It contains a study of Indian Workers' Associations which have been formed wherever Punjabis have settled in Britain. A distinctive feature of the IWAs is their democratic constitution. There are periodic elections. The leaders come from the rank and file and are not middle-class professionals separated from the rest of the immigrants by differences in education or income.

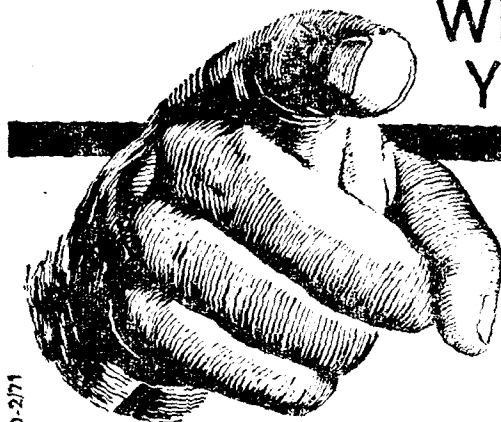
This has led many British sympathisers to expect the IWA officers to play an important role in helping the immigrants to adjust to British life. The ideal immigrant leader (as quoted from Eisenstadt's "Absorption of Immigrants") is one who wishes: "to perform definite roles within his group and to combine these roles with their roles related to the absorbing society...he becomes by his very nature a channel of communi-

and symbols...". The author wished to discover how far the IWA office-bearers can fulfil this role and whether the expectations of British sympathisers were not too optimistic.

Two basic concepts are taken from Eisenstadt. They are adaptation and acceptance. Adaptation involves a re-socialisation of immigrants influenced by their friends, workmates and most importantly, the leaders. Both the manifest and latent functions should be considered. Acceptance refers to change in the attitudes of the hosts towards the immigrants and covers both favourable and unfavourable reactions. The same data can throw light on the leaders' effectiveness in influencing acceptance and adaptation.

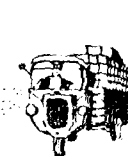
The fieldwork consisted in interviewing about 100 Punjabis and 45 white sympathisers and was mainly conducted in Southall and Coventry. IWA politics till very recently show a remarkable similarity with village politics in India.

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Estimation of Net National Product from Consumer Expenditure Data

S Basu

This paper is a follow-up on an earlier study published in 1961. It estimates net national output from the expenditure approach for the period 1958-59 to 1968-69.

As the current estimates are based on data of better quality, coverage and authenticity, they are surer estimates of private income and net national product. But the percentage of error cannot be categorically stated.

However, despite the drawbacks owing to the nature of the basic data utilised, there is striking comparative closeness between the net national product series estimated by the National Sample expenditure data and the official national income estimates. The series, therefore, reliably give an idea of the general trend.

[Y C Bhatnagar and Girdhar Gopal helped greatly in data collection. But the views expressed are entirely those of the author.]

IN an earlier paper, 'Estimation of Net National Product from Consumer Expenditure Data' (*The Economic Weekly*, March 11, 1961, p 447) I had made an attempt to estimate India's net national output, at factor cost, from the expenditure side. I had made use of the NSS per capita consumer expenditure data to derive the total household expenditure; this was then added to the estimates of household savings to arrive at "personal income after tax". Adding to this "personal income after tax":

(1) personal income taxes;
(2) corporate retained profits (equated to corporate savings); and
(3) corporate taxes,
for all the years under study, I had arrived at "private income at market prices", for the years 1952-53 to 1957-58. To this series I had added subsidies and subtracted indirect taxes etc, to get "private income at factor cost". I had then deducted from this set of figures of "private income":

(1) net private donations from abroad;
(2) transfer payments;
(3) national debt interest; and
(4) earned income from abroad,
to obtain "income from domestic product accruing to the private sector". This was then added to the "income from domestic product accruing to the Government", to arrive at the "net domestic product at factor cost". Adding to this the "earned income from abroad", we got "net national product at factor cost".

The present paper is a follow-up on the earlier study and estimates net national output from the expenditure approach, for the years 1958-59 to 1968-69. As our current estimates are based on data of better quality, coverage, and authenticity, we are more sure

of our estimates of private income and of net national product for the years under study; but we cannot categorically state the percentage of errors involved in our estimates. Annexure A presents our estimates of "private income at factor cost" for the years 1958-59 to 1968-69, and Annexure B furnishes the series of "net national product of factor cost" for the same years.

Our main sources of data have been

NSS consumer expenditure data over various rounds, savings estimates prepared by the RBI and CSO, and the White Paper on National Income for various items (subsidies, indirect taxes, transfer payments, debt interest, etc). Though the various rounds of the NSS do not strictly conform to our financial years since most of the rounds cover a 12-month period, we have attempted to fit these as best as possible with the different

TABLE 1: RURAL-URBAN BREAK-UP OF POPULATION

(in millions)

Year	Urban	Rural	Total
1958-59	73.6	341.8	415.4
1959-60	76.1	348.3	424.4
1960-61	78.9	355.0	433.9
1961-62	81.7	362.3	444.0
1962-63	85.0	370.6	455.6
1963-64	88.0	378.5	466.5
1964-65	91.2	386.7	477.9
1965-66	94.8	394.8	489.6
1966-67	98.3	403.5	501.8
1967-68	101.9	412.4	514.3
1968-69	105.8	421.3	527.1

TABLE 2: COMPARATIVE ESTIMATES OF NET NATIONAL INCOME

(Rs abja)

Year	Net National Income at Current Prices		
	CSO Estimates	Our Estimates	Percentage Difference of (3) over (2)
(1)	(2)	(3)	(4)
1958-59	126.0	127.6	(+) 1.3
1959-60	129.5	132.5	(+) 2.3
1960-61	132.9	143.6	(+) 8.1
1961-62	140.5	152.7	(+) 8.4
1962-63	148.7	159.3*	(+) 7.1
1963-64	170.9	175.7	(+) 2.8
1964-65	200.6	206.3	(+) 2.8
1965-66	206.2	224.9*	(+) 9.1
1966-67	236.2(P)	241.3*	(+) 2.2
1967-68	283.6(P)	283.9	(+) 0.1
1968-69	285.8(P)	292.6*	(+) 2.4

Note: (P) Provisional

* To be revised.

TABLE 3: NET NATIONAL PRODUCT AT FACTOR COST AT CURRENT PRICES (Rs abja)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
CSO's estimates	98.2	104.8	96.1	99.8	113.1	113.9
Ours	99.4	93.8	77.6	84.9	90.7	96.7
Percentage difference between our estimate and CSO's	(+) 1.2	(-) 10.5	(-) 19.3	(-) 14.9	(-) 19.8	(-) 15.1

financial years from 1958-59 to 1968-69. In this process, we find that 1962-63 was not covered by the NSS consumer expenditure study. For this year, we have estimated the total household expenditure on the basis of a trend study of the estimated household expenditure during other years as well as on population estimates for the same year. For 1965-66 and 1966-67, again, the data collected by the NSS on household consumer expenditure are not readily available, as the relevant data have not yet been processed by the ISI. For these two years also, we have made the best possible estimates of household expenditure on the basis of trend studies, population estimates, and various other relevant considerations. Our estimates of private income and net national product for these two years would be revised when the data collected are processed and made available. For 1968-69, the CSO has not yet furnished the detailed accounts of external transactions and of the Government sector; consequently, rough estimates of these various relevant items have been prepared to arrive at some estimates of national product. Thus 1965-66, 1966-67, and 1968-69 estimates of personal income and net national income may be treated as provisional. Official savings estimates are available only for 1960-61 to 1965-66; hence for 1958-59 and 1959-60 we have utilised RBI estimates of savings. For recent years, we have projected the savings estimates on the basis of various related aggregates. When official estimates of savings are made available for 1966-67 to 1968-69, our estimates of personal income and net national product may undergo some changes. However, all these revised data are not going to affect our estimates significantly, since their contribution to net national income is not considerable. Further, some overestimation or underestimation on our part for some of these items may cancel out each other and the resulting error may not be significant.

For the years under study, the urban-rural break-up of the total population in India, has been estimated as follows:

Our population totals tally with those used in the compilation of per capita official estimates of national income. These are adjusted, from the official estimates of population as re-

leased by the Registrar General of India, to get mid-year population figures and to adjust for the territories covered. No official estimates of the urban-rural break-up of the total population is readily available for the years under study. Our estimates are based on some studies undertaken in CSO and other research organisations. The proportion of rural population is thus seen to have decreased from 81.8 per cent of the total in 1960-61 to 79.9 per cent in 1968-69. During this period, urban population has gone up by 34.1 per cent, while rural population went up by 18.7 per cent only.

Table 2 furnishes comparative estimates of net national income, at current prices, as estimated above and those prepared by the CSO (official estimates). Though it looks a little suspicious, our estimate for 1967-68 has almost tallied with that of CSO, while for five years our estimates are larger than the official estimates by some two to three per cent only. However, for 1960-61, 1961-62, 1962-63, and 1965-66, our estimates are significantly higher than the CSO estimates. However, of these four years, 1962-63 and 1965-66 are based on provisional estimates of household expenditure, and at least our 1965-66 estimate will undergo some revision when the relevant consumer expenditure data are processed by the ISI. These comparisons are interesting. In my previous study for 1952-53 to 1957-58, our estimates of national income were consistently lower than the official estimates — the percentage difference varying between 10.5 per cent in 1953-54 to 19.8 per cent in 1956-57. (See Table 3). In our present study for the later years, national income estimated by the expenditure approach has been higher than the official estimates, though the degree of discrepancy has decreased considerably for these years.

If we utilise the overall national income deflator, the comparative picture of the two series may be shown as in Table 4. The percentage difference, however, will remain the same for both the series, at current and constant prices. The overall deflator moved as follows:

1960-61	100.00
1961-62	102.11
1962-63	105.91
1963-64	115.16

1964-65	126.01
1965-66	137.28
1966-67	156.22
1967-68	170.95
1968-69	168.71

Table 5 shows how the total household expenditure data, as worked out from the NSS rounds, compare with the official and our estimates of national income. Thus, since 1960-61, our household expenditure has recorded a decline though no consistent trend has been noticed from either of the series. On an average, we may take some 78 to 81 per cent of our total national product as being spent by the household sector, rest being accounted for by government expenditure and capital formation.

To sum up, our current study — in spite of all its drawbacks owing to the nature of the basic data utilised — brings into the picture the excellent comparative closeness of the net national product series estimated from the NSS expenditure data and the official national income estimates. Though it is impossible to make any categorical statement about the accuracy (or inaccuracy) of both or either of these series of estimates of net national product, arrived at by different approaches, they definitely give an idea of the general trend. We propose to follow up this with a note on the share of urban-rural areas in our domestic production, with the help of NSS consumer expenditure data and other relevant material.

TABLE 4: NET NATIONAL PRODUCT AT 1960-61 PRICES

	CSO Estimates	Our Estimates
1960-61	132.9	143.6
1961-62	137.6	149.5
1962-63	140.4	150.4
1963-64	148.4	152.6
1964-65	159.2	163.7
1965-66	150.2	163.8
1966-67	151.2 (P)	154.5
1967-68	165.9 (P)	166.1
1968-69	169.4 (P)	173.4

(P) Provisional

TABLE 5: COMPARATIVE ESTIMATES OF TOTAL HOUSEHOLD EXPENDITURE

Year	Percentage of National Product Spent by Households	
	As Compared to CSO Estimates	As Compared to Our Estimates
1958-59	86.3	85.3
1959-60	85.8	83.8
1960-61	91.1	84.3
1961-62	90.1	82.9
1962-63	86.8	81.0
1963-64	80.5	78.3
1964-65	82.0	79.7
1965-66*	84.9	77.8
1966-67*	80.4	78.7
1967-68*	78.7	78.6
1968-69*	80.0	78.1

* Provisional

Muslim Leadership and Electoral Politics in Hyderabad

A Pattern of Minority Articulation—II

Rasheeduddin Khan

The reconciliation of minority identities with the national identity takes many forms. In the context of India's plural society, in which the long continuity and stability of multiple traditional cultures makes the unified democratic experiment anyhow more complicated, the task of harmonising the particular and exclusive demands of minorities with the nation's general processes of change becomes all the more perilous.

If only for this reason a study of minority politics in all its ramifications acquires a certain primacy for construction of relevant hypotheses of India's functional policies.

Of all the minorities, the Muslims occupy a distinctive place in Indian politics for many reasons: because of their proportion in the population which makes them the single biggest minority; because of their historical role, cultural contribution, social distinctiveness and urban and semi-urban habitation contrasted with their present cultural bewilderment, social degeneracy, educational decline and economic backwardness; and because of their sense of political despair so unwisely perpetuated by the existence of an exclusivistic non-secular, uncreative and inept leadership.

For a clearer understanding of Indian politics, no less than for a better appreciation of the Muslim response to the processes of secularisation and modernisation in India, systematic studies of Muslim politics under different situations and conditions and in different parts and regions of the country are called for.

This paper studies the traditional leadership situation among Muslims in a major urban political centre of Muslims, the city of Hyderabad in Andhra Pradesh.

The paper has been published in two parts. In this, the second, part the author studies certain major aspects of the Muslim problem in Hyderabad and also seeks to suggest a general framework for understanding communal polarisation. The first part of the article, which appeared last week, examined the process of communal polarisation in Hyderabad city politics in successive elections and discussed traditional Muslim parties in Hyderabad and their leaderships.

IV

Certain Major Aspects of Muslim Problem in Hyderabad

(a) Socio-Economic Condition of the Muslim Community in Hyderabad

WITH the political demise of the Nizam's Dominions of Hyderabad after its incorporation in independent India, the special privileges, feudal prerogatives and preferential treatment enjoyed by the Muslim elite were also slowly liquidated. By the application of the Jagir Abolition Regulation, 1949, the entire structure of feudal domination was dismantled.⁷ The 11-15 per cent Muslim population of the defunct Hyderabad State, three-quarters of which resided in about a dozen urban centres and nearly half in the city of Hyderabad itself, depended for its livelihood on six big categories of employment, five of which were inextricably linked with the survival of the princely Muslim State.

- Jagirs, Mansabs and Inams;
- Employment in Government and quasi-Government Departments and establishments — revenue offices, civil and judicial offices, police, municipality and city improvement board, education

and university, ecclesiastical department, etc;

- Army, regular and Nizam's 'Irregulars' (fauji-e-be-qaida);
- Offices of the feudal estates and household establishment of the feudal gentry;
- Private service with aristocratic families;
- Professions other than Government service — lawyers, doctors, engineers, industrialists and shop-keepers.

The end of the Nizam's suzerainty was also the death-knell of the dominance of Muslims in those sectors of employment in which for generations they enjoyed a near-monopoly. The migration of the bulk of the professional, entrepreneurial and bureaucratic class of Muslims of Hyderabad to Pakistan, abolition of Jagirs and land reforms, democratisation of Government services, abolition of certain departments, disbandment of the Hyderabad Army and Nizam's Irregulars, retrenchment of private servants by the disinherited and impoverished aristocrats, elimination of Muslim industrialists and big shop-keepers by severe competition and also discrimination, increasing irrelevance of lawyers

trained in the separate legal system of the Asafjahi judiciary and the cumulative effect of all these in terms of increase of unemployed and under-employed Muslims, decline in the proportion of Muslims in educational institutions, rampant prostitution among Muslim women, the phenomenal proportion of Muslims among rickshaw-pullers — all these present a rather dismal picture of the sudden and adverse change in the socio-economic condition of the Muslim population of the city of Hyderabad particularly and of Telengana generally.⁸

NEAR DESTITUTION

An index of the near destitution level reached by certain sections of the Muslim community in Hyderabad is provided by three revealing surveys conducted by the Indian Institute of Economics, Hyderabad. The major conclusions of a Socio-Economic Survey of rickshaw drivers in Hyderabad City Area (1962), conducted on a systematic random survey basis⁹ are as follows: (a) of the 16,708 rickshaw drivers the proportion of Muslims to non-Muslims among owner-drivers is 9 : 1 and among drivers is 2 : 1; (b) daily hire-wage is between Rs 1.25 to

ANNEXURE 'A' : PERSONAL AND PRIVATE INCOME IN INDIA

	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66†	1966-67†	1967-68	1968-69
Household expenditure (a)	108.8	111.1	121.1	126.6	129.0**	137.6	164.4	175.0*	190.0*	223.2	228.6
Household savings (b)	7.6	8.4	7.5	8.4	9.3	12.1	13.6	18.1	14.6*	22.0*	23.0*
Personal income after tax	116.4	119.5	129.6	135.0	138.3	149.7	178.0	193.1	204.6	245.2	251.6
Personal income taxes (c)	1.1	1.1	1.1	1.3	1.3	1.3	1.4	1.9*	2.1	2.3	2.9
Personal income before tax	117.5	120.6	129.7	136.3	139.6	151.0	179.4	195.0	206.7	247.5	254.5
Corporate savings (b)	0.3	0.6	1.6	1.8	2.0	2.4	2.8	2.9	3.1*	3.4	3.8
Corporate taxes (d)	0.5	1.1	1.1	1.6	2.2	2.7	3.1	3.1	3.3	3.2	3.4*
Private income at market prices	118.3	122.3	132.4	139.7	143.8	156.1	185.3	201.0	213.1	254.1	261.7
Subsidies (d)	0.6	0.7	0.9	1.1	1.4	1.5	1.5	1.9	4.1	4.3	4.6*
Indirect taxes including miscellaneous fees (d)	10.0	11.1	11.0	12.6	14.9	18.1	20.4	23.6	26.8	28.7	30.0*
Private income at factor cost	128.9	134.1	144.3	153.4	160.1	175.7	207.2	226.5	244.0	287.1	296.3

Notes : * Rough estimates. Official estimates are still under preparation.

** Estimated, as there has been no round of the NSS corresponding to 1962-63.

† To be revised in due course.

Sources : (a) NSS.

(b) 1958-59 and 1959-60 : RBI
1960-61 to 1965-66 : CSO
1966-67 to 1968-69 : Rough Estimate.

(c) CBR.

(d) White Paper on National Income (CSO). 1958-59 and 1959-60 data are from the conventional series, for which Revised Series are under preparation. 1960-61 onwards, data are from the Revised Series.

ANNEXURE 'B' : NET NATIONAL INCOME AT FACTOR COST

	1958-59	1959-60	1960-61	1961-62	1962-63*	1963-64	1964-65	1965-66*	1966-67*	1967-68	1968-69*
Private income at factor cost (from Annexure A)	128.9	134.1	144.3	153.4	160.1	175.7	207.2	226.5	244.0	287.1	296.3
Net private donations from abroad (a)	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.7	0.9	1.0	1.2*
Transfer payments (a)	1.3	1.5	1.7	1.9	1.9	2.0	2.3	2.7	3.1	3.6	4.0*
National debt interest (a)	0.5	0.8	0.6	0.7	1.1	1.2	1.3	1.7	2.0	2.0	2.3*
Earned income from abroad (a)	-0.3	-0.2	-0.7	-1.0	-1.1	-1.1	-1.5	-1.6	-2.5	-2.6	-2.9*
Income from domestic product accruing to private sector	127.0	131.7	142.4	151.5	157.9	173.2	204.7	223.0	240.5	283.1	291.7
Income from domestic product accruing to Government (a)	0.9	1.0	1.9	2.2	2.5	3.1	3.1	3.5	3.3	3.4	3.8*
Net domestic product at factor cost	127.9	132.7	144.3	153.7	160.4	176.7	207.8	226.5	243.8	286.5	295.5
Earned income from abroad (a)	-0.3	-0.2	-0.7	-1.0	-1.1	-1.1	-1.5	-1.6	-2.5	-2.6	-2.9*
Net national product at factor cost—national income	127.6	132.5	143.6	152.7	159.3	175.7	206.3	224.9	241.3	283.9	292.6

* Provisional

Source : (a) White Paper on National Income (CSO). 1958-59 and 1959-60 data are from the Conventional Series for which Revised Series are under preparation. 1960-61 onwards, data are from the Revised Series.



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PARIS	5984	4189	6732	4713	5984	4189	6650	4655
PRAGUE	5984	4189	6732	4713	5984	4189	6650	4655
GENEVA/ZURICH	5895	4127	6646	4653	5895	4127	6561	4593
ROME	5233	3664	6027	4219	5233	3664	5899	4130
MOSCOW Direct via DELHI	4986	3491	5633	3944	4938	3457	5652	3957
.. via MIDDLE EAST/EUROPE	7704	5393	8498	5949	7704	5393	8370	5859
LONDON	6070	4249	6821	4775	6070	4249	6736	4716
NEW YORK	9210	5603	9615	5963	9210	5603	9615	5963
KUALA LUMPUR	2915	2041	2207	1545	2736	1916	2339	1638
NANDI	8649	6055	8073	5652	8649	6055	7987	5591
PERTH	6133	4294	5561	3893	6133	4294	5471	3830
SINGAPORE	2915	2041	2385	1670	2915	2041	2339	1638
SYDNEY	7015	4910	6441	4508	7015	4910	6354	4448
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TABLE 5: URDU-SPEAKING PERSONS IN ANDHRA PRADESH

Census Year	Total Number	Percentage of Population
1941*	21,87,005	13.4
1951**	21,33,075	6.8
1961†	35,53,753	9.8

* The figure is for the former Nizam's Dominion of Hyderabad, including Telengana, Marathwada and Karnataka areas. The latter two largest regions have been merged respectively in Maharashtra and Mysore States, consequent on the States' Reorganisation, 1956. It may be noted that for 40 years, from 1891 to 1931 the percentage of Urdu-speaking persons in the Nizam's Dominion continued to remain constant at 10.4 per cent (p 308, Hyderabad Census, 1941). Source: Hyderabad Census of 1941.

** The figure is for the 9 Telengana and 11 Telugu districts of the former Hyderabad and Madras States respectively. The figure for the State of Hyderabad which was in existence till 1956 was 21,59,214 (11.6 per cent). Source: Census of India, 1951 and Statistical Abstract of Andhra Pradesh, 1960.

† Statistical Abstract of Andhra Pradesh, 1964. The figure cited in Col 4 on page 30 is wrongly printed as 25,53,753, thereby enormously reducing the percentage to 7.10 per cent. Addition of the totals for Rural and Urban given on the same and following pages reveals the discrepancy. This glaring error is repeated in other works like the Andhra Pradesh Almanac, 1968 (Edited by B Subbrayan, Madras: The Educational of India, 1967), p 10.

Rs 2.00, i.e., Rs 37.50 to Rs 60.00 per mensem and daily earnings vary between Rs 2.50 and Rs 5.00, i.e., Rs 75 to Rs 150 per mensem; (c) average size of family of the Muslim rickshaw-puller is 5-6; (d) literacy ratio at 47:32 is higher among Muslims than among non-Muslims; (e) the occupational pattern of Muslims prior to taking to rickshaw-pulling was as follows: 28.2 per cent employees in Nizam's estate, 19.5 per cent unemployed, 14.5 per cent casual employees, 10.4 per cent skilled workers, 8.7 per cent unskilled workers, 5.9 per cent retail traders, 14.3 per cent others.

"A Socio-Economic Survey of Street Beggars in Hyderabad" (1956) revealed that in a total of approximately 5,000 beggars, the Muslims constituted 48 per cent — even more than the Scheduled Castes. The main reasons for this high proportion, the Survey Team reported, were the 'Police Action', abolition of jagirs, disbandment of the regular and irregular forces.¹⁰

"A Socio-Economic Survey of Hut-Dwellers of Hyderabad City" (1959), also conducted as a random sample survey,¹¹ reported that in 21,842 huts, 67,806 persons constituting 8 per cent of the city's population live. While 53 per cent of the hutment-dwellers belong to the Scheduled Castes, 24.9 per cent come from Hindu low castes and 21 per cent from among the Muslims and 1.07 per cent from among Christians. The average income of the hutment-dwellers was between Rs 19.38 and Rs 45.75 per mensem. About 10,955 hutment-dwellers were unemployed, constituting 41.82 per cent

of the total hut-dwellers.

Recently, the "Bulletin of the Hyderabad Metropolitan Project" stated that southern Hyderabad 'the walled city', where three-quarters of the Muslim population lives, is weak in all the three measures of urbanisation, i.e., proportion of working population, existence of manufacturing industries and commercial activities.¹²

(h) The Language Problem

A factor of extraordinary sentimental significance that influences the political decisions of the Muslims in Hyderabad and lies at the very heart of their fear of cultural assimilation and their apprehensions about their employability in Government services and private educational institutions is the increasing neglect of their language, Urdu, by the State and by cultural and educational organisations. Despite the shifts and turns in the political life of the State, the number of Urdu-speaking people in the twin cities of Hyderabad and Secunderabad (and the adjoining areas included in the town-group) has remained about 4 lakhs in the last 20 years. In 1941, there were 4,19,143 persons constituting 55.5 per cent of the population of the town-group who regarded Urdu as their mother-tongue. In 1961, the number of Urdu-speaking people was 4,50,151, constituting 35.98 per cent of the Hyderabad town-group population.

In the erstwhile Nizam's Dominion of Hyderabad, the total of those who gave Urdu as their mother-tongue in the 1941 Census was 21,87,005 (13.4 per cent) and another 22,38,269 listed it as their subsidiary language. Thus Urdu-knowing persons totalled 44,25,269

which was 27.1 per cent of the total population. As a consequence of the Police Action, resulting in the migration of many thousands of Urdu-speaking persons to Pakistan and to other parts of India, the total decreased so much as to reduce the proportion by nearly a half — from 13.4 per cent in 1941 to 6.8 per cent in 1951 (Table 5). In the next decade, however, the figure and the proportion increased appreciably.

BIGGEST CULTURAL VICTIM

The impression is getting confirmed that Urdu language has been the single biggest cultural victim of the partition of the country. In the lifetime of a generation that has seen the effervescence of Urdu as a glorious vehicle of philosophical thought, of extraordinary imaginative poetry, powerful political literature and religious disputations, and as a consummate medium of higher education in practically all branches of learning, and as a language of law and administration, this language is being relegated to an insignificant position in national life and its sources of growth and expansion are allowed to dry at the very roots. It has been, as it were, denationalised and alienated from the expanding stream of the cultural life of contemporary India. Although it is not 'the language' of the Muslims of India and certainly not only their language but also of many others, yet a very large number of Muslims in Delhi, UP, MP, Rajasthan, Bihar, Haryana, Kashmir, Andhra Pradesh and Bombay speak Urdu as their mother-tongue. In the former Hyderabad State, for almost a century it was the official language and for decades the medium of education, including that of higher education. The Constitution recognises Urdu as one of the fourteen national languages, but while (with the exception of Sanskrit) all the languages have at least one State of their own and indeed, after the acceptance of the States' Reorganisation Report, linguistic homogeneity became the first criteria of constituting a federating State, Urdu is the only living language with no State of its own.¹³

Worst still is the deliberate policy of refusing it even the place of a second regional language in areas where a very considerable number cherish it as their mother-tongue. The historic petition bearing about 20 lakh signatures submitted to the (Urdu-knowing and Urdu-admiring) first President of India, Rajendra Prasad by (Urdu-speaking and Urdu-loving) Zakir Husain

TABLE 6 : MUSLIM REPRESENTATION IN STATE LEGISLATURE AND PARLIAMENT FROM ANDHRA PRADESH
AFTER THE FOUR GENERAL ELECTIONS

1	1952 (Hyderabad State)		1957		1962			1967		
	MPs	MLAs	MPs	MLAs	MPs	MLAs	MLCs	MPs	MLAs	MLCs
	2		3		4			5		
Total	25	175	43	300	43	300	90	41	288	90
Muslims	3	11	3	11	3	8	9	2	7	7
Congress Muslims	3	8	3	10	3	6	4	2	4	6
Percentage of Muslims in total	12	6.3	7	3.7	7	2.7	10	4.8	2.4	7.6
Muslim percentage in population	12	12	7	7	7	7	7	8	8	0
Percentage divergence between rows 5 and 4	0	-5.7	0	-3.3	0	-4.3	+3	-5.2	-5.6	-0.4

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(who later became the third President of the Republic) in 1954, in his capacity as the President of the All-India Anjuman-i-Taraqqi-Urdu, on behalf of the Urdu-speaking people of India, requesting a fair and equitable solution of their demand for proper recognition of Urdu in India, remains even till today a petition that is respectfully ignored. Communal bigotry, linguistic jealousy and political reaction have conspired to deny Urdu the place it deserves in the federal polity. This continuous inequity towards Urdu and the consequent disabling discrimination against those who speak it have become a sore point with the bulk of the Urdu-speaking Muslims, like those of Hyderabad.

MANY RAMIFICATIONS

The problem, though basically one of culture, has many ramifications. Since the Urdu script is akin to Arabic, the non-use of Urdu leads to ignorance of the script resulting in difficulty in reading the Quran. Most of the religious treatises of the Ulema for the past three centuries and more are mostly in Urdu. Indeed the language in this sense, together with its rich heritage of Muslim philosophy, is one of the major 'Islamic languages' in the world. But it should be remembered that the entire corpus of Urdu literature reflects a value-structure built by the fusion of Islam with the cultural ethos of India. The slow elimination of Urdu, by denying opportunities for its normal growth, is taken by a bulk of the Urdu-speaking Muslims as a 'grand design' of the fanatical sections of the majority community that is trying to subvert the very foundations of an important segment of Muslim culture in India. It is thus interpreted as clear proof of cultural persecution of the minority.

However, it may be noted here that Andhra Pradesh is probably the only State where Urdu enjoys a better legal status. Yet its position is not as satisfactory for purposes of education, administration and employment as to give confidence to the Urdu-speaking people who constitute the second largest linguistic group in the State. It may also be noted that in Hyderabad particularly, and in Andhra Pradesh generally, there has been a remarkable cordiality between the various language groups and indeed Urdu has been championed by well known writers of Telugu, Marathi, and even Hindi. But mere legal recognition of Urdu without adequate educational facilities for its speakers or if educational facilities are available without these being related to the employment market, create a dilemma in which torn by its desire to preserve its language and also earn its bread, the whole language community perforce might have inevitably to opt for 'bread' at the expense of its 'language' and thus become unconsciously the grave-digger of its own cultural heritage.

(c) Political Participation

An obvious conclusion drawn from the statistical data available on electoral politics is that Muslim participation in the State legislature and the Parliament is not in keeping with their proportion in the total population.¹⁴ In 1957, the total valid votes polled by the Muslim candidates was 4.57 per cent for the State Assembly and 3.91 per cent for Lok Sabha. In 1962 it slightly improved to 5.63 per cent for State Assemblies and 5.74 per cent for Lok Sabha, but in both the cases it was almost less than half of the proportion of the Muslim population in the total population. In 1967 out of the 3,395 Congress candidates standing for the State Assemblies,

there were only 232 Muslims (6.8 per cent); similarly there were just 24 Muslim candidates out of 521 (4.6 per cent) Congress nominees for the Lok Sabha.

Ever since the First General Elections in 1952, Muslim representation in the State legislature and in the Parliament from Hyderabad State and later from Andhra Pradesh has been unsatisfactory. This becomes clear by comparing the percentage of Muslims among the total representatives with the Muslim percentage in the population (Table 6). The divergence between the proportion of MLAs and the Muslim population has varied between 3.3 in 1957 and 5.7 in 1952. In 1957 it is almost equal to the all-time low of 1952. While in the first three elections there was no divergence between the Muslim percentage in population and the proportion of MPs from Andhra Pradesh, in 1967 even this changed to a negative divergence of 3.2. The low proportion of Muslim candidates to the total number of candidates and the high proportion of defeated to winning candidates is apparent from Table 7. It is striking that out of a total of 7 Muslim candidates in the State Legislative Assembly, 4 were elected from the 9 Assembly seats of the Hyderabad city and only 3 from the rest of the State (Tables 7 and 8); and out of the 4 from Hyderabad, 3 were Majlis candidates. This gives an undue weight to the community-oriented Majlis as the articulator of the demands of a bulk of the Muslims, which then naturally acquire a negative slant.

V

Conclusion: A Framework for Understanding Communal Polarisation

In a segmentary society like India where, while the political institutions

are 'democratic' and the political system, by and large, modernised', the social organisation and sociological environment remain 'traditional' and 'pre-democratic', the process of nation-building passes through, what might be called, phases of 'fission' and 'fusion'. While these phases of 'fission' and 'fusion' in the short span appear as negations of each other, yet in the long-term historical dimension they acquire a relationship of complementarity and their alternating occurrences are intrinsic in the development of a plural polity towards political integration. The 'fission' between 'coherent segments' manifests the existence of mutual discord necessitated by conflicts of interests and/or of values; on the other hand, 'fusion' reflects the possible area of agreement and the limits of reconciliation arrived at by them. That the two phases have a causal relationship is also evident from a close historical survey of plural societies.

In India, a classic plural society, these coherent segments include those based on communal, caste, regional and language identities or a combination of some or all of them. These segments in terms of their political role and dimension in national life, achieve the stature of sub-national units capable of attracting a part of the political allegiance of a bulk of the people. Community-based segments in India — particularly the Hindus and the Muslims — cut across regional, caste and language identities and acquire in functional politics almost a continental dimension. They are of course composed of closer-knit regional sub-segments, but the point to remember is that in their political manifestation, they are potent as regional, State, local as well as all-India phenomena though in an unequal degree, dependent on many factors, particularly their numbers and political traditions. In this context, the 'fission' and 'fusion' of the Hindu and the Muslim segments, especially in the last hundred years, is a factor of tremendous significance to the current working of federal democratic polity in free India. Because, with the possible exception of the Jatis, and, may be the language-groups, no other segment has demonstrated a coherence as complete, or an identity as zealously protected by its votaries, as the communal segments in Indian society.

BRITISH LEGACY

The remarkable coherence and exclusive identity of the Hindu and Mus-

TABLE 7: MUSLIM ELECTORAL PARTICIPATION IN ANDHRA PRADESH LEGISLATIVE ASSEMBLY IN 1962 AND 1967

	1962	1967
Total Assembly seats	300	288
Total number of candidates contesting	979	1,067
Total number of Muslim candidates contesting	45	41
	(4.5)	(3.7)
Elected Muslim candidates	8 ¹	7 ^a
	(17.5)	(19.7)
Defeated Muslim candidates	37 ^a	34 ^a
	(82.5)	(80.3)

1 Congress 6; Majlis 1; CPI 1.

2 Congress 8; Majlis 7; CPI 1; Swatantra 1; PSP 1; Socialist 3; Muslim League 1; Independent 15.

3 Congress 4; Majlis 3.

4 Congress 6; Majlis 3; CPI 3; CPM 1; Swatantra 3; Jan Sangh 2; Independent 16.

* Figures in brackets are percentages.

lim communal segments are not based entirely on the peculiar characteristics of communal identities *per se* or of Hindu and Muslim communal identities in particular. A vitally determining factor which conditioned the very ethos of current political relationship between the Hindus and the Muslims as communal segments is the heritage of British political history in India. Since 1857, the inarticulated premise of British policy in the governance of India was the concept of Hindu-Muslim parity. This assumption was reflected continuously in all the major Parliamentary Acts and legislation pertaining to the political, constitutional and administrative measures of His Majesty's Government of India. This was particularly so since the beginning of the century, as exemplified in Lord Curzon's proposal for the partition of Bengal and the Minto-Morley Reforms Act of 1905. Tendencies of political separation among the two communities that were latent and incoherent in the pre-British period, were accentuated by the separatist framework of political organisation, articulation and demand input created by the British Raj with an unmistakable political purpose. The studious attempts at drawing juridical distinctions between the two communities, based apparently on the desire to respect the differing private laws concerning, specifically, inheritance and private property; the introduction of the separate electorate (that prompted and facilitated the formation of exclusivist community-oriented parties and impeded the growth of composite multi-communal secular parties) on the plea that it would protect the interests of the different community, particularly the minority ones; the conscious differential treatment given to the two communities in matters of education, pattern of employment, organisation of the

army units, etc, consolidated legally and politically a bifurcation that had its basis primarily in religious differences.

By politicising the communal differences the British bequeathed a legacy of communal politics that under conditions of free speech and association and equal protection of the laws as envisaged in the Constitution of Republican India, found a congenial atmosphere to perpetuate itself. All this might have remained just a part of the bygone past if either the partition of India as a precondition to the withdrawal of British power had not been done on communal lines or the proportion and the absolute number of the first communal minority (i.e, Hindus in Pakistan and Muslims in India) had been small and socially insignificant to preclude the possibility of their playing an effective political role. In India while the proportion of the Muslims (10-12 per cent) might appear small in an abstract statistical discussion, the significant point to remember is that in terms of their absolute number (50-55 million) and in view of the fact that in 11 out of the 16 States of the Union of India (*viz*, Assam 23.2 per cent, Bengal 20 per cent, Uttar Pradesh 14.6 per cent, Bihar 12.5 per cent, Mysore 9.9 per cent, Gujarat 8.5 per cent, Andhra Pradesh 8 per cent, Maharashtra 7.7 per cent, Rajasthan 6.5 per cent, Madhya Pradesh 4.1 per cent and Orissa 1.2 per cent) they constitute the largest religious minority and in one State, Jammu and Kashmir, a decisive majority (68.3 per cent), it is clear that they are big enough to play and indeed have often played a decisive role in national politics. Coupled with this is the fact of the political traditions of the Muslims in the subcontinent, which reveal that they had never been a dormant or an inconspicuous minori-

TABLE 8: MUSLIM ELECTORAL PARTICIPATION IN THE CITY OF HYDERABAD 1967

Total city population	931,082
Total Muslim population (per cent)	52
Total Assembly seats	9
Total number of nominations for the 9 seats	66
Total number of Muslim nominated candidates (within brackets % of col 4)	20 ¹ (30.3)
Total number of contestants for the 9 seats	49
Total number of Muslim contestants (within brackets % of col 6)	16 ^a (32.6)
Total number of elected Muslim candidates (within brackets % of col 7)	4 ^a (25.0)

1 Congress 4; Majlis 6; Muslim League 1; Swatantra 1; Ind 8.

2 Congress 4; Majlis 6; Muslim League 1; Swatantra 1; Ind 4.

3 Congress 1; Majlis 3.

ty but on the contrary had almost continuously been an active and for centuries also a leading segment of India's cultural and political life.¹⁵ For a clearer and complete understanding of the Muslim reality in India, all these inter-linked aspects will have to be kept in sight.

CONFLICT OF PERCEPTION

Against this background it is not fortuitous that due to the existence of these cohesive segments as the viable sub-units of national life, backed by historical memories and psychological responses in politics based on those memories, symbols and events, we perceive many points of loyalty which normally vie with each other to attract the attention and allegiance of an Indian citizen. The many layers of community and caste loyalties, of sub-regional and language attachments, and other parochial divisions, are not always reconcilable. Their irreconcilability is due to at least three sets of factors: firstly, the inherent discord between the 'traditional' and the 'modern' segments; secondly, the conflicting scale of political values represented by the various segments; and thirdly, the difference in the political socialisation process of the castes and the communities. Naturally, this not only generates tension between the various segments, but also impedes the process of national integration. A problem of basic consideration, therefore, in India today is how to reconcile its

socio-cultural diversity with its political unity — that is, how to promote the growth of a plural society without compromising national identity.¹⁶

A significant factor unravelled by the many empirical studies over the years is the divergence between what may be called the political perception of a community's own role and the perception of this role by the rival and opposing community. This 'conflict of perception' is based on the irreconcilable differentiation between the 'idealised subjective view' of the community concerned and the 'biased suspicious view' of the 'other' community regarding the former's role in national life and politics. In a situation like that of contemporary India where particularly the Hindus and the Muslims as communities have their respective notions, myths, distortions and fears, this 'conflict of perception' when projected into the working of a competitive Parliamentary system, acquires the form of an in-built negative slant in national politics. This is what is called communal-orientation. Because of its tenacious hold on the minds of the bulk of the people, communal-orientation has now come to be an accepted, even if an abnormal, idiom of Indian politics. Ironically the provisions of universal suffrage, freedom of association and of speech, equality of opportunity and equal protection of law, under the overall conditions of a Parliamentary democracy result in an essentially segmentary society like India in communal fragmentation of politics. This naturally impinges adversely on the working of the competitive participatory system, whose basic assumption is the recognition of citizens as citizens and not as members of a group — particularly of a primordial group or traditional community.

ROLE OF MAJORITY COMMUNITY

Since communalism survives by a process of interaction and mutual feeding between the opposing communities on the political plane, this vicious circle will have to be broken in the context of the democratic rule of the majority by the majority community itself. Firstly, even if all the communal minorities are put together, they do not account for more than 16.5 per cent of the population (Muslims 10.7 per cent, Christians 2.4 per cent, Sikhs 1.8 per cent, Buddhists 0.7 per cent, others 0.4 per cent). Out of the 83.5 per cent classified as Hindus, the Scheduled Castes account for 14.2 per cent and the Scheduled Tribes 6.8

per cent; thus Caste Hindus constitute 62.5 per cent of the population. Secondly, even the most determined effort by the minorities, jointly or severally, will not fundamentally change the communal atmosphere, if they cannot evoke a positive response from the politically dominant section of the majority community. Thirdly, in a democratic polity, it is primarily the 'doings' of the major segment — social, cultural, religious, racial, linguistic or political — that determines the main trends and sets the pace of development. Finally, in the Indian situation, where the majority community itself is a heterogeneous congregation, fragmented by caste and sub-caste, which are further divided by regional variations and separated by language-dialect, urban-rural and region-locality distinctions, communal-orientation serves the immediate purpose of integrating the majority community around a religious base. The projection of such a communal integration into national politics, accentuates further the communal consciousness of the minorities, who due to their smaller proportion in the population complex, feel greatly alarmed by such a development. Thus the repercussion of Hindu revivalism in recent years and its political expression in the form of congealed Hindu parties like the Jan Sangh and para-military organisations like the RSS leads to the aggravation of the communal situation, as seen in the simultaneous increase and appeal of Muslim and Sikh communal parties in various parts of the country. When this 'communal-orientation' manifests in its abnormal forms, like communal conflicts and riots, which, incidentally, in the last few years have sometime taken a form of organised persecution and calculated genocide, and not merely of sporadic violence, the malady acquires an alarming proportion.¹⁷ Minority-consciousness entailing a feeling of separatism is essentially a defence-mechanism, an in-group feeling based on an imaginary or real sense of personal and political insecurity and fear of social domination and loss of cultural identity. Situations like this naturally promote 'particularistic' interests, like communal interests, articulated by 'exclusivistic' parties.

In the transition from socially traditional and politically segmentary polity to a socially modernised and politically integrated polity, 'communal idiom' and communal aggregation of politics is difficult to avoid. The duration of the transition, as the

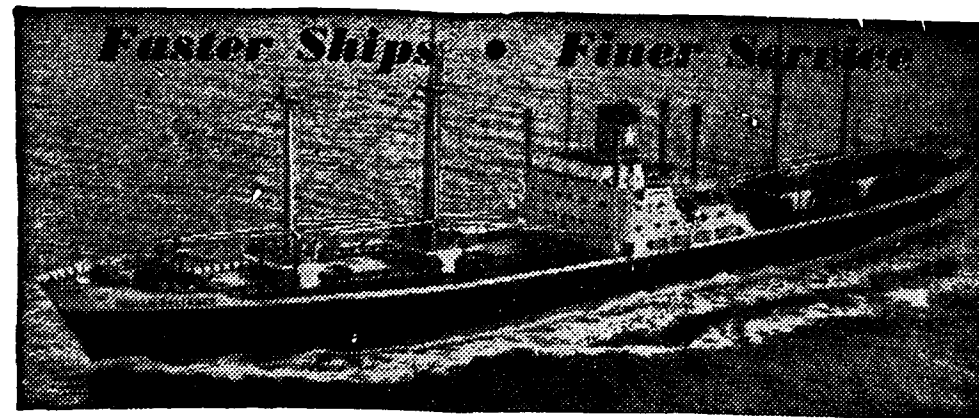
nature of the tensions and conflicts (unavoidable as they are during any transition), depends on the resilience and capacity of the political system itself, and on the manner and style in which the system (including its 'rules of the game') is worked out by the politically discrete segments. In India, the worst enemies of the participatory democratic political system, which the country has adopted after Independence, are those who are using the system against the system itself, that is, those who are making the structure serve functions that will wreck the structure. Communalism in politics, in either naked or congealed forms, vitiates the basic assumption of democratisation, like universalism, achievement-criteria, functional differentiation, healthy competitiveness, social mobilisation, political participation and mobility. It, therefore, negates the process of secularisation of the polity and impedes integrated nation-building.

Notes

- 7 A M Khusro, "Economic and

Social Effects of Jagirdari Abolition and Land Reforms in Hyderabad", (Hyderabad: Osmania University Press, 1958).

- 8 See unpublished paper of W A Khan on the "Demographic Change in Hyderabad Consequent on Its Integration in the Indian Union", (Hyderabad Metropolitan Project, Osmania University).
- 9 "A Socio-Economic Survey of Rickshaw-Drivers in Hyderabad City Area" (Hyderabad: The Indian Institute of Economics, 1962).
- 10 "Report on a Socio-Economic and Health Survey of Street-Beggars in Hyderabad-Secunderabad City Area" (Hyderabad: The Indian Institute of Economics, 1956).
- 11 "A Socio-Economic Survey of Hut-Dwellers in Hyderabad City", (Hyderabad: The Indian Institute of Economics, 1959).
- 12 "Social Area Analysis" (Hyderabad Metropolitan Research Project Technical Bulletin No 5, 1966), mimeographed.
- 13 Though Urdu is the official language of the State of Jammu and Kashmir, the language of the common man there is Kashmiri. Hence there is naturally a growing demand to replace Urdu by Kashmiri and Dogri.
- 14 For a data-based and carefully argued writing see: Gopal Krishna, *Statesman*, New Delhi, December 19, 1966, and "Electrical Participation and Political Integration", *Economic and Political Weekly*, II: 3, 4 and 5 (Annual Number, February 1967) pp 179-90.
- 15 See Ram Gopal "Indian Muslims: A Political History 1858-1947" (Bombay: Asia Publishing House, 1959).
- 16 See in this connection K M Panikkar, "The Foundations of New India" (London: Allen and Unwin, 1963) and Donald Eugene Smith, "India as a Secular State" (Princeton: Princeton University Press, 1963).
- 17 See for instance two pamphlets by Aswini K Ray and Subhas Chakravarty, "Meerut Riots: A Case Study" and "Karimganj Riots: A Political Study" both published from New Delhi: Sampradayikta Virodhi Committee (n d).



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Some Aspects of Deposit Mobilisation

A Comment

A Bagchi

IN his article "Some Aspects of Deposit Mobilisation" (September 5, 1970, pp 1495-97) V V Bhatt has suggested certain lines on which schemes might be framed by commercial banks "to induce a higher rate of saving generally and saving in the form of bank deposits in particular". In his view if deposit growth is to be stepped up special schemes linked with the motives underlying the urge to save should be framed. The urge to save, according to him, stems from a desire to own a house, to provide for old age, to bequeath property to children and to provide for contingencies like illness. Hence, he argues, it would tempt people to put their money in banks if the banks offered to advance a loan of an amount equal to one's deposits accumulated over a specified number of years for, say, house building or daughter's marriage, etc. With similar expectations many of the commercial banks are now operating special deposit schemes said to be tailored to suit the convenience of different segments of depositors. This note seeks to examine, in broad terms, whether the presumption underlying these expectations is warranted in theory and by the facts of the Indian economy and the extent to which schemes such as those advocated by Bhatt are likely to help achieve the desired aims. An attempt is also made in this context to explore areas where deposits could be looked for more fruitfully.

MAJOR INFLUENCES

In devising an appropriate strategy for deposit mobilisation it is essential to have a perspective of the major influences at work. While outlining his 'schemes', Bhatt, however, makes no attempt to go into the causes impeding a faster growth of deposits. In fact he starts from the proposition that deposit growth in the year 1969-70 (presumably, the year ended June) was not as unsatisfactory as was often made out. It was, more or less, at the same rate as "the average growth rate since 1964-65". Concern at the failure of deposits to grow more rapidly, he feels, was justified not because there had been a decline in the pace as compared with the previous year but on the consideration that as a result of a "policy-

oriented expansion of credit to priority sectors", bank credit had tended to outstrip deposits.

There can be no questioning the banks' need for more resources to meet the growing demand for credit from a wider spectrum of borrowers, though one may have reservations about the legitimacy of singling out priority sectors as primarily responsible for the credit bulge. (During the year ended June 30, 1970, for instance, bank credit went up by Rs 628.8 crores¹ of which only about Rs 350-370 crores had gone to sectors like agriculture, small-scale industry, small business, etc.² and the rest to the traditional borrowers despite the fact brought out by the Dehejia Committee³ that the borrowings of the latter had often been considerably in excess of the genuine needs of production and trade.) There are other and more valid reasons for dissatisfaction with the current pace of deposit growth.

STUBBORN CURRENCY RATIO

During the year ended June 1970, deposits of the scheduled commercial banks increased by Rs 594 crores of which, at least, Rs 79.4 crores came from the new offices numbering about 1800 opened during the period.⁴ This compares with an increase of Rs 676.8 crores in the preceding year. Nationalisation of the 14 major banks in July 1969, no doubt, imparted a shock to the system which it took time to absorb. The increase in the year 1970 by Rs 798.9 crores or at the rate of 16.4 per cent as against Rs 655.6 crores or 15.5 per cent in 1969⁵ has surely been more encouraging. But, in judging whether this order of increase comes upto expectations, account has to be taken of several factors. For, apart from the fact that bank credit expanded in 1970 by Rs 812.4 crores (of which no more than Rs 400-450 crores on account of the 'priority sectors'), with consequential expansionary effect on deposits, the contribution of the 2,000 and odd new offices in fresh deposits can be taken roughly at Rs 100 crores (Rs 4.8 lakhs per office on an average).⁶ Deflating the nominal increase to correct for the rise in prices (about 8 per cent) would also reduce the figure by about another

Rs 60 crores. All these factors do operate every year but they appear to have gathered more strength in 1970. Yet the deposit increase in 1970 exceeded that of 1969 by about Rs 143 crores only, whereas the increase which took place in 1969 exceeded that of 1968 by Rs 195 crores.

What is more, despite unprecedented territorial expansion — the number of bank branches in the country multiplied by more than 30 per cent after July 1969 — and an intensive drive to carry banking to people's doorsteps, the ratio of currency to total monetary resources, showed no sign of any marked decline, and in March 1970 stood stubbornly at 43 per cent as against 44.3 per cent a year ago and 45.3 per cent in March 1968.⁷ Though exact figures for the later period are not yet available there is little indication of any significant fall in the currency ratio in the subsequent months of 1970. Plainly, banking has not yet caught on and deposits have not started flowing into the banking system adequately for a breakthrough to be in sight. A clearer idea of the factors hindering faster growth is needed if the deposit drive is to acquire a more purposeful direction.

II

Sad to say, to date no good econometric study has been made to isolate the influences governing deposit growth in our country. What is the seasonal or cyclical pattern of the variations in deposits? Do they reveal a discernible secular trend after allowing for the effects of branch expansion? To what extent, if at all, is the rate of deposit accretion affected by the magnitude of deficit financing or of foreign exchange resources or the level of economic activity? What is the elasticity of deposits to changes in interest rates? Barring some occasional papers⁸ no systematic study is available to provide a clue to these questions. We are thus left with no alternative but to speculate largely on *a priori* grounds.

Since bank deposits form a part, an important part, of savings, a rise in savings, it may be presumed would push up deposits though not necessarily in the same proportion. Campaign for deposits by banks, it is taken for granted, serves to foster the saving habit among the people by offering various facilities to intending depositors and educating them about the advantages of having a bank account. But the question is, can the banks' soliciting deposits make any appreciable difference?

rence to the people's propensity to consume and thus a community's saving ratio? Studies on the consumption function do not hold out much hope. The dominant influence on consumption, it is now more or less accepted, is that of the level of disposable income, though there is difference of opinion among economists as to whether it is the absolute or the relative or the 'permanent' income which is the crucial variable and what the nature of the relationship between income and consumption is, e.g., whether it is proportional or non-proportional. It is also recognised that other factors too exert influence on consumption in varying degrees such as the rate of interest, price level and price expectations, distribution of income, stock of financial assets as also of durable consumer goods, etc. But the direction in which consumption/saving moves as a result of a given change in these factors is uncertain. Generally, it may be supposed, a rise in the stock of assets tends to dampen the urge to save and so does a more even distribution of income.

RATE OF INTEREST

As for rate of interest, the idea which has held the ground since the thirties is that saving is not responsive to changes in interest rate. This view has been challenged in a recent study by Colin Wright.⁹ Wright's estimates obtained with American data covering long periods suggest an elasticity of saving with respect to rate of interest of about +0.2, indicating that a rise from 4 per cent to 6 per cent in interest will, through the substitution effect, "provoke an increase in savings of 10 per cent or more". Implications of these results for small changes in the rate of interest, especially where other stronger pulls are at work, are unclear. In any event, substitution effect in the case of small savers cannot be of any cognisable significance. More important in the short run in determining the level of consumption are levels of prices and expectation about prices. Fear of shortages and high prices led to a spurt in consumption in USA in the early fifties more than what could be explained by variations in income. Institutional changes which help popularise 'long-term saving commitments' (such as those envisaged in the deposit scheme linked with provision of loans for house building, etc) and 'quasi compulsory forms of saving' are also believed to have affected the spending-saving patterns of consumers in many countries over recent decades.¹⁰

But the net effect of all these elements is generally accepted as marginal and

the dominant influence is unquestionably accepted to be that of real income, which, after all, sets the limit to one's capacity to save. It would, however, be idle to claim that economic variables such as income alone can explain inter-temporal or inter-spatial variations in consumption levels adequately. The basic urges and outlook of the people, which in turn are conditioned by education, religion, stage of development, contacts with the outside world and other imponderables, also play a part in determining consumption levels.

Coming to the Indian situation, one can perhaps discern some broad trends. Rising levels of income coupled with growing inequality in distribution, as brought out in some recent studies,¹¹ would suggest the possibility of a rising saving ratio, while the rise in prices and fears of further rise would seem to be working in the opposite direction. In the absence of reliable estimates for recent periods, judging by the evidence one finds all around of the almost vulgar consumption spree of the upper income groups, chances of any remarkable improvement in the rate of savings seem remote. For an idea of how unabashed such sprees can be one has only to attend one of the 'parties' which are held in galore in the metropolitan towns of India, especially the Capital. A contributory cause of the consumption spree could be the high rates of personal taxation inasmuch as steep rates of income tax tend to distort the pattern of allocation of income between consumption and saving by tilting the margin in favour of consumption which provides a relatively safe mode of enjoying unaccounted income (and consumption here would include spending on consumer durables of various kinds and also expenditure on luxury housing items). Paradoxically, higher the rates of tax, greater is the return on the risk involved in successful evasion and, consequently, stronger is the urge to consume as much of the income as possible. In the case of the affluent sections of the rural population, this should not count as a factor dampening the propensity to save as in the case of the urban rich, since taxation of agricultural income is practically non-existent in our country. Nevertheless, fear of harassment by revenue department, even if unjustified, might operate to scare them away, if not from saving, at least from any form of saving which can give rise to questioning such as deposits in banks.

Can the banks do anything to correct this? Perhaps little, at least in the short run. Habits and mores cannot be

changed overnight even with the best of intentions. Attempts to inculcate the saving habit from an early age or to lure the reluctant saver to the banks with promises of 'loans' at a future date or services linked with deposits will not advance matters much unless precepts about the virtues of saving given to school children and village folks are actually practised by the elders and their more affluent bretheren in the towns.¹² Raising the return on saving either by enhancing the interest rates or by concentrating taxes on consumption while taxing saving lightly might perhaps bring more tangible results. But, as will be noted presently, there are serious difficulties in enhancing deposit rates to levels which could, if at all, evoke any perceptible response. As for the idea of shifting the tax base to consumption, one authority on public finance comments: "In the present state of our knowledge, there is little basis for advising the authorities regarding the extent of the results to be expected through such a course".¹³ Reduction of income tax rates might prove more efficacious not by raising the yield on saving so much as by curbing the propensity to evade tax. Whether that would result in a flow of private investment optimal in volume, content and direction is, however, an entirely different matter. Besides, a plea for reduction in tax rates would smack of surrender. Where consumption is thought to provide a fairly safe escape route for concealed income, the real remedy lies in plugging that route, through a stricter watch over private expenditure.

TIGHTENING THE BELT

The conclusion that emerges, therefore, is that it would be futile to expect any variant of the banks' deposit schemes to step up the rate of savings of the community even if the variations have the effect of raising the yield on saving. For, in the case of the majority of those for whom the schemes are meant, saving more means tightening the belt for which there is little room, while those who are better placed are not likely to be moved much by the banks' promises or exhortations. If the current rate of private saving in the country is considered poor in relation to the needs of growth — and it is admittedly so even in comparison with many under-developed countries — a surer course is to prevent those who are getting a relatively large slice of the national cake from eating it up by taxing them directly or, failing that, taxing

those articles of their consumption which, by our standards, cannot rank as necessities (assuming, of course, that the propensity of public saving is greater).

III

The is not to counsel despair but to sound a note of caution against undue optimism about the ability of banks by themselves to muster more deposits by raising the community's saving ratio. Deposits can yet grow, even if savings do not, through a switch from other forms of assets, monetary and non-monetary. Bank-deposits, or at least a good part of them, being essentially akin to money, demand for deposits may be expected to move in the same direction as that of money. But, as every student of monetary theory knows, definition of 'money' itself has been the subject matter of controversy reflecting varying views about the relative importance of the basic functions of money as a medium of exchange and as a store of value.¹⁴ If, *a la* Friedman, we include in money aggregate bank deposits, both demand and time along with currency, empirical studies with both US¹⁵ and Indian¹⁶ data reveal a secular rise in the demand for money, Friedman's explanation for the phenomenon being that money is a 'luxury' good and its demand rises with an increase in income. Apart from the fact that there are snags in Friedman's hypothesis — it does not fit the subsequent data —, this finding, although it has a vital bearing on such crucial issues of economic theory as whether income and employment respond more faithfully to changes in investment or in the quantity of money and is, on the whole, encouraging for bankers, is of little help as an operational guide.

More relevant for our immediate purpose is the formulation of monetary theory "as a more general theory of asset-holding viewing money as one of a sequence of assets, on a par with bonds, equities, houses, consumer durables and the like,¹⁴ instead of rigidly separating the demand for money into a 'transactions demand' and a 'liquidity-preference demand'. No doubt, bank deposits, particularly demand deposits, along with currency offer an advantage to the holder subsumed under the term 'liquidity' but all realisable assets share this attribute in varying shades. The distribution of private savings among different kinds of assets is, therefore, determined primarily by their relative yield and the risk of capital loss. Deposits in banks like currency apparently

carry less risk which make up for their relatively low yield. But again, as everyone knows, the risk premium and the real yield both are eroded by rise in prices. No wonder, bank deposits do not rank high in the order of asset-preference and people go in for investment in real estate or gold as hedge against price rise. Evidently, the situation cannot improve for banks unless either the yield of deposits is raised or that of the competing assets comes down. The rise in the yield of deposits, however, has to be large enough not only to ensure parity with the real yield of other assets (after allowing for risk) but also to neutralise the loss in real value of deposits occurring through inflation.

But, apart from 'psychological barriers', there are some real difficulties in jacking up interest rates to levels as high as 12 per cent or so although such drastic steps apparently paid well in Korea and Taiwan. Firstly, there are obvious implications for debt management. Secondly, such high rates of interest might choke off even desirable investments. However, anything which has the effect of compensating for the low yield on bank deposits such as an insurance cover related to the balance in bank, prizes for lucky account numbers, increasing the frequency of interest payment in a year resulting indirectly in a partial compounding of the nominal rate offered, or various kinds of services suggested by Bhatt can be of some help, provided, again, the money-equivalent of the facilities offered is tangible enough. But it should be recognised that in a regime of rising prices, pegging any one of the prices, such as that of bank-deposits to unrealistic levels cannot but affect the supply of the commodity concerned adversely and that offer of miscellaneous facilities and benefits to account holders of banks, however catchy, can be no substitute for a straightforward increase in interest rates.

The other, by no means easy, way to narrow the spread between the rates fixed for the organised sector and those prevailing in the unorganised markets is to bring down the latter. It would be wishful to think that the task can be achieved merely by widening the scope of the existing restrictions on the activities of non-banking institutions to include partnership and proprietary firms, for, the enforcement of such provisions would pose hopeless administrative difficulties. The problem has to be tackled on a different level. To the extent high rates in the unorganised sector reflect the real forces of 'productivity'

and 'thrift', they will not be amenable to control by monetary authorities. Fiscal measures can also be called in to help curb profitability of investment in undesirable channels. But productivity in the economic sense being determined basically by technology and consumers' preference pattern, attempts to tamper with it might be questioned on grounds of 'efficiency' whatever that may mean in an economy with such sharply disparate income distribution as ours.

There is, however, no reason to suppose that the high profit levels are adequately accounted for by productivity of capital in real terms. Imperfections of the commodity market accentuated by those of the money market, no less than physical shortages have, on all account, a good deal to do with the fantastic returns enjoyed by investors, particularly in trading. The remedy apparently lies, on the one hand, in state intervention in the commodity markets on a wider front and on the other in "multiplying credit agencies and in enhancing the credit-worthiness of the borrowers" of the smaller categories, "through a broad and positive programme of production and marketing" as advocated by Chandavarkar.¹⁷ Lending thus can really act as an instrument for gathering deposits not so much by casting any moral or contractual obligation on the borrowers to deposit their mite regularly with their lending agency as by a contraction in the rates in the unorganised market which it helps bring about. Hence, in order to attract deposits banks would do well to liberalise and publicise their credit schemes more than their deposit schemes.

IV

Accretion to deposits can, however, occur at the expense of assets, financial and non-financial, not only of a less liquid form but also of the more liquid one, *viz.* currency. The idea of an irreducible minimum demand for cash is now disfavoured, since even the transactions demand is not totally unresponsive to changes in the rate of interest as households and firms can demonstrably gain by economising on cash at high rates of interest,¹⁸ while the availability of short-maturity bonds has raised scepticism about the existence of the 'liquidity trap'. It is even possible to think of a cashless society. In India, however, on various considerations, not all rational, people do prefer to hold a large amount of cash, for purposes of transactions and also simply as an asset. In the US, the ratio of currency to money, declined secularly till 1930 but

the trend reversed in the subsequent years especially during the war. Cagan's study in this field¹⁹ suggests that while the pre-1930 decline might be attributed to the steady growth of real income and urban centres, the net rate of return on bank deposits played an important part in the rise in the currency ratio during the latter part of the thirties, while the wartime rise is ascribed by Cagan, mainly to tax-evasion. Similarly, it may be expected that, in India too, growth of urban and semi-urban centres and the extension of the branch network of banks to remote areas of the country would lead to a progressive decline in the use of cash as a means of payment as also as a store of value. But the transactions demand, which is mainly responsible for what, in banking parlance, is called the 'cash drain', would still remain strong unless cheques are accepted widely as the principal mode of payment. This would require, apart from speedy clearance, severe penalty for bouncing as in a criminal offence.

Equally important is it to ensure that the rate of return on bank deposits is attractive enough to outweigh the cost of operating a bank account and the cost here would embrace the expense as well as the time and inconvenience involved in travelling to a bank office and waiting at the counter. In the rural areas, distance and poor communications are serious limiting factors on the scope of deposit mobilisation by banks. Well planned branch expansion should however help the banks to fill the gaps. Tax-evasion, too, it is widely believed, is a potent cause for large holding of cash in our country and the position in this respect is hardly likely to improve in the near future. All the same, a good amount of cash is lying about with people with whom tax evasion is not a consideration, which can be brought within the banking fold through sustained efforts and good quality of service.

To sum up, expectations that banks can accelerate the growth of savings of the community and thus of their own deposits significantly by dangling promises of loans at a future date or by offering assorted facilities do not seem to be well founded. Saving, in the short run, is a function of factors over which banks have little influence. Though the search for what the depositors would prefer and the framing of deposit schemes to suit all categories of customers are not to be discouraged, these attempts can bear fruit only over a fairly long period. Chances of a spurt in deposits through large-scale switch in asset-preference from more remunerative forms to deposit in banks also do not seem to be bright, since return on

deposits tends to lag far behind what other alternative investments offer even after allowing for the risk element, particularly in an inflationary situation where the real value of cash and bank balances suffers progressive decline. Nor can an indiscriminate or wholesale diversion of savings to banks be considered desirable as an end in itself unless private investment in any form is frowned upon. Surely, it is nobody's case that bank deposits should take precedence over investment in agriculture in the asset-portfolio of farmers. Funds deployed in investments ranking low in plan priorities or which are considered positively harmful such as speculation inventory building are also not likely to move into banks unless the high yield of such activities is curbed effectively which again is not easy in our present socio-economic milieu.

The only area where deposits can be looked for in the circumstances is the cash-holding of households and firms which continues to be inordinately high. But in persuading people to exchange cash for deposits in banks, the prerequisite is a general acceptance of cheques as an instrument for payment. To bring this about, what is required is to create a sense of confidence among the people that cheques are always honoured or are encashable promptly and painlessly. Extension of branch network to all parts of the country is from this angle, a step in the proper direction. But what would count more than anything else in this task is the quality of day-to-day customer service provided by the banks and not the novelty of the schemes. Propensity to evade tax is a serious limiting factor. But determined and sustained efforts by tax-authorities should lead to a progressive weakening of this force. In any event, there is no reason why this should impede the growth of deposits in rural areas. Flow of cash held for transaction purposes or lying idle otherwise into the banks would not necessarily mean any addition to the community's saving and in fact may serve to strengthen the inflationary pressures. But the greater mobility which this will impart to voluntary savings would, on balance, be a net gain for the economy.

[Views expressed here are purely personal. The author wishes to thank Ashok V Desai for helpful suggestions.]

NOTES

- 1 "Report on Currency and Finance, 1969-70", Reserve Bank of India, p 24, Table 13.
- 2 Based on figures in Tables 17 and 18 of "Annual Report on the Working of the Reserve Bank of India and Trend and Progress of Banking in India for the year ended

June 30, 1970".

- 3 "Report of the Study Group on Extent to which Credit Needs Industry and Trade are Likely to be Inflated and How Such Trends Could Be Checked", summary, Reserve Bank Bulletin, November 1969.
- 4 "Commercial Banks — Branch Expansion", press release by Reserve Bank of India dated January 6, 1971.
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- 6 "Branch Expansion Activities of Commercial Banks", Supplement to Reserve Bank Bulletin, November 1970.
- 7 Compiled from Statements 22 and 24 of "Report on Currency and Finance 1969-70", Reserve Bank of India.
- 8 Some studies in this field are understood to have been made recently by research bodies but the results have not yet been published.
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- use mass communication for nutrition education



Inserted in the public interest by the Protein Foods Association of India

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The Concentration Bog

AFTER many months of hibernation and governmental neglect, the Monopolies Commission has surfaced with its first public hearing — on Century Spinning chemical and paper pulp project. From newspaper accounts it is difficult to say how far the Commission's investigations benefited by the public hearing. The accounts did, however, give some idea of the kind of problems and confusions that are likely to bedevil the Commission's working.

Century's pulp project has been given an industrial licence, conditional clearance by the Monopolies Commission. The Commission's task, one presumes, is, first, to determine whether the project falls within the ambit of the provision of the Monopolies and Restrictive Trade Practices Act relating to concentration of economic power and, second, if it does, to assess whether the resultant concentration will be injurious to the public interest. The first of the two issues has confronted the Commission with the question of Century Spinning's connections with the house of Birlas — though, the total cost of the project being estimated at over Rs 20 crores, it would have presumably even otherwise required clearance by the Commission. At the public hearing, where the matter was not gone into in detail, Century reportedly denied any link with the Birlas. It would be instructive to see how this issue is eventually resolved, since the criteria for determining inter-connection contained in the Act are couched in the most general terms. Birlas secured the managing agency for Century in 1953 and in 1969, when the managing agency was abolished, Birla Gwalior were the managing agents. Some three Birla directors now sit on Century's board. But the criteria of inter-connection laid down in Section 2(g) of the Monopolies Act, while drafted with a view to covering within their scope business groups are phrased in such a way that it should not be impossible to argue that concern like Century has no links with any industrial house. The main difficulty in the application of the criteria to a case like Century's is that they appear to have been drafted without taking account of the projected abolition of the managing agency system.

The Act is no more conclusive on the subject of 'public interest'. The criteria it sets out are again of a general nature, referring as they do, among other things, to efficient and economical production and distribution, optimum utilisation of capacity, technological development, expansion of markets, encouragement of new enterprises and balanced regional development. It should be immediately clear that this part of the Commission's inquiry will go over much the same ground as that already covered by the industrial licensing authorities. Under the revised licensing policy any undertaking, whatever its size, requires a licence if it is promoted by a large house. Control of concentration is thus also an objective of licensing policy. At the public hearing on Century Spinning, members of the Monopolies Commission plied representatives of the company with questions about the reliability of the cost and cash flow estimate for the project, its import content, preparation of a feasibility report, arrangements for management, and so on. Not surprisingly, such vague probing appears to have led nowhere.

True, it is the provisions relating to concentration of economic power that have given the Monopolies Act most of its radical appeal and the Monopolies Commission much of its glamour. But, one may be sure, these will be the very parts of the Act which will be least operative in practice. The Act does not declare all concentration of economic power to be *per se* undesirable. This is understandable since given the present economic system, the large established business groups will have to continue to provide much of the thrust toward industrial investment and growth. At the same time, and equally understandably, the Act is unable to lay down precise but secular criteria for identifying conditions in which concentration would be in the public interest and so should be permitted.

Over the years, a major reform of industrial licensing policies that has been repeatedly pressed upon the Government is the elimination of multiple clearances of the same industrial project by different official bodies. When, for instance, a project is cleared for grant of an industrial licence, arrangements for meeting its requirements of capital goods imports should be simultaneously approved. There has been, however, very little progress in this direction. On the contrary, the Monopolies Commission now bids fair to emerge as yet another hurdle that a project has to clear *after* it has secured an industrial licence. With industrial

licensing now restricted to relatively large projects, one may justifiably expect the scrutiny of the licensing authorities to be more thorough than it was in the past. The subsequent scrutiny by other agencies, if they merely endorse the decisions of the licensing authorities, are a patent waste of time; on the other hand, if projects already licensed are turned down on various grounds, inevitably inter-departmental deadlocks would result and major Plan investments would be held up. Actually there is no reason why the scope of the scrutiny at the licensing stage cannot be enlarged to cover matters like the projects' import requirements or their implications from the viewpoint of concentration of economic power. As for the Monopolies Commission, this journal has repeatedly stressed that it should concentrate on the operations of enterprises functioning in monopolistic or oligopolistic market situations. Through its work in this field, the Commission can hope to make some impact on industrial costs and prices whose relevance for the public interest is more clearly identifiable than that of 'concentration of economic power'.

India-Japan Trade Friendly Arm-Twist

TO sustain its 'miracle' of expansion, Japan is having to explore new ways of extending its economic area outside of its island domain. It is already operating in Australia, Siberia, and Alaska, and has been trying to obtain a foothold in communist China.

Its ventures in foreign collaboration have always had a distinct pattern. Its investments have been mostly through loans or aid and in activities which would assure it its raw material supplies. Hence its investment in Indian and Australian ore mines. Alternatively, it has provided only technical collaboration for industrial projects, and this has been tied closely to its equipment sales effort. On capital participation, Japan till recently insisted on 100 per cent equity participation in any foreign collaboration arrangement; but this has become increasingly unacceptable to developing countries.

Meanwhile, since Japan is building up large foreign exchange reserves, it has been under pressure to revalue the yen, to liberalise trade, and to export capital. As a result, Japanese industry is now prepared to accept less than

100 per cent participation, carefully distributed among the trading, manufacturing and collaborating units of the Zaibatsu group concerned. Yet, whatever new concessions Japan is prepared to make will have to fall within the framework enunciated by the Japanese ambassador to India at a meeting of the Engineering Association of India. Japanese industry would be keen to collaborate actively in Indian enterprises, on two conditions — first, Japanese inventions will have to be protected, and, second, Japanese personnel will have to be maintained in Indian units (a practice they have generally used to protect their industrial hegemony).

These conditions clearly indicate that Japan has "arrived" as regards export of knowhow; but there is a historical irony in this stance. It is well known that Japan's industry in its early years benefited vastly from its blatant pirating of foreign inventions and patents. Even as recently as in the sixties there have been examples of such use of collaboration agreements by the Japanese. In fact, their interpretation of business ethics and their refusal to buy locally against their exports, have made the Japanese suspect in South-East Asia and in many African countries. Moreover, Japanese trade relations have been irrespective of political considerations, as their trade with South Africa and their attempts to expand trade with communist China underscore.

In its economic relations with Japan, India needs to watch out on two scores. First, we should beware of further mortgaging our future industrial development to passing balance of trade considerations — as in the deal whereby we export low value iron ore and import high value-added steel, thus prolonging our colonial-type trading relations. And second, we should beware of the superior Japanese pressing us under economic bait to alter our basic policies — as when, seeing the despondent mood in India two years ago, the Japanese tried to cajole Government into changing its general policy towards the private sector.

Labour

The Price of Recognition

Bagaram Tulpule writes:

THE official industrial relations philosophy in our country since Independence has been that the most effective

way of ensuring industrial peace is to spell out by statute a detailed and comprehensive set of do's and don'ts for the employers and trade unions alike and to hope that the Government, by policing these do's and don'ts, will prevent any undesirable behaviour by either party. The statute recently enacted by the Maharashtra State Legislature (The Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971) is of a piece with this official philosophy. This only shows how little effect all the adverse criticism of this philosophy, including that by the National Commission on Labour, has had on the Government. Nor has Government learnt any lessons from past experience about the impossibility of its policing an elaborate system of do's and don'ts in the field of labour-management relations.

The objectives of the new statute as spelt out by the Maharashtra Government are, no doubt, unexceptionable. Trade unions themselves have clamoured long that recognition of unions should be provided for by law and that effective measures against unfair labour practices are needed. The law enacted by the Government may, however, turn out to be worse than the disease. For, while granting recognition it imposes such far reaching restrictions on the behaviour of the unions that many unions will not want to buy recognition at such price.

The 61 sections and four schedules which constitute the new Act are too complicated and elaborate to be even briefly summarised here. When it is realised that these are in addition to the already complicated and elaborate framework of industrial relations legislation prevalent in the country in the shape of the Industrial Disputes Act, Bombay Industrial Relations Act, the Industrial Establishments (Standing Orders) Act, and a host of other laws, it is easy to see what a happy hunting ground the legislation provides to labour lawyers and the so-called labour consultants and advisers. As is inevitable, in so cumbrous a structure, several provisions of one statute duplicate, qualify or even conflict with provisions of one or another of the other enactments. It will take much time and litigation to sort these issues out — or perhaps to confuse them still further.

The broad scheme of the Act is that the Industrial Court can certify the status of a union as a recognised union after verifying the membership of all

the contesting unions in a given 'undertaking' and ascertaining that the recognised union is the one which has the largest membership which should be in any case not less than 30 per cent of the total employment in the undertaking. The Act also separately lists what will constitute 'unfair labour practices' by employers and trade unions, prescribes judicial authorities and procedures for investigating and deciding allegations of such unfair practices and the penalties to be imposed if these are proved.

Verification of membership as the basis for recognition of unions has long been opposed by many unions in the country. The procedure is long, clumsy, susceptible to distortion by pressure from employers or the Government and does not truly reflect the relative preference of the workers concerned. Making the Court responsible for conducting verification does not meet these objections. Employer pressure can still operate while legal proceedings, appeals and writ petitions, not to mention injunctions, could prolong the verification proceedings, virtually endlessly as, indeed, they are under the BIR Act.

With all these shortcomings, however, the recognition provisions under the Act might yet have received trade union support if they had not been negated by the other provisions. A union loses recognition if it advises, actively supports or instigates an illegal strike or commits any of the other unfair practices listed in Schedule III. An illegal strike is itself such an all-inclusive category under the prevailing laws that the practical effect of the present enactment will be to bar any strikes or even advice of or support to any strikes by a recognised union. Other unfair practices by unions as listed in the new Act are: effective picketing even in legal strikes, refusal to bargain collectively 'in good faith', 'go slow', squatting at work-place after work hours, gherao, and demonstrations at the residence of employer or managerial personnel. The threat of forfeiture of recognition, in addition to the penalties prescribed in the other laws, will effectively tie down a union to the prescribed legal procedures. Any talk of effective collective bargaining under such strait-jacket restrictions is sheer make-believe. Yet, one of the professed objectives of the Act is to facilitate collective bargaining!

Unfair practices, of course, are list-

ed against the employer too. Most of them are hedged by phrases like 'not in good faith' or 'as a measure of breaking a strike' which will provide ample loop-holes to the employers. But the most outrageous aspect of the whole Act is the gross inequity in the penalties for unfair practices as prescribed for employers and unions. Even if such practice is proved against an employer — and this is a big 'if' — all that the employer will be required to do is to rectify his conduct if the Court issues a 'cease and desist' order. He incurs any other penalty only if he violates the Court's order; the unfair practice originally committed does not expose an employer to any penalty at all. Even violation of a Court's order incurs a brief sentence and a small fine. The Union, on the other hand can lose its recognition for an unfair practice, and thus be driven out of business.

Past experience suggests that the adverse effect of the legal provisions on the unions will be further aggravated by the grossly lethargic pace at which the administrative apparatus of the Courts as well as of the Labour Department of the Government works.

Nagpur Lok Sabha Poll Return to Local Issues?

A Correspondent writes:

THE victory of J B Dhote, who recently resigned from the Maharashtra Assembly, in the election to the Lok Sabha from the Nagpur constituency, will not, of course, make any difference to the party positions in Parliament; yet it needs to be noticed.

Dhote, though formally a Forward Bloc candidate, had contested the election on the plank of a separate Vidarbha State. It had seemed that the Vidarbha State demand had lost practically all momentum in the last few years. In fact there were allegations that of late the demand had been kept alive by the Chief Minister, V P Naik, who comes from Vidarbha, to give him an alibi for concentrating Government-sponsored developmental efforts in that part of the State. Whether or not there is any truth in the allegation, it is a fact that Vidarbha has been a favoured region for developmental activity since Naik's accession to the Chief Ministership. The State Government has also lavished effort on attracting private industry

to the Nagpur area under the slogan of developing the State's backward regions. There has been much criticism, within the ruling party itself, that the share of the State Government's revenues which was flowing to Vidarbha far exceeded what would be available to Vidarbha were it constituted into a separate State. It has been snidely suggested that, therefore, it would not be such a bad thing at all for the rest of the State if Vidarbha were to break away.

It is to be seen now whether Dhote's election will rejuvenate the separate Vidarbha State demand. That popular sentiment in favour of the demand is not altogether dead, in spite of all the favoured treatment of the region by the State Government, was evident during the election. If under the impact of Dhote's success the movement gathers fresh momentum, then it is likely that it may no longer remain a captive of the Chief Minister to be manipulated for his political purposes.

The other issue raised by the Nagpur election is whether the so-called 'Indira hawa' can be as potent in isolated electoral contests or even in elections to the State Assemblies as it was in the recent national parliamentary elections. In the latter, it is now conceded all round, the Prime Minister successfully focused attention on national issues to the enormous advantage of the Congress(R). But the Nagpur election appears to suggest that in different circumstances local issues could still play the crucial role.

The Nagpur seat had been won by the Congress in 1967 by a fairly comfortable margin of 32,000 votes. The Congress had also won all the Assembly seats falling within the Lok Sabha constituency. Keeping these facts in mind, it is evident that the Nagpur Lok Sabha result is not at all in keeping with the results of the Lok Sabha elections from the rest of the State in which the Congress(R) had won all but one of the seats it had contested and had wrested a number of seats from the Opposition parties.

A hint of how local issues could affect elections to the Lok Sabha was available even in the results of the Lok Sabha elections inasmuch as in States where elections to State Assemblies were held concurrently — e.g., Orissa, West Bengal — the Congress(R) fared relatively less well. The Nagpur election seems to strengthen the evidence on this score.

Exports without Subsidy

THE Government's decision to discontinue the cash assistance on exports of decorticated expellers and extractions appears to have come like a bolt from the blue to the organised sector of the cottonseed processing industry. Till now exports of these expellers and extractions were entitled to a cash assistance of 7.5 and 12.5 per cent, respectively, of their f.o.b. value. The industry was actually expecting a further increase in assistance in view of the recent as well as impending increases in freight rates by the Conference Lines.

But if Government has chosen to withdraw the export assistance, the industry has only itself to blame. As it is, the organised sector of the cottonseed processing industry has depended on Government's support for too long — more than a decade and a half since its inception in the fifties. Very little has been done by the industry in the meanwhile to stand on its own feet and shed the official props. The industry has never showed any cost consciousness; it has neglected to improve its operational efficiency and, most important, it has failed to cultivate the domestic market for cake and other by-products. After all, the industry should have realised that the Government could not go on supporting it for ever. If India does not have a comparative cost advantage in the world market for decorticated cottonseed expellers and extractions, it is better to stop their export than to burden the exchequer with a permanent high subsidy.

The Government decided to subsidise the export of decorticated cottonseed cakes and meals more than a decade ago, not so much with a view to promoting their exports as to encouraging cottonseed crushing so that the country's edible oil supplies were augmented. Production of cottonseed oil did rise from 17,000 tonnes in 1960 to almost 100,000 tonnes in 1970. But, interestingly enough, despite the absence of any incentive, production of cottonseed oil in the unorganised sector rose even more rapidly. Currently the share of the unorganised sector in cottonseed oil production is as high as 50 per cent. The organised sector's complaints against the Government for discontinuing the export assistance do not carry conviction when its own performance in processing cottonseed has been so unsatisfactory.

This is not to say that cottonseed processing in the organised sector deserves to be discouraged. It is imperative that the cottonseed processing industry develops on modern, scientific lines. Cottonseed when delinted and processed by the solvent extraction method yields as much as 18 per cent oil, as against a recovery of just 12/13 per cent or even less in the unorganised units. This is not all. Scientific processing of cottonseed not only maximises yield of oil but also makes available such valuable by-products as linters and fibres which otherwise go waste when cottonseed is crushed without pre-processing. Linters replace the wood pulp required by the rayon industry and save foreign exchange spent on import of such cellulosic pulp. Decorticated cottonseed cake could be used for manufacture of high-protein cottonseed flour for human consumption. The cake can also go into the production of compound cattle feeds for domestic consumption, or may be exported as at present to earn foreign exchange.

With barely 40 per cent of the annual cottonseed production in the country being crushed at present, the rest being fed wastefully to cattle, the need to develop the cottonseed processing industry on scientific lines cannot be over-emphasised. The impact of the Government's decision to discontinue export assistance is not likely to be as serious as is made out by the industry. During the last few years, the direction of exports of decorticated cottonseed extraction has undergone a considerable shift. Exports to UK and Western Europe dropped to 30,000 tonnes in 1969 from 83,000 tonnes in 1967. On the other hand, exports to the East European market and other rupee payment areas jumped from 52,000 tonnes to 76,000 tonnes during the same period. The shift has been brought about largely by increase in the realisation from sales to the rupee payment areas *vis-a-vis* those to the free currency areas. Thus in 1969-70, the f.o.b. value of exports of cottonseed extractions to the free currency areas amounted to Rs 440 per tonne, but that of exports to the rupee payment areas was much higher at Rs 530 per tonne. Exports to the rupee payment areas are thus now feasible without any export assistance.

In fact, the difference between the unit value realisation from sales to the

free currency areas and those to the rupee payment areas is large enough for the Government to safely levy a duty of about Rs 60 per tonne on exports to the latter areas. In the present state of the international oilcake market and the direction pattern of the cottonseed extraction export trade, the buyers will be willing to absorb the incidence of such a duty, either wholly or substantially. The proceeds of the duty could then be utilised to grant freight assistance on exports to the UK and Western European markets as well as adequate graded development assistance for increasing export of cottonseed extractions beyond certain targeted figures. The industry should itself evolve some such suitable scheme for self-financing the promotion of exports of cottonseed extractions and then urge the Government to adopt it instead of pleading time and again for direct cash assistance from the Government's general revenues. Simultaneously, the industry should also undertake a searching inquiry into the state of its health to improve its operational efficiency and to develop domestic markets for its by-products so as to seek a lasting solution to its present maladies.

Automobiles

Industry that Does Not Fit

WHILE the domestic automobile industries in most developing countries are in trouble, the World Bank has come out with further damning evidence on the Indian industry. Its finding is that the cost differential in India between the import and local price of a car was 2.2 : 1 before the devaluation of the rupee and 1.6 : 1 after the devaluation. The recent interim order of the Supreme Court allowing the car manufacturers a price increase will have restored the differential to its pre-devaluation rate. By a broad generalisation, the World Bank report states that the domestic 'resource cost' of automobiles within developing countries was more than 2.5 times the import cost.

The World Bank of course attributes the high costs of domestic manufacture to the small scale of operations and to the high costs of materials and procured components. Its report illustrates that the cost of an (automobile?) diesel engine in India is three times its cost in the US. Evidently, Cummins which operates in both India and the US was the likely source of this information.

But is this the whole truth? Brazil, which has followed an open-door policy towards foreign capital for the domestic automobile industry, is nevertheless an inefficient producer. A significant failure has been that of lack of standardisation. The different makes do not have any standardisation among them, and this has meant unnecessary fragmentation of the already small runs of manufacture possible. The technology imported under the guidance of the foreign collaborators is that relevant to the West's 'labour : capital' cost relations. The unthinking way in which foreign collaborators were approved for the automobile industry is now being repeated with respect to tractors.

Ford is tackling the problem at the other end. With its market-size determined by the Asian demand, it has a product-wise fragmentation of manufacture, each product being given to different countries. Thus, though no country will make all the components needed for a car, each country will make sufficient quantities of the individual components to earn its foreign exchange needs for importing the assembled car. This seems to be the easiest way for developing countries of proping up the prestige of having an automobile industry.

Rayon Tyre Cord

Heads You Lose . . .

IN her address, at the FICCI annual session, Indira Gandhi commented adversely on the Tariff Commission's practice of fixing prices on a cost-plus basis. The industries subjected to Tariff Commission price inquiries have also been critical of the Commission's procedures — mainly on the ground that the Commission does not take into account all costs! The latest to take up this refrain is the rayon tyre material industry. Rayon tyre material producers were forced to reduce prices from Rs 19 per kg in 1966 to Rs 15 per kg in 1968. Since then the Tariff Commission has recommended a further cut ranging from 15 to 20 per cent.

The total capacity for rayon tyre material is 17,000 tonnes per year. The industry argues that its costs are much higher than those assumed by the Tariff Commission: Rs 9.48 per kg for National Rayon against the Commission's estimate of Rs 8.37, Rs 12.08 for Century Rayon against Rs 9.93 and Rs 13.49 for Shri Ram Rayon against Rs 10.58. The tyre cord spinners argue that depreciation has been calculated on diminishing balance method on original cost (rather than on straight line basis

on replacement cost) and that overheads have been spread over an assumed output which, while lower than established capacity, is higher than actual production attained. Finally, the tyre cord producers play their trump card: any reduction in domestic price will jeopardise exports which were Rs 80 lakhs in 1970 and are promised to jump to Rs 2.45 crores in future! The export price, incidentally, is Rs 7.50 per kg, or about half the present local price.

Like the industry's other arguments, this is strange logic. Firstly, exports are still small — about 6 per cent of total capacity. Secondly, export losses, if any, can be covered by subsidies, as in the case of other goods. Thirdly, since rayon tyre cord is a basic material for tyre manufacture, high prices directly jeopardise export of the more finished product, namely, tyres. Fourthly, the rayon spinners' profitability is so high that they should be able to easily absorb export losses, cut domestic prices — and still make a reasonable living (by non-speculators' standards). The crude take-over attempts that have been witnessed recently show how specious is the plea about the position of the industry being jeopardised by a price cut.

The larger question, however, remains: is interference with the market forces the only means of bringing down prices of any industry?

Tyre Industry

Export Problems

THE annual statement to shareholders of R G S Nair, Chairman of Dunlop India, summarises the tyre industry's problems of expansion, exports and rising costs. Dunlop has gradually built up export markets and its exports now amount to Rs 3 crores, about 11.6 per cent of its total output. This performance, though creditable, is not enough for a large unit like Dunlop. But the company has its own problems in export markets. Firstly, because of our inability to import more from that country, UAR is no longer a market for India's exports of nylon tyres. Such sudden shifts in the direction of exports result in waste of effort spent on building up export markets. Secondly, with local costs rising, exports have become less profitable. Also, Government has cut duty drawbacks and cash subsidies on exports. Finally, and most important, to remain competitive in export markets, it is necessary to keep abreast of the latest technology. As part of foreign exchange conservation policies,

restrictions have to be imposed on import of technology. Whatever its domestic justification, such freezing of technology adversely affects export prospects. In tyres, new materials like nylon and polyester tyre cord as also new designs are being developed; if India is to sell abroad, it has to keep up with the international Joneses.

Costs also continue to rise, particularly of cotton and synthetic rubber. Nair, however, expresses satisfaction with the take-over of domestic rubber trade by STC. But he is less satisfied with the STC's handling of some imported materials, particularly nickel and titanium dioxide.

Finally, Nair expresses concern about capacity expansion. He attributes the recent shortages of tyres to failure of some new entrants into the industry to implement licences issued to them early in the sixties. He fears that the same experience may be repeated with some of the licences issued recently. Nair, therefore, advocates greater reliance on expansion licences with the argument that this will make possible expeditious implementation. This, of course, raises broader issues of licensing policy on which there can be different opinions.

Farm Supplies

Sharp Practices

THE entry of commercial banks into financing of agriculture has sparked a minor boom in demand for inputs like fertiliser and capital equipment such as pumpsets in selected pockets where banks have been active. Manufacturers of these items have not been slow to exploit the situation. It is not only that the availability of bank finance has created an assured market for them, but the emphasis on loans in kind (to prevent misuse of funds) has often presented them with a captive market. This has led to expected consequences. Thus at a meeting called by the Agricultural Finance Corporation last month, representatives of the commercial banks complained that manufacturers of pumpsets, taking advantage of the tied loans given by banks, have been supplying equipment of uneven quality, often at inflated prices. They have also been welching on their guarantee commitments and failing to provide satisfactory after-sales service. Looking at the situation from their own point of view, the spokesmen of banks bemoaned that this affected loan recoveries because of pumpset failures. Though the results

are not so sharp, the same practices exist in fertiliser supply where they take the form of adulteration, price inflation and forcing of wrong fertiliser mixes upon farmers depending not on crop or soil requirements but on what the supplier has and is most interested in selling.

To tackle the problem in respect of pumpsets, the meeting called by the ARC decided to appoint a committee which would, on the basis of investigations, draw up a list of approved manufacturers of diesel engines, electric motors and pumps for use of banks. The task is not as simple as it looks, however. Some time back when there was a glut in the pumpsets market various State Governments had virtually forbidden sale of sets other than those made by 'local' manufacturers. It is unlikely that such pressures, often exercised quietly through the district ad-

ministration, will be overcome with the drawing up of a list of approved manufacturers. Basically, the task of providing expert advice to the farmer on purchase of fertilisers, pumpsets and the like should be the responsibility of the agricultural extension services, which are maintained at considerable expense by all State Governments. That farmers should be taken for a ride by suppliers of these items, therefore, reflects on the quality and integrity of these services. It is also a reflection on the established manufacturers of agricultural supplies, including pumpsets and fertilisers, who have so far paid scant attention to efficient marketing of their products. This failure is now sought to be covered up by resort to the familiar device of closed shop practices through the drawing up of an 'approved list' of manufacturers.

I have experienced both the Ghana coup which ousted Nkrumah from power as well as the Uganda coup; and there is no doubt that the latter was much more popular and caused much more rejoicing than the former. Nkrumah's record in Ghana was well acknowledged even by his own enemies both within and outside Ghana. The black history of Uganda brought about by Obote's rule is yet to be written by political historians; when that happens the world will be better informed and will not judge Uganda's political events through Obote's public pronouncements both within and without Uganda.

A E OBOLE

Kampala
March 22

Triumph of Congress(K)

In his despatch in your issue of March 20 ("Triumph of Congress(K)") your correspondent makes certain statements which are far from the truth. He says that the middle-class has a "strong cultural aversion to the DMK" and also that this middle class is not synonymous with the Brahmin community. The article concludes that DMK won because of a massive feeling for Indira Gandhi!

Your correspondent is quite wrong. Only the Brahmin community middle-class, which is just 3 per cent of the population and which controls all the leading newspapers and magazines and the local PTI and UNI also, was loud in its mischievous and malicious propaganda against the DMK. In Tamil Nadu, in this mid-term election, the fight was not between the DMK-led alliance and the Syndicate-Jan Sangh-Swatantra front but between Tamilians and Brahmins (on whose side was Vibhishana-like Kamaraj and his caste-men). This was purely a racial fight and the Tamils gave the Aryans a good beating! Congress in Tamil Nadu meant Kamaraj's Congress and if nine Congress(R) members from Tamil Nadu and one from Pondicherry were elected to the Lok Sabha, it was because of DMK!

Western civilisation is not suited to us Indians; so too journalism which is a Western institution and hence our Indian journalists may well cease writing about elections. Objectivity is alien to us Indians and there is no word for 'objectivity' in our Sanskrit!

V L N CHARI

Madras
April 13

CAPITAL VIEW

'Expertise'

Romesh Thapar

BANGLA Desh cannot be the excuse for all that is not happening. Nor can the fact of Mao playing ping-pong with Nixon. And, for that matter, we cannot even argue that things are happening in our usual slow style. Profound changes are taking place in Asia and there is already visible a growing impatience with our old ways. Overnight, India, an area of stability and coherence in Southern Asia, finds herself compelled to play a major power role — and without the necessary equipment, theoretical and institutional. This is serious.

WASTING SKILLS

We find ourselves dependent on individual bureaucrats who happen to have been entrusted with vital tasks, whether in the Home Ministry or the Ministry of External Affairs, the Cabinet Secretariat or the Prime Minister's Secretariat. We will not say anything of the Defence Ministry because it is part of the secret sector, and we can only trust to luck that things are working there. As for the rest of the GOI, you get the impression that little has happened, except that summer has arrived.

With this kind of governmental apparatus, you can well imagine the situation prevailing in non-official areas. A mass of self-appointed experts are pronouncing judgments on any and everything. There is great talent here,

but it remains unrecognised and diffused. Indeed, no effort is made at governmental level to assist this expertise to sharpen its analysis as is done in most countries. The only interest taken is to "influence" those whose views are embarrassing. If the maturing skills of the best of our experts are to be utilised, they will have to be nursed — or else, increasingly, the charlatans, dabbling in the backwash of revolutionary events, will dominate the scene.

While India was blundering along in the sixties, the need consciously to husband and develop our growing expertise in various international areas was not felt. Paltry knowledge and half-baked theorising did little damage. But now the opposite is true. In the seventies we will have to address ourselves to this problem. It is a new problem, part of the business of national growth. We can no longer pretend that it does not exist. If we do, we will continue to over-react in the Press, on the radio and on public platforms.

STRIVING FOR CREDIBILITY

To allow the official and non-official streams of expertise a kind of parallel touch-me-not existence is to blunt the capacities which have to be mobilised for the challenges India will face in the coming years. A sifting must take place — and then a carefully structured

confluence between the official and non-official streams of thought. The sad part of the story is that nobody is really working towards this end — and nobody really wants to. That is why at this critical moment in Southern Asia, despite the consolidation of a decisive election result, India is still striving for credibility, both at home and abroad.

Marking time is a psychological state with which we have grown familiar over the last ten years. The present developments in Bangla Desh, in Ceylon, and between China and the USA, find us ill-equipped for the tasks that have to be undertaken. What will happen when a number of nations begin to react to these changes in the Asian power balance? Will we again be trailing behind events? We are living in the mistaken belief that organisationally we are capable of performing.

NEW CAPACITIES

The time has come for the Prime Minister to set up a high-powered group to advise on what needs to be done, organisationally and procedurally, to create credibility. What should be suggested is something apart from the day-to-day functioning of government. India, compelled to play the role of a major power, must possess new capacities to meet sudden international crises — and also the sober ability to forecast and analyse the maturing of such crises.

This kind of infrastructure is totally lacking, and must be built from scratch.
April 19

LETTERS TO EDITOR

Coup in Uganda

WHILE your comment 'Stepping Backwards?' (February 6, p 406) is factual in much of what it says, particularly in respect of the political history of Uganda from about 1960, you seem to be out of touch with Uganda's latest political history till the time of the coup — that glorious day of January 25, 1971.

I shall start by narrating the events of that day. Sporadic shooting was heard all over Kampala on the night of January 25. Radio Uganda failed to broadcast any news all through the day, but continuously played classical and martial music till 3.45 p.m., when Warrant Officer Aswa announced that men of the Armed Forces had taken over power from Obote and handed it to Major General Idi Amin Dada. Within minutes of this announcement — five minutes to be exact — the streets of Kampala and other major towns were filled to capacity with rejoicing people. Packed lorries, buses, cars, and motorcycles, could be seen decked with green branches of trees and palms. It was the victory of good over evil, of justice over injustice, of freedom over oppression, of nationalism over factionalism, of life over death.

The soldiers gave 18 reasons for overthrowing Obote's regime, among them: corruption, nepotism, excessive taxes, detention of many people without cause, the perpetual state of emer-

gency, actions against intellectuals and people of integrity, lack of the basic freedoms of speech and association, tribalism, a government of words and promises without action, preaching of socialism while practising capitalism, development of Obote's own home district at the expense of the whole country. To wit: the Lango Master Development Plan 1967; the National Service Scheme which would require every able-bodied person to stay in camps away from his home for long periods of time of upto two years; and the General Service Department which was well equipped with modern weapons and whose purpose was to act as a counter-military force to the Uganda Army in case the latter thought of overthrowing Obote from power as also to look out for elements opposed to the regime.

But the penultimate cause of the coup was what is now popularly known as the 'Singapore Plot'; it is so called because Obote gave orders from Singapore to certain of his army officers to disarm soldiers of all tribes except of his own — the Langi, and the Acholi who are ethnically related to the Langi. One of the soldiers to be disarmed broke into the Armoury, using a heavy tank, and so helped the arming of all the soldiers. It was then that the soldiers decided to take over power and hand it over to Dada.



Playful Thoughts of Chairman Mao

Bonanza for Shareholders

Hansavivek

GOODYEAR INDIA made history when its board recommended a bonus issue on a one-for-one basis besides a total equity distribution of 47.5 per cent out of profits substantially lower than last year's and which actually left more than half the payment uncovered. The report does not say what prompted such extraordinarily generous treatment of its shareholders. The proposed gift shares will involve capitalisation of Rs 2.54 crores out of reserves and will rank fully for dividend from the current year. About two-thirds of the equity capital is owned by Goodyear Tire and Rubber of the US.

Decline in sales and profits is attributed to work slow-downs, increase in the statutory price of natural rubber in September last and rises in other manufacturing costs. Completion of new production facilities for bicycle and automotive tyres has been delayed due to the late arrival of both imported and indigenous machinery. The machinery is now being installed, and

it is expected that both the new plants will go into production during the current quarter. The company made good progress in its import substitution programme. Complex machinery for expansion projects valued at over Rs 1 crore was purchased from indigenous sources, besides a large quantity of spare parts hitherto imported. Warehousing and distribution facilities were expanded to meet anticipated expansion requirements.

SPECIALITY PAPERS, which has been experiencing financial stringency for a long time, has arrived at a settlement with James Finlay. The latter has agreed to accept repayment of the principal amount of about Rs 12 lakhs in instalments on the understanding that these are paid regularly. In case of default in payment, the firm has reserved the right to claim the full amount of interest and commission due to it along with the balance of principal to be paid. On fulfilment of this obli-

gation, Speciality would save about Rs 7 lakhs due by it by way of interest and commission. James Finlay has been associated with the company since its inception.

During its ninth year to September last, Speciality's plant at Vapi continued to be in operation since January 1970. Production was 655 tons of paper. The resultant fresh deficit raised the accumulated deficit to Rs 33 lakhs to stand against the share capital of less than Rs 18 lakhs. Output in the first five months of the current year was 364 tons, and the company expects to produce about 900 tons in the full year. A component of the creeping unit, ordered from West Germany in mid-1969, has been received now. Permission has been obtained from RBI for engaging foreign technicians to erect this unit. Erection work is likely to commence next month. Meanwhile, a scheme for expanding the existing unit to 4,200 tonnes of machine production has been submitted to Government.

CAREW has implemented recommendations of the second wage board award from November 1970, instead of

(Rs in lakhs)

The Week's Companies

	Goodyear India		Speciality Papers		Carew	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 30-9-70	Last Year 30-9-69	Latest Year 30-9-70	Last Year 30-9-69
Paid-up capital	254	254	17	17	44	44
Reserves	571	631	—	—	105	146.59
Borrowings	556	291	59	58	179	166
of which Term borrowings	378	150	26	25	15	18
Gross fixed assets	676	656	52	52	145	133
Net fixed assets	255	289	43	46	50	47
Investments	—	—	—	—	1	1
Current liabilities	261	231	12	13	83	62
Current assets	802	1051	9	11	360	323.83
Stocks	458	484	7	9	106	70
Book debts	283	323	1	1	46	42
Net sales	1967	2153	19	3	352	313
Other income	38	28	—	—	9	7
Raw material costs	1395	1428	9	1	141	129
Wages	149	133	2	2	35	32
Interest	32	21	4	3	15	14
Gross profit(+)/loss(-)	188	351	-2	-6	12	5
Depreciation provision	59	61	3	2	9	7
Tax provision	69	142	—	—	—	—
Net profit(+)/loss(-)	60	148	-5	-8	3	-2
Development rebate provision	4	8	—	—	2	3
Transfer to reserves	-57	96	—	—	1	—
Dividend						
Amount	121	44	—	—	P 1	P 1
Rate (per cent)	47.5	17.5	—	—	E —	E —
Cover (times)	0.46	3.18	—	—	P8.45	P 8.45
Ratios (per cent)					E —	E —
Gross profit/sales	9.55	16.30	—	—	3.41	1.59
Net profit/capital employed	4.34	12.58	—	—	0.91	—
Inventories/sales	23.79	22.48	36.84	300.00	30.11	22.36
Wages/sales	7.57	6.22	10.52	66.66	9.94	10.22

retrospectively from November 1969 as directed by the UP Government. It is stated that the Central Government did not increase the levy price of sugar in respect of the existing stocks to provide for the increased cost of wages and that the company was advised that the State Government's notification was *ultra vires* the provisions of the UP Industrial Disputes Act. The company filed a writ petition in the Allahabad High Court which stayed the operation of the notification insofar as it sought to give retrospective effect to the increased wages, pending disposal of the petition. During 1969-70, the Rosa sugar factory started crushing around mid-November and had to continue crushing till July 13 "under pressure from the State Government" despite "the fall in the recovery to around 2 per cent". The factory crushed 1.66 lakh tonnes of cane with an average recovery of 8.04 per cent, to produce

1.34 lakh bags of sugar. But the report does not give the comparative figures of cane crushed, average recovery obtained, or sugar produced in the previous year. It complains that sugar prices fixed for the central UP zone were "much below" the cost of production and that Government did not revise them in spite of representations from the industry. The loss suffered in the working of the sugar factory was erased by the improved working of the Asansol distillery which, with improvement in the supply of molasses, could maintain production at a satisfactory level throughout the year. The Rosa distillery also gave improved results following measures taken by the company and its distributors to counteract competition from large industrial alcohol distilleries in the northern markets. Equity dividend was skipped with a view to conserving funds.

FROM OUR CORRESPONDENTS

NEW DELHI

Reckoning Afresh with Labour

THE new Union Labour Minister, R K Khadilkar, appears to be keen to restore a measure of normalcy in industrial relations and to ease the deadlock in which the industrial relations machinery has been caught for nearly two years now. He has taken the initiative to hold a conference of representatives of trade unions outside the framework of the formal tripartite system which has nearly ceased to function. The conference is proposed to be held some time in May, and the Prime Minister is expected to attend it. The proposed conference is intended to initiate the dialogue with the trade union movement, to which a reference was made in the President's Address to the joint session of the two Houses of Parliament last month after the mid-term poll.

The idea of holding the conference is partly a response to the suggestion, made earlier by some of the influential trade union centres, that the Prime Minister should call a meeting of representatives of the trade union movement so that the deadlock, which had arisen in the Indian Labour Conference, could be broken. The session of the ILC, held before the idea was mooted, had been

boycotted by the All-India Trade Union Congress. The Hind Mazdoor Sabha, too, had threatened to boycott the tripartite bodies because of the manner in which their work was being conducted.

DOING WITHOUT THE TRIANGLE

The proposed conference will not be tripartite. It will be bipartite, involving only the Government and the trade unions. It will attempt to thrash out the outstanding issues and to achieve a consensus on the broad outline of industrial relations before the tripartite machinery is again activated. To make it as broad-based as possible, the conference is not to be restricted to the trade union centres represented at present on the tripartite bodies. Only four trade union centres are now given representation on the Indian Labour Conference and its subsidiary tripartite bodies, on the basis of certain criteria which determine accreditation of these bodies with the Government at the national level. The criteria appear to have become outdated, and they no longer reflect the state of affairs in the trade union movement in the country.

There has been growing realisation

of late within the trade union movement as well as in the Government that the present pattern of representation, of labour (and of employers) in official bodies, is inadequate and faulty. The trade union centres represented on these bodies cannot claim to be fully representative of even the organised trade union movement, much less of workers as a whole. With the increase in the number of trade union centres, with their allegiance to one or the other political party, trade union rivalry has further sharpened. The failure of the Government and the employers to resolve the problem of recognition of unions at the unit and industry level has only aggravated the problem. In addition, powerful federations of trade unions on an industry basis, many of whom do not affiliate themselves with any of the national trade union centres, have come up and have to be reckoned with. To restrict contact with only a few trade union centres, and to seek national level agreements on problems of industrial relations on that basis, can, therefore, hardly be effective.

Railways are a case in point. There are two recognised trade union federations in the railways, but neither is in a position to exercise effective control over railway workers or to enter into any agreements with the administration which are enforceable and will be respected by the workers. Wild-cat strikes and agitations have, therefore, become frequent and widespread in the railways. A similar situation exists in several other industries and industrial units, both in the private and public sectors.

HOPING FOR A BROAD BASE

It is for this reason that the proposed bipartite conference in May is sought to be made more broad-based than the official tripartite bodies are at present. Besides the four trade union centres — AITUC (CPI), INTUC (Congress), HMS (PSP) and UTUC (RSP) — others to be invited to the conference are the Marxist-led CITU, the SSP-led HMP and the Jan Sangh-led BMS. In addition, all-India federations, which function effectively in different industries, will also be invited. This might actually be the first move to reconstruct the official tripartite bodies in due course on a broader basis. This will pose considerable difficulties. The INTUC in particular is very jealous of its position and will not like anything which may give official recognition to other bodies in the trade union field.

However, the problem of industrial

relations and labour policy is far more complex than that of giving representation to the various trade union organisations. The present deadlock in the smooth functioning of the tripartite system of consultation and regulation of industrial relations itself is the outcome of problems which have remained unresolved for prolonged periods. The National Commission of Labour, too, failed to offer solutions which could be effective. The present situation in the tripartite bodies has in some ways stemmed from disagreements over the implementation of the recommendations of the Commission — in particular, the recommendation about settlement of industrial disputes and their adjudication by quasi-judicial bodies, which has found favour neither with the Government nor with the trade union movement, except to some extent with the INTUC.

RECOGNITION IS KEY ISSUE

The key issue, of course, is that of trade union recognition. Besides the reluctance of employers, in both public and private sectors, to give recognition to the most representative bodies of workers unless they are subject to management influence, the divisions in the trade union movement and the intense rivalries that this breeds make it very difficult to find an effective solution to this problem. The INTUC stand against determining the representative character of a union through secret ballot is not likely to be given up. But unless this is done, the problem of trade union recognition is bound to remain a serious cause of tension in the regulation of industrial relations and the elaborate machinery of tripartite consultation and judicial or quasi-judicial adjudication is bound to suffer from many limitations.

The increase in the volume of man-days lost on account of industrial disputes is indicative of the critical proportions assumed by the problem of industrial unrest. As has been noted, the total number of man-days lost on account of work stoppages due to industrial disputes between 1957 and 1965 varied from 3 million to 7.5 million. In 1966, the situation was aggravated and the number of man-days lost increased to as many as 13.85 million, i.e., more than double the 1965 figure. In the next two years, the number went up to over 17 million each year and in 1969 it exceeded 25 million. Though the figure for 1970 is not yet available, it is likely to confirm the im-

pression that the loss has gone up further.

The prospect does not appear to be very reassuring as matters stand. Organised labour does not appear to have found a place or role in the major policy planks of the ruling party and the Government. The talk of wage restraint, which is lately acquiring considerable importance in Government thinking, is causing much perturbation in trade unions and is not likely to be acceptable to them, except probably to the INTUC leadership. In the case of INTUC too, it can be assumed that whatever the formal position at the national level, at the unit level the INTUC leadership's capacity to restrain workers from making their wage demands will be found to be very limited. The AITUC and the HMS have already taken positions against any wage restraint. They are planning a conference of trade union centres and industrial federations to take a strong position in this matter, well before the conference with the Government to be held next month.

NO EASY AGREEMENT

While the position of the active and militant trade unions appears to be that a policy of wage freeze is in-built in the present policies of the Government, the Government's insistence on some commitment to production and productivity on the part of trade unions is likely to be firmer now after it has acquired greater political authority in the elections. Workers' agitations will not be allowed as liberally as in the past, and will also be handled more sternly. This may widen the gulf between the two sides in a conference of the kind planned by the Union Labour Ministry. It has often happened in the past that the good work of the Labour Ministry has failed to show practical results because larger questions of economic policy and management of the economy have run counter to such efforts at the purely trade union or labour policy level.

Leaving aside the larger questions of economic policy, however, the mishandling of labour problems at the management level can also prove disastrous. One such situation is now being witnessed at the Heavy Engineering Corporation at Ranchi.

For some weeks now the HEC has

been in the grip of serious labour unrest. Acting on a unilateral interpretation of a clause concerning DA in the 23-point memorandum of settlement between workers and the management, reached in November 1969, and disregarding even the award of the Bihar Labour Commissioner, the management has fixed a certain quantum of DA relief which is strongly disputed by the workers. Incidentally, political motives are difficult to assign to the workers' agitation at Ranchi since the agitation is spearheaded by the recognised Hatia Project Workers' Union affiliated to the INTUC. The agitation has taken the form of gheraos with counter-action through lathi charges and arrest. Several of the union leaders and active workers have been suspended from service. The agitation has since become intense and sharp.

The management of HEC appears to have a peculiar capacity to provoke agitations. On an earlier occasion, industrial relations had vastly improved, thanks to the initiative of the then chairman of the HEC. But during his brief absence from Ranchi, an agitation was provoked by an interested group. This group has since come to occupy top positions in the Corporation, after the chairman was made to leave under pressure. One of the reasons for the present labour unrest is that the present management wants to go back on all the agreements and commitments of the former chairman to the workers.

While, in the name of economies and to offset the losses suffered by HEC, workers are denied even ordinary demands, the management at the top is continuously being made top-heavy. The HEC, according to reports, is going through a merry spree of upgrading of senior posts, creation of new posts in the high salary brackets and transfers in key posts. It is believed that all this is being done to strengthen the hands of a clique in the management.

On the performance side, the record is as bleak as ever. None of the targets fixed for 1970-71 has been fulfilled in any of the three plants of the HEC and the losses are piling up. The total loss incurred by the HEC adds up to Rs 66 crores on an investment of Rs 250 crores. The effective utilisation of plant capacity does not exceed 13 per cent. The prospects for this year do not suggest any significant improvement. The result is that supplies from the HEC to vital projects like Bokaro are falling way behind schedule.

EAST BENGAL

Mukti Fouj's Two Fronts

Ashim Mukhopadhyay

THE arrival of fresh troops from West Pakistan to recapture lost areas and the formation of a six-member Cabinet of the Sovereign Democratic Republic of Bangla Desh are two very significant developments in the four weeks' war between the Mukti Fouj and Yahya Khan's army. The reason why the West Pakistani army has become so restless is not difficult to understand. In spite of being well fed and well equipped, they have been harassed and bottled up by a half-starved and unarmed people. Apprehending that the monsoon may make their condition more precarious and that they may have to die like starving mice in the besieged cantonments, the army prayed for help to Islamabad.

The formation of the Joi Bangla Government within just 48 hours of the arrival of fresh troops in this country is equally interesting. Although the Mukti Fouj still has control over a large part of the country, this has been achieved at a tragic cost, and there is some doubt as to how long they will be able to hold on to these areas. Shortage of war equipment and food, together with the absence of effective international support, has made the task of the Mukti Fouj more difficult. Although the people and Government of India have given their moral support to the people of Bangla Desh, they cannot violate international obligations and so cannot go beyond a certain limit. Hence some other alternative had to be discovered to keep up the morale of the people. It is in this context that the formation of the Government has to be seen. The Awami League leaders think that the setting up of the Government will create new hope among the people. The knowledge that henceforth they will have a government of their own is expected to inspire them to fight with greater zeal.

INSUFFICIENTLY ORGANISED

But even then the Mukti Fouj will have to face a number of difficulties. First, till now its organisation has not been strong enough to cope with the all-out offensive of a far superior enemy force. In many areas, it is now known, the Mukti Fouj could have routed the enemy had there been clear

understanding between the rank and file and their commanders; on some occasions the Mukti Fouj did not get arms in time; and in some cases confusion was created over the control of transport and ammunition. When I visited some places in Kushtia, the local EPR men said that although there were only a few jeeps and cars these were always under the control of Awami League volunteers who often used them without any definite purpose. According to these EPR men, this had created another problem, shortage of petrol which, to the Mukti Fouj, is as valuable as food and arms. There is much truth in these complaints. Most of the Awami League volunteers who are seen riding on motor cycles and jeeps and running hastily between the border and interior parts of the country do not have any purpose at all. They are self-styled couriers.

The intelligence system of the Mukti Fouj has to be made more broad-based and thorough. What has been done so far is to form small groups of villagers armed with muskets and lathis and to place them at strategic points. Although the results achieved so far from this system are not too unsatisfactory, they fall below what the situation demands. A relay system in which a particular item of news or a message can be sent from a distant war-front to the Mukti

Fouj headquarters is necessary, and the leaders are known to be thinking of building up something like this. The absence of a disciplined and quick courier service has enabled the conservative political parties to start propaganda in the rural areas in favour of the Punjabis.

POCKETS OF NO IMPACT

People in the hitherto unaffected areas have not yet felt the impact of the war. While I was at Satkhira (Khulna) I found people wasting their time in bazaar gossip. The local leaders also appeared indifferent about their duty to bring home to the people the gravity of the situation. I found only a few air raid shelters and barricades in the town.

Another problem which the Mukti Fouj may have to face soon is that of scarcity of food and outbreak of epidemics. Last year's cyclone and flood destroyed the *aman* paddy and saline water has temporarily sterilised the fields. To this have been added the ravages of the Pakistani army. Dacca, Jessore, Pabna, Rajshahi, Rangpur, Sylhet and Dinajpur districts have been severely strafed by the air force. The peasants there have suffered large casualties, their cattle have been killed and huts burnt down. Though their morale is still very high, they are in no mood to turn their attention to cultivation. The Pakistan Government has stopped export of rice to East Pakistan and also cut off internal supply of foodstuffs from Dacca and Khulna. Cholera has broken out in Dacca, Rajshahi and Pabna. In these

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by

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cities, decomposed bodies are still strewn on the streets. Another factor responsible for the outbreak of the epidemic is the disruption of the work of the medical teams who had been vaccinating people.

Conservative Muslims have been exploiting this chaotic situation. The Jamaat-i-Islami, the Convention Muslim League, the Jamaat-i-Ulema-e-Islam, and other organisations, have been asking the people to preserve the "integrity" of Pakistan and not to fight against the army. They talk of the dangers of breaking up Pakistan into pieces and warn that whoever supports the actions of the Mukti Fauj or joins them will be punished by Allah. At present the common people in Bangla Desh are not in a mood to listen to such talk and are determined to fight the enemy. But if they are pressed continuously by both nature and men, it is doubtful how long they will be able to resist the enemy.

UNEASY POLITICAL TRUCE

Formation of an exclusively Awami League Bangla Desh Government may also create some sort of misunderstanding between the League and other political parties who have joined the struggle. Symptoms of uneasiness are already visible. Although the pro-Bhashani NAP has given its full support to the Awami League, the League is still not free from suspicions about the NAP's sincerity. It seems the League has not yet forgotten their old rivalry. Some leaders of the League have also developed a superiority complex. At Chuadanga a prominent Awami League leader told me that as the people had voted in favour of their party the question of sharing power with other parties did not arise. Other political parties, he said, had supported Mujib's programme and had identified themselves with it. But things may not be so easy. A very prominent member of the pro-Bhashani NAP, who came to Calcutta last week, did not appear happy with recent political developments in Bangla Desh. He said that politics in the country had to be lifted from the squalor in which it had got bogged down and felt that this was as much a task for the Awami League. According to him, the pro-Bhashani Chhatra Union and the Krishak Samiti had been offering very stiff resistance since the beginning of the war, particularly in Rangpur, Dinajpur, Sylhet and Mymensing. The results of the fighting in these areas, he felt, could be more favourable for the Mukti Fauj had there been effective

co-operation between the Awami League and the NAP. He said that the Awami leaders hesitated to hand over arms to them for fear that they might not use these arms against the Punjabis but might store them up with some sinister motive. The NAP leader said that the Awami League's apprehensions on this score were baseless, since all parties were now united in Bangla Desh. They had forgotten their mutual enmities and hatred.

That the NAP leader's statement had some truth in it has been proved by the activities of the students. There are different student organisations in Bangla Desh, i.e., the Chhatra League (Awami League), the pro-NAP Chhatra Union (Motia Group), the pro-NAP Chhatra Union (Memon Group), the Gram Bangla Chhatra Union and the Chhatra Union (Marxist-Leninist) which consists of followers of Mohammad Toha. Although in the pre-war period these organisations clashed with one another and bitterness hardened, particularly between the Chhatra League

and the Chhatra Union (M-L) over the murder of some Awami Leaguers, at present they are sincerely co-operating against their common enemy, the army.

It is interesting that the East Pakistan Communist Party (ML) led by Mohammed Toha and Abdul Haq have also taken part in this war. Though still very young, the East Pakistan CPI(ML) has already organised itself on a solid footing in the Khalispur industrial area (Khulna) and in the rural areas of Jessore, Pabna, Dinajpur and part of Kushtia. Although the leaders of the Awami League seem to be sceptical about the activities of this party they have had to admit that these boys are one of the major bulwarks of resistance against the army.

But it can be said that, in spite of many handicaps, the Mukti Fauj has remained united and it is this unity which still keeps its morale intact. But as the forces of disunity have started to grow, the Mukti Fauj will have to open a second front against them.

UTTAR PRADESH

Consolidation of Anti-Jan Sangh Vote

A Closer Look at Congress Election Triumph

Balraj Puri

UP, the State that has produced all of India's Prime Ministers, returned the party of the present Prime Minister with a thumping majority in the mid-term Lok Sabha elections. But the popularity of Indira Gandhi and the fact that it was her home State are inadequate explanations of the phenomenon. Election results in UP have been influenced more by electoral strategies and alignments than by shifts in popular opinion. The Congress(R) victory is more due to consolidation of socialist, Muslim and Harijan votes — the traditionally anti-Jan Sangh vote — than to an erosion in the ranks of its opponents.

In terms of seats, the Congress(R) tally is indeed impressive. The party won 73 out of the 78 seats it contested. Of the five seats it lost, three were lost by narrow margins. It lost Gonda to Congress(O) by 631 votes and Kaisarganj and Kasganj to Jan Sangh by 2,600 and 1,600 votes, respectively. Of the seven seats that the party did not contest, six were left for CPI and the seventh for Muslim Majlis. CPI won five seats (including the

one by S M Banerji who contested as an independent from Kanpur) and lost the sixth from Banda to Jan Sangh by a narrow margin of 7,000 votes. In the communally surcharged constituency of Moradabad, where Congress did not put up a candidate but did not actively campaign for Muslim Majlis either, Jan Sangh won by a margin of 21,000 votes. Again, Congress(R) and candidates supported by it won in 30 constituencies in what may be called remote contests with margins exceeding 75,000 votes. In another 40 constituencies, its margin was fair, i.e., between 25,000 and 75,000 votes. Only in eight contests could the party be said to have won by narrow margins.

LARGE ABSTENTION

But to understand these results in the correct perspective and fathom the factors responsible for them, they may be looked at from another angle. Congress(R) secured slightly less than one crore votes out of a total electorate of 4 crores and 57 lakhs, which is less than 22 per cent. The SVD partners

got over 77 lakh votes or 17 per cent. About 7 per cent of the votes were shared by smaller parties and Independents. While Congress(R) got less votes than all the non-Congress parties put together, it had an edge over the SVD partners. As this edge was uniformly spread, its cumulative effect was to produce a landslide victory in terms of seats. Thus on an average a Congress MP needed 1 lakh 37 thousand votes to win, while his rival belonging to SVD parties required 13 lakh votes.

What, however, really tilted the scales in favour of Congress(R) was the confusion and indifference among 54 per cent of the electorate which did not vote. One explanation of the behaviour of such a large percentage of voters is that the partners of the alliance — Congress(O), Jan Sangh, Swatantra and SSP — could not transfer all their votes to one another, after adjustment of seats. The adjustment, in fact, left many voters without a candidate or a party of their choice. The Maniram Assembly by-election had already brought home this lesson. The alliance partners, in fact, succeeded in pooling more their weaknesses than their strength. SSP, for instance, was not only unable to transfer its support among backward classes or Muslims to Jan Sangh, it could not retain some of it even for its own candidates on account of its alliance with the Sangh. Likewise, Sangh lost some of its support among the lower middle class on account of the pro-capitalist image of its Swatantra ally. Again, the identity of Congress(O) was confused by its links with Jan Sangh and Swatantra to the detriment of its share of traditional Congress votes.

CRISIS OF IDENTITY

Other parties, too, suffered a similar crisis of identity. BKD which rose to sudden glory in the mid-term Assembly poll in 1969 as a champion of the aspirations of Jat-dominated west UP, lost heavily as it pretended to function as an all-State and an all-India party and as regionalism and caste became less effective factors in the Lok Sabha elections. For PSP, and to some extent SSP, it was difficult to distinguish their socialist slogans from those of Indira Gandhi. For the same reason, CPI could not get a single seat where it was not supported by Congress(R).

Thus all parties except Congress(R) have lost popular vote as well as seats in comparison with their performance in the last general election. Jan Sangh,

which had polled 47,79,540 votes and won 12 seats in 1967, got 25,24,227 votes and 4 seats this time. SSP had won 8 seats and polled 22,37,143 votes in 1967; this time it did not win a single seat and its share of the popular vote slumped to 8,42,868. BKD, which had polled 49,89,116 votes in the mid-term elections for the Assembly, got only one seat and 26,11,118 votes in the mid-term Lok Sabha poll. Swatantra suffered a more precipitous fall from over one million votes in 1967 to less than ten thousand votes in 1971.

Congress(R) does not seem to have gained much in terms of votes from the losses of any of these SVD parties. Nor are these losses an exact measure of the decline in their popularity. The losses can be mainly accounted for by a larger number of abstaining voters and lesser number of candidates fielded by each party. Jan Sangh, for instance, contested only 37 seats this time against 77 in 1967 while SSP contested 25 against 41 last time. Thus while Jan Sangh's total vote declined by 22 lakhs, in the 37 constituencies that it actually contested this time, the decline is only around 4 lakhs, which again is confined to about a dozen constituencies. In the remaining 25 constituencies, the party has held on to its previous strength. But in the 40 constituencies which Jan Sangh did not contest this time, it could not transfer all its votes to its allies. In the case of SSP and Congress(O) the problem of transferring votes was far more difficult in view of their less organised cadres and smaller ideological distance from Congress(R).

The source of Congress(R) gains can be more easily identified in the loss of votes suffered by PSP, Republican Party and Independents. As compared with the last elections their share of votes declined from 5,18,561 to 47,334 (PSP), 9,46,003 to 52,719 (RPI) and 36,65,150 to 17,34,880 (Independents). If we presume that the decline in the votes of Independents was shared almost equally by Congress(R) and the rest, in accordance with the general pattern of voting in the State, the net shift of popular vote on the above counts in favour of Congress(R) would be around 23 lakhs. The actual Congress gain over the votes polled by the united party in 1967 is 26 lakhs. Congress(O) has now polled 17 lakhs. It is hardly possible to estimate how much of this vote is out of the traditional Congress support and how much out of the support of its electoral allies.

HARIJAN AND MUSLIM SUPPORT

In any case, whatever the size of the slice that Congress(O) cut out of the common heritage, it was more than made good for Congress(R) by more whole-hearted support of the Harijans and Muslims this time. Despite poor overall polling, the Harijan turnout improved due, *inter alia*, to the provision of separate polling booths for them. As the important leaders of Republican Party worked for Congress(R), the splitting capacity of what remained of the party was crippled. Congress(R) won not only all the 18 reserved constituencies, a scheduled caste supported by it won from a general seat also. Again, while the overall share of the party in the total votes polled was 48.6 per cent, in the reserved constituencies it got about 60 per cent votes. While Congress(R) got 22 lakh votes in these constituencies this time against 16 lakhs secured by the united party in 1967, the share of all other parties declined sharply. Jan Sangh's vote in Scheduled Caste constituencies was halved from 8 lakhs to 4 lakhs, SSP's vote was reduced to one-fifth from about 5 lakhs to 1 lakh, PSP's vote came down from 1,38,165 to 18,763 and RPI's from about 3 lakhs to less than 12,000 in the same period.

Equally massive support from the Muslim community to Congress(R) finally turned the scale in its favour. Muslims were basically anti-Jan Sangh and for that reason anti-alliance. For it was the Jan Sangh which, with an organisation superior to those of its partners, had shaped the image of the alliance and had come to be recognised as the main contender for supremacy in the State. In a bid to thwart it, Muslims flocked round Congress(R). They preferred Hindu Congress candidates to their co-religionists on other tickets in order to avoid splitting the anti-Sangh or anti-alliance vote. It was for this reason that the influential Muslim Majlis did not poll more than 36,000 votes in the six constituencies it contested, one of which was left vacant by Congress. That this particular seat, i.e., Moradabad, was one of the four seats won by Jan Sangh confirmed the calculations of the Muslim voters elsewhere that it was the Congress and not any Muslim party that could defeat the Sangh.

POLARISATION, NOT SHIFT

The upshot of the above analysis is that while the anti-Congress vote either remained intact or became confused

and indifferent, the anti-Jan Sangh vote was mobilised behind Congress(R). It is polarisation of opinion and not any significant shift in it that is responsible for the debacle of the Sangh-dominated front. For in a State like UP, with 15 per cent Muslim and 20 per cent Harijan populations, the strategy of common fronts and straight contests against Congress would always boom-crang on the Sangh and on fronts supported by it.

In analysing the behaviour of voters in the general elections of 1967, Rajni Kothari comes to a similar conclusion on the basis of data collected by him. His data do not show, he says, that, if Congress is faced by a united opposition ("straight contests") it fares any worse than when it is faced by a fragmented opposition ("multiple contests"). If anything, he adds, the facts point in the other direction (*Economic and Political Weekly*, Annual Number, January 1971).

One exception to this rule, however, is that Jan Sangh flourishes in straight contests against Muslim or communist candidates. It is no accident that out of the four seats that the Sangh won, in two, Moradabad and Kasganj, its main rivals were Muslim candidates, and in the third constituency, Banda, it was pitted against a CPI candidate. In the fourth seat that the party won, it was a quadrangular contest, with Congress(R), BKD and SSP. The lone seat that BKD won was also against a Muslim Congress candidate in Aligarh, in a nearly polarised contest.

Again, it is interesting to note that out of 30 remotely contested seats, where the margin of victory exceeded 75,000 votes, in 24 the contest was for all practical purposes straight, (i.e., where apart from the two main contestants, every other candidate got his security forfeited). In 32 more constituencies, where third candidates did not matter, the margin was fair, i.e., between 25,000 and 75,000 votes. In only 8 more or less straight contests was the margin narrow. Out of them, as stated above, in four constituencies, Rampur, Moradabad, Kasganj and Aligarh, Congress(R) was supporting Muslim candidates and in the fifth it was backing CPI. In two constituencies the sitting MPs belonged to Jan Sangh and in a third to Congress(O).

While Muslims, singly or in combination with Harijans, cannot face any caste-Hindu dominated party, they can decisively influence the fortunes of political parties in at least 65 out of 85 Lok Sabha constituencies. A

coalition of Muslims, Harijans and about 25 per cent caste Hindus can always sweep the polls in UP. But while most of the Muslims and Harijans are in this coalition for a negative reason, i.e., to defeat Jan Sangh, caste Hindu commitment is not so categorical as to get any Muslim candidate elected. In the recent election, the strength of the coalition lay in its being led by Indira Gandhi and in the rationalisation of its sectarian interests in secular and

WEST BENGAL

Suppression of CPI(M)

NEW tensions are building up in emotionally surcharged West Bengal. The epochal events across the State's eastern border have stirred the Bengali people as nothing had ever before. The sorrow and anger at the inhuman brutalities perpetrated by the Pakistani army are matched by a tremendous pride in the unparalleled heroism of a practically unarmed people. Although all sections of the Bengalis in the State are equally eager to come to the aid of their stricken brethren in Bangla Desh, the immediate effect of the stormy developments in the eastern part has been a further sharpening of the internal conflicts in the western part. A characteristic expression of the deepened cleavage is the formation of two 'Aid Bangla Desh' Committees — one under the chairmanship of the Chief Minister, Ajoy Mukherjee, and the other headed by Jyoti Basu. The setting up of the rival Committees signifies more than a division of efforts in a common cause — it epitomises two opposing tactical objectives, at least in the internal politics of West Bengal.

OFFENSIVE LAUNCHED

The tactical orientation of the first outfit was clearly evident in the mass meeting held at the foot of the Saheed Minar by the parties of the ruling 'Democratic Front'. Speakers of the various constituent parties, one after another, paid tributes to Mujibur Rahman's leadership of the people of Bangla Desh only to contrast the Awami League's policy of 'nationalism' with the policy of 'class cleavage' pursued by the CPI(M) in West Bengal. Indeed, in view of the possible unsettling impact on West Bengal of the happenings in the neighbouring country, geographically and in other ways so

socialist slogans. The election results could have a sobering effect on the majority of caste Hindus, who voted against Congress, and bring home to them the importance of minority votes. But the results as such reflect the heightened consciousness of separate interests and identity among caste Hindus, Harijans and Muslims and are in no way a measure of a triumph of the secular spirit in the country's biggest State.

close to this State, the main constituents of the present coalition, and their patrons in New Delhi, are today very acutely exercised over their old problem of containing and defeating the challenge represented by the CPI(M) and its mass bases. The coalition government has lost no time in addressing itself to this task.

The installation of the new cabinet, largely eclipsed in the public attention by the more momentous developments across the border, was followed by a talk by the Chief Minister, who also holds the Home portfolio, from the Calcutta station of the AIR in which he launched his political offensive against the CPI(M). While the prohibitory orders under section 144 of Cr PC have been utilised by the Government to deny the CPI(M) any opportunity to activate its ranks in protest demonstrations and meetings, the police aided by the CRP has been systematically carrying on its so-called 'combing operations'. This means that large areas are cordoned off for hours and hundreds are taken into custody after widespread searches in the encircled area. In this way large-scale arrests are taking place almost daily and CPI(M) activists constitute the biggest chunk of those detained. The CPI(M) organs have also reported sinister conspiracies to murder the party's leaders and MLAs. Whatever the truth of these allegations, the fact remains that despite all the 'combing' and seizures of arms, the campaign of violence and murder has not abated in the State. Only the newspapers have started playing down the incidents since the assumption of office by the coalition government. The victims of violence include a wide assortment of individuals ranging from a High Court judge to jotedars, but the share of

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CPI(M) cadres among them is numerically the largest.

CPI(M) RANKS RESTIVE

Though smarting under the assault, the CPI(M) leaders have so far acted with restraint. They have confined their counter-moves to the issuing of press statements, demanding permissions to hold mass rallies and protesting against mass arrests of the party's activists. The party has also demanded the summoning of the State Assembly session.

But the CPI(M) ranks are getting restive. Their anger is finding expression in the picturesque slogan *Yahya Indira Ek Hai*. Drawing parallels from the Pindi-Dacca drama, they point to the 'manoeuvres' to keep their party, the largest in the State Assembly, out of power, the continuing patrolling by army trucks with guns at the ready, the denial of democratic rights to hold peaceful assembly, and the filling up of the 'concentration camps' with CPI(M) prisoners without trial. While the party's leadership has not fallen for so simplistic an analogy, the post-election developments have offered it little inducement to modify the party's stand about the 'semi-colonial' rule exercised by New Delhi over West Bengal. The impact of the developments in Bangla Desh on the mass base of the CPI(M) has thus on the whole strengthened the

SOUTH

The Unstated Case for Autonomy

Mohit Sen

EVERYBODY seems to be in favour of greater economic autonomy for the States and for the ending of the concentration of economic power at the Centre. It is, surely, a matter of interest and even concern that at the recent FICCI meeting some of the most prominent representatives of Indian big business insisted that questions of industrial allocation and licensing should be transferred to the States. They made the proposal, it is stated, in the interest of speed, of swift disposal of applications. The Birlas are also known to be advocates of greater decentralisation, even though their representatives were conspicuous by their absence from the FICCI conclave.

It used to be assumed that the Marwari-Gujarati big capitalists were the main force behind the trend towards

urge for a confrontation with the Centre.

The Union Government and its outposts in West Bengal have been caught on the horns of a dilemma over the current happenings in Bangla Desh. The victory of the Mukti Fouz (which will increasingly assume the character of a peasant army) in the east cannot but have a powerful impact on the adjoining areas of the Indian Union, particularly West Bengal and Tripura. This impact can only serve to strengthen the urges and forces that sustain the CPI(M). So any effective help towards the victory of the liberation struggle in Bangla Desh will only add to New Delhi's own headaches. On the other hand, anything that might appear as a let-down of the life and death struggle of the 75 million Bengalis in the east will surely forfeit the meagre fund of goodwill still enjoyed by the Indira Gandhi leadership in West Bengal and will ultimately bring grist to the mills of the CPI(M). Only a serious crippling of the CPI(M) in the first instance will give the Union Government and the forces it represents the elbow room for pursuing a policy in regard to Bangla Desh that is dictated by the relevant geo-political considerations.

The CPI(M) leadership is not unaware of the implications of the situation.

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centralisation of power visible in the Constitution as well as in the policies and actions of the ruling party. And there was and is a good deal of truth in this contention. But this is not the only aspect nor the only trend. Evidently, sections of big business in India are thinking of attempting a simultaneous flanking action, of working for a dispersal of powers that would enable it to acquire greater strength for a future confrontation.

ATTACK ON CENTRE'S POWERS

It is against this background that it is interesting to find that the Chief Minister of Tamil Nadu and some of his closest associates have again pleaded for greater autonomy for States in economic affairs at a recent seminar in

Madras. Justifying the establishment of a State Planning Commission, a strong attack was launched against the dictatorial powers assumed by the Centre in the sphere of economic policy and decision-making. Many of the arguments were familiar enough. For example, it is a matter of long controversy that the settlement of industrial disputes in Central-sector projects is outside the purview of the States. There is an added urgency to this controversy in Madras where the dock strike has been on for quite some days. Another example is the inordinate delay caused by the fact that even for projects sanctioned by the Central authorities and falling in the sphere of the States, it is necessary to seek authorisation from New Delhi at every stage of implementation. And the list can go on being added to.

The issue is an old one — as old as the establishment of the quasi-federal polity of India. It has surfaced again following the rather strange outcome of the mid-term poll. As far as the Lok Sabha is concerned the Prime Minister and her party have secured an overwhelming mandate. But not a single new State has been won back after having been lost in 1967. Nowhere is this fact more strikingly evident than in Tamil Nadu. The enormous majority in New Delhi cannot conceal the fact that in Madras not a single Congress MLA is in sight. If the DMK benefited from the 'Indira hawa' it is certainly also a fact that many of the Congress MPs from this State would not now be adorning the Lok Sabha were it not for the skilful campaign and powerful organisation of the DMK.

If it is galling for the Congress that not only does its writ not run in Tamil Nadu but its local leaders have conspicuously little influence there, it is no less galling for the DMK that in New Delhi it is beyond the pale of power. It has to operate there through the Congress.

It is this odd combination of circumstances that has revived all the old controversies and given an added strength to them. And it is this peculiar imbalance of regional political power and the mainstream of national power that needs to be attended to if the undoubted economic problems are to be properly tackled through an alteration of the Constitution. The pressure for a Centre-Left alliance and coalition emanates from the compulsions of the objective situation and cannot be easily obviated, not even with over

\$50 MPs at one's command.

While due attention has to be paid to this facet of the problem, it will not do to overlook the fact that the States do have powers for economic growth which they are very far from utilising as fully as they can. It would be quite wrong for them to evade the problem of raising resources within the State either by passing the buck to the Centre or by relying on big business houses to bring capital, equipment and expertise. Any analysis of the working of the big business houses would reveal that they seldom bring in much while they always take out very much more than they bring in. What looks like a gain is more truly a part of the denuding process.

The States have the possibility of raising resources, above all, through the imposition of a steeply graded agricultural income tax. This would

serve simultaneously the aim of economic growth as well as of equity. Economic growth not only in the sense of giving more resources to State governments but of reducing the power of one of the most counter-productive forces in the country, more particularly as far as the States are concerned.

In addition, at the level of the State it should be possible to bring into being a pattern of growth of public sector enterprises and small- and medium-scale private firms which would augur well for the national economy as a whole. There may be need for more autonomy to be able to accomplish this but it is only when the case for autonomy is placed in the context of the desire for such accomplishment that it will acquire overwhelming support. But this is sadly neglected by the champions of autonomy, not least in Tamil Nadu.

RANGOON

On the Eve of Change

Harish Chandola

IN SPITE of chronic shortages, rampant blackmarketing and deep economic depression, a spontaneous uprising in Burma is unlikely. The reason is that the Burmese people are not likely to starve; the fertile Irrawaddy and other river valleys invariably yield enough rice to feed them. The requirements of the Burmese peasantry are few, and as long as there is something to eat, they are not going to rise against any kind of government that might be in power in Rangoon.

But that does not mean that the present military rule in the country will continue indefinitely. There are other factors, besides popular uprisings, which change governments and some of them are now at work in Burma. After all, the present military Government itself assumed power through a *coup d'etat* and not through a popular upsurge.

The continued ill-health of General Ne Win, the absolute ruler of Burma and Chairman of its 13-member Revolutionary Council, now provides possibilities for other groups to make a concerted bid for power. The most prominent section opposed to the present military rule is the group of the former Prime Minister, U Nu, which, from exile in Thailand, has been trying to bring various tribal revolts under one political command and control. But

before describing the activities of U Nu's group, let us examine the position of the present ruling group.

Ne Win has, for the past nine years, kept all political power to himself. He has appointed deputies and day-to-day administrators from the army but never allowed any of them to emerge as a potential leader of either the army or of the country. Whenever he has suspected that one of his deputies was becoming a leader in his own right, he has promptly retired him, or sent him on leave abroad or posted him out as an ambassador. The attempt obviously was not to allow anyone to reach a point in his career where he could become a rival to the General. This method has prevented the emergence of able army officers in the Government who would be able to continue military rule after Ne Win.

LIKELY RIVALS DISMISSED

There have been several military leaders who, when they were about to reach the zenith of their power, were either retired or sent out. As soon as somebody showed ability or even promise, he was promptly got rid of. The last to be retired was Brigadier Tin Pe who had acted as the Chairman of the Revolutionary Council in the ab-

sence of Ne Win. He was first sent for minor medical treatment to Edinburgh and when he returned at the end of last year, he found that he had no job. The latest Burmese Gazette says that Tin Pe has also resigned his commission in the army. Earlier, Brigadier Maung Maung was retired and before him, Brigadier Aung Gyi, who had also acted as Head of the Revolutionary Council. Yet another member of the Revolutionary Council who had shown great promise in the economic field was dismissed recently. He was Colonel Tan Yu Saing, Head of the Myanma [Burma] Economic and Industrial Corporation, who had negotiated rice and jute agreements with India and Pakistan. He fell because he was the brother-in-law of Tin Pe.

So today when Ne Win is spending much of his time in hospitals abroad, Burma does not have an established army leader to take over control of the military hierarchy governing the country. Brigadier Saun Yu who has just stepped into the shoes of Tin Pe, as deputy to Ne Win, is too new to assume complete and absolute control of the military Government if Ne Win departs from the scene suddenly. Ne Win has been ailing for quite some time and is now in Britain receiving treatment for a heart ailment and also for a bleeding peptic ulcer and enlarged prostate gland. It is unlikely that he will in future be able to rule the country single-handed, as he has been doing so far.

U NU CONFIDENT

In Bangkok, U Nu and his associates told me that by the end of this year they would be in Rangoon. By that time, they said, either Ne Win would have died or the units of their United National Liberation Front would have captured the capital city. From exile in Thailand, U Nu has managed to bring together elements of four major tribes in Burma which have been in open rebellion against the Ne Win Government. These major tribes are the Karens (who constitute 7 per cent of Burma's population), the Shans (6 per cent), the Chins (2 per cent) and the Mons (less than 2 per cent). The United National Liberation Front, formed last year under the patronage of U Nu, consists of the Burmese Parliamentary Democracy Party (which is the ethnic Burman component of the Front), the Karen National Union, of which Mahn Ba Zan is the President (he is also the President of the Front), the New Mon State Party, of which

Nai Shwe Kyin is the President, the Shan State Army, of which Yang Kyin Sein is the commanding General and the Chin National Democratic Party, of which U Maung Tling is the President. Another large tribe, the Kachins, have not joined the Front because they want to fight for complete independence.

The Front has bought 2,000 new M16 rifles and forty M70 grenade and rocket launchers in South Vietnam. Its constituent units have some arms and ammunition from before (the Karens have nearly five thousand .303 rifles with them). On April 1 this year, the Front held its annual conference at Palu, in Tenasserim Division of Burma. At the conference it was agreed that the Front now had enough arms to hit hard at the Burmese Army and the period of preparation was over and that the Front units should launch a full-scale guerilla struggle. The Front has many men trained in demolition work which is going to be the main tactic of its units. By blowing up bridges and railway lines the units could seriously disrupt the Burmese Army, which they could not do, at the moment, with other methods like frontal assaults.

To show that they had started their guerilla struggle in earnest, the constituent units of the Front staged a series of incidents in March and April. On March 15, they blew up a pilot train on the Martabanjye Railway in Tenasserim Division, killing about 30 soldiers. On March 17, in six ambushes they decimated a Burmese Commando force (Special Force No 104) near Kalinyang, in the tail of Burma. On April 6, units of the Front blew up a road bridge between Myawaddi and Kawkaireik.

Asked, if by these tactics the Front would be able to dislodge the Burmese Army from power, the Front leaders told me that they were not fighting the Burmese Army as a whole. They were only fighting Ne Win. If he was not on the scene, the situation in Burma would change. They claimed that they had excellent connections with the Burmese Army and certain elements in it actually supported the Front. Bo Let Ya, now with U Nu and the United National Liberation Front, was, after all, the father of the present Burmese Army. He was Burma's first Defence Minister and it was he who had selected and sent the present high-ranking officers of the Army for training. Also the former Vice-Chief of Staff of the Burmese Army, Kya Doe, and the former Chief of Staff of the Burmese Air

Force, Clift, were with the Front now and they had their connections with officers in the Army and the Air Force. The men who were now training the Front's guerillas in demolition and other methods of fighting were former sergeant-majors of the Burmese Army. The Burmese Army was composed of their kith and kin, the Front leaders claimed. After the Front had conducted a few successful campaigns,

LONDON

Tory Nationhood Defined

Farrukh Dhondy

THE Immigration Bill now being read in parliament is, apart from being a gesture to a restless electorate, a note towards the definition of Tory nationhood. It gives legal shape and sanction to the sort of distinction that Kipling drew between his wolf pack and the 'bandar log', between the British and their kith and kin and those 'lesser breeds without the law'. The bill sets out to restrict the rights of non-white people living in this country by imposing restrictions and obligations upon them and by so doing to alter the relationship between people from the 'New Commonwealth' and the so far silent majority of these islands.

Several clauses of the bill belie its ostensive intention to reclassify Asians, Africans and Caribbean people and put them on a par with other foreigners. The preamble to the draft of the bill says that it seeks to abolish the privilege of Commonwealth status and to regulate the entry of aliens into the country. Reginald Maudling, the Home Secretary, shedding a few crocodile sentiments in the houses of parliament about the cruelty of designating people as 'aliens', has invented the more functional status of 'patrials' and 'non-patrials', those who belong to the Vaterland and those who don't. The word will technically include true-blue Britons and all others who have a genetic connection with the race through parents or grandparents. This definition finds a neat if somewhat transparent way around the embarrassment of reassuring Rhodesians, South Africans, etc, that the bill is not aimed at them. The non-patrials will include Europeans, but only until Britain is allowed into the EEC and signs the Treaty of Rome which will oblige her to give non-discriminatory working status to the populations of member states. Clearly, the

one would see that several officers and men of the army would come over to the side of U Nu, they said.

It cannot be said that the Front is altogether wrong in its calculations. Much depends on how the Front puts its calculations into action. There is sympathy in the country for U Nu, and if he can bring about a change of government, it will certainly not be opposed by the people of Burma.

non-patrial class will include all black people in Britain and those Asians, Africans and Caribbean people who wish to come here, with or without British passports.

The anomalies that slip through the net of this definition have been caught and cooked by the Opposition. James Callaghan, former Home Secretary, pointed out that under the bill large numbers of Anglo-Indians will gain a right of entry. The Jamaican High Commission chose to take up minor points of discrimination and object to them. It brought to the notice of the government that the alien status will be in fact unequally applied as the bill will allow people who are at this moment aliens to argue a case for settlement if they turn up at a port of entry without entry documents, but stop former Commonwealth citizens from doing the same thing.

But an argument over entry and rights of entry disguises the intent of the bill. Despite all the attention that it gets, this issue of entry is a red herring. Over the last five years no appreciable number of people from the black Commonwealth have in fact emigrated to this country. For at least two years now, the numbers of people able and willing to move to Britain have been significantly less than the number of work vouchers the government has made available. As far as entry is concerned Britain has admitted and will continue to admit the labour force she needs to supplement the muscle and skills of her own population. She has long recognised that the machinery for regulating this flow already exists.

The Bill doesn't then significantly alter the numbers of people entering but lays down regulations for their treatment once they're here. It will

make legal several of the malpractices already in operation. After the bill the Police and government bureaucracies will have several vaguely defined powers. The only control over these powers will be exercised by the Home Secretary of the day, in the immediate case Reginald Maudling, a man who owns, incidentally, shares and stocks which give him directorship of South African firms. In a statute resembling the law of that country, the immigrant entering the country after July will have to carry a pass stating his particulars of work, entry and permitted period of residence. The bill also permits any other measures necessary to such classification to be taken. Of course the police get concomitant powers of stopping and searching black people, who will presumably not have their date of entry into the country stamped on their foreheads. The law will leave black people open to police harassment as it puts the onus of proving their legality on them. Take for instance the eighteen-year-old black school-leaver who, having been born here, takes London for home. He hasn't a passport because he's never left the country, and he hasn't a birth certificate because the headmaster of his school took his parents' word as good when he entered. Under the law it is upto the young man, who can be kept in custody, to prove that he is a patriot. Just as the dangerous drug law has provided police with an excuse to carry out a psychological vendetta on black people giving them the power to stop, search, arrest without charge or warrant, this law will hand over to the police heavy ammunition to carry on.

ENOCH'S DREAM

Aliens will also be obliged to register regularly with the police in order to ensure that people admitted for a specific time and for a specific job are sticking to their contract of entry. These extra powers will make the relationship between the immigrant communities and the police even worse than they are, if that's possible. In Notting Hill and Brixton and in Wolverhampton, the police roam the streets in special patrol wagons picking up black youths on all manner of 'suspicion'. Young black people realise that there is a special attitude reserved for them in the station where they are frequently taken, insulted, called 'niggers' and brutally beaten. Attempts to organise against such repression bring down more repression and consequently

stronger determination to organise. The police realise this and have objected to the new duties the bill will impose. They probably feel, as some political personalities (Enoch among them) do, that the day is not far when they will be hard put to it to pacify black areas which they will have to patrol and enter across barricades of hatred.

When the ghettos get too hot and the jails too full, the government can resort to the safety valve it has built into the machinery of the bill — the deportation clause. It requires that any black man and his family become liable for deportation if he is found guilty of an offence which carries a penalty of six months imprisonment, or if his behaviour is in any way deemed as being against the public good. The decision to prosecute and the scope of such a prosecution is left to the Home Office. Another clause permits the Home Office to pay the passage of the family being expelled. Enoch's dream comes true.

GROWING AWARENESS

Taken in conjunction with the Industrial Relations Bill, the aliens bill will mean that black people will not be able to register with any union that keeps itself off the official list as a protest against the Tory measures. Membership of or activity within such a union can easily be seen as prejudicial to the national interest and can lead to

deportation. It is time the unions took a hard look at the bill and began to see this as partly their issue. But then the unions in England have never seen their industrial actions as part of or steps towards a class war and so can't be expected to take a clear stand against these several Tory programmes which add up to an ugly word. The Labour party has consistently refused to provide a leadership on these lines. They have indeed laid the foundations, when in power, for them.

One thing the proposed bill has done. It has brought together several immigrant groups in opposition to it. Organisations like the West Indian Standing Conference, the Universal Coloured Peoples' Association and others who had spent their time and support trying to gain rights of passage for black people through the system are now united behind slogans such as 'Power to the People', slogans which one only heard from the more militant groups as little as a year ago. The Black Peoples' Alliance, a convener of parties such as the Indian Workers' Association and the Black Panther Movement called a demonstration two weeks ago. There were ten thousand people on the streets demanding the withdrawal of the bill. Awareness grows, and if these organisations can bring out ten times that number they may force even this regime to retract or to stand exposed.

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Missing Melodrama

Nireekshak

SINCE the split in the Indian National Congress, the Press has followed every move of the two divided AICC's with extraordinary attention. AICC meetings had become gatherings of the clan in every sense of the term, and the Press discovered to its delight that political high jinks, dramas and melodramas of a kind were never far away from an AICC camp. It is no reflection on the continued watchfulness of the Press, or even on the histrionic abilities of AICC members, but this phase of extra-sensitive interest in recent AICC meetings is probably now coming to an end. The general election seems to have seen to that, whatever other issues it may or may not have settled. No doubt the first post-election meeting of the AICC(R) held some special interest for the Press, but the feverish enthusiasm and eager anticipation of earlier days are clearly things of the past. It could not have been otherwise. As the election results had already been analysed, assessed and evaluated by everyone before the AICC(R) met to take stock, interest lay mainly in the prognostications for the future.

According to *National Herald*, though, the "main value" of the session was the opportunity it provided for "a convenient get-together for reaffirming pledges and promises". Yet it was not resolutions that mattered, it asserted, for they can only make "piece-meal pronouncements on the social revolution", but "the totality" of things like "agricultural development, industrial growth and employment programmes". Some other comments gave the AICC(R) even less credit for its work. "For all practical purposes," wrote *Hitavada*, "all that the New Delhi AICC session of the Ruling Congress has done is to give an assurance that the earlier assurances given by the party would be redeemed. The party should have utilised the opportunity to tell the people the manner in which it would redeem its election promises. This it has not done...". Perhaps it was "the post-election ennui" that was responsible for the session being "not exciting enough", commented *Tribune*. May be also, it said, that the "leadership's realism has not been affected by the poll euphoria". In any case, the paper argued, the "real test of the rul-

ing party's courage will not be in the implementation of popular programmes like the abolition of privy purses and curbing of monopoly in industry and trade...[but] in choosing the right priorities and sticking to them".

However the most trenchant criticism of all was to come from *Deccan Herald* which, while noting the "dutiful incantations about socialism" at the Delhi meeting, asserted that "it has not produced a coherent socialist programme". With the "massive mandate" it has received in the election "the party has been put squarely on its mettle and it will be judged by its performance and not its promise... and there is no alibi for failure". Detailing the history of what it called the "hiatus between policy and its execution" the Bangalore daily went on to say how "some of the amorphousness of composition and doctrine that bedevilled the undivided Congress" continued to cling to the party. It was necessary for it now to "shed this ambivalence if it is to move forward from 'tokenism' to the actual translation of words into deeds".

Though the Press took time off in this fashion to give a quick onceover to the AICC(R), its main preoccupation was still East Bengal. Daily editorials were the order, particularly in *Times of India*, while accounts of reporters who had crossed the border to investigate the conditions in Bangla Dosh enlivened the news columns. The burden of editorial opinion, as before, was that it was impossible to militarily put down the revolt in East Bengal. The iniquity of the international community in failing to condemn and halt the "genocide" there, and the urgency of recognition, particularly by India, of the provisional Government of Bangla Dosh were also subjects of editorial comments. It looks, from the date-lines of reporters' dispatches, as though the whole of East Bengal is ringed from the Indian side by an army of reporters, who apparently also make occasional forays into the new state. Ajit Bhattacharjee's accounts in *Times of India* of one such foray were specially noteworthy for their relative sobriety and respect for facts.

Another event which seems to have elicited almost universal interest du-

ring the period under review is the 24th Congress of the Soviet Communist Party. To what extent, if any, editorial minds may have been stimulated by the copious reports of the Congress proceedings that had been placed in several newspapers as advertisements, presumably by the Soviet mission in India, is uncertain. But if *National Herald* is to be believed, though perhaps it cannot be in these matters, the Soviet Communist Party "is again the party of Lenin" free from "the distortions it suffered during the Stalin period". Whatever Lenin might have said to that, *Hindustan Times* detected only a "softer note" as well as "certain trends — not necessarily new but clearer than before" emerging from the Congress. One of these trends, it observed, was the decision to raise "the living standards of the people, including their cash incomes, ... without changing the emphasis on heavy and defence industries". Another trend, in the field of "economic management", was the return of "emphasis on ... overall, centralised planning" from a period of "allowing decision making at the level of enterprises".

Almost everyone underlined the new accent on raising Soviet living standards. *Free Press Journal* pinpointed its comments by saying "Russia looks inward". And why? Because, it said, "there is every possibility that certain countries in East Europe, partly because of their limited defence expenditure and partly because of economic reforms, may outstrip the Soviet Union in the general standard of living, if some have not done so already". In such a situation Soviet citizens "who have long put up with shortages of consumer goods and a somewhat austere, though probably adequate, standard of living are likely to become more restive than they already are ... Quite obviously the leadership seems at last to be determined to come to grips with". For the rest, the paper said, it was a "non-controversial Congress".

While on the subject of the international communist movement, I find that that old stager, Kim Il Sung of North Korea, is back in circulation, continuing to persuade Indian readers to see through full-page advertisements (the latest is in *Free Press Journal*) how "invincible is the revolutionary cause of the Korean people". Obviously, the South Korean Consul's protests to the External Affairs Ministry have had no effect!

Whose Reality?

Vinod Mehta

Dimensions of Industrial Relations in India edited by B S Bhiri; United Asia Publications, Bombay, 1970; pp vi + 169; Rs 20.

SINCE Independence, a major objective of Government has been to achieve industrial harmony. With this end in view, it has enacted laws, devised codes, held tripartite conferences, etc; but the end is as elusive as ever. Industrial unrest is growing, and so is Government interference. Hence, the importance of the study of industrial relations. Industrial relations connotes not merely the simple employer-employee relationship but is far more complex; it has many dimensions which are not mutually exclusive.

The book under review is an enlarged edition of the special number of *United Asia*, issued in commemoration of ILO's 50th anniversary. It seeks to assess and examine the multi-dimensional character of industrial relations. It deals with wage boards, workers' participation in management, trade union objectives, human relations, collective bargaining, productivity, and the psychological and sociological approach to industrial relations.

There are 20 articles in the book. These articles, contributed by academicians, professionals, trade union leaders, and Government officers, are grouped in two sections. Section I, which consists of six articles, pays tribute to ILO and traces the influence of ILO on Government's labour policy. The remaining articles are grouped in Section II under 'Dimensions of Industrial Relations in India'.

One is impressed by the format of the book, but balked by the contents. In most of the articles, the treatment of the various dimensions of industrial relations has been done at a superficial level. While at some places it has been reduced to preaching, at others it merely consists of personal reminiscences. No new ideas have been advanced as to how better industrial relations may be achieved. Suggestions that have been put forward may be summarised as follows: (1) revision of the existing legislation on industrial relations and (2) transforming the outlook of the workers and employers.

In recent times the functioning of the wage boards has come under severe criticism from both employers and

employees — for different reasons. R G Gokhale's paper defends wage boards as a system for settlement of wage disputes. He points out its shortcomings, and makes suggestions for overcoming them. But the defence provided by Gokhale is at best a negative defence. He justifies the continuance of wage boards by pointing out, and then comparing, its shortcomings with those of other agencies like labour courts and tribunals. Wage boards need also to be judged and defended, not by citing the shortcomings of other institutions, but by the more rigorous criteria of their success in achieving the objectives for which they were created. Wage boards were set up to work out the need-based wages for workers. Yet it must be remembered that the first wage board for the cotton textile industry was reduced to a farce; after a prolonged study, it came to the conclusion that a need-based wage was beyond the capacity of the industry to pay. At the same time, it refused to give information on its actual calculations or the basis on which it came to its conclusions. Subsequent wage boards also failed to recommend a need-based wage. No serious attempt has been made by the wage boards to determine the capacity of the industry to pay. The balance sheets of these companies do not provide their true economic position. Of course, employers have been repeating, and continue to repeat, the same story about their incapacity to pay. But should that prevent a study from determining what constitutes the capacity to pay? The first and foremost condition of better industrial relations is, surely, the payment of a need-based wage — which is, after all, the prime motive of work. Consequently, the suggestion that elimination of shortcomings in the functioning of wage boards would achieve better industrial relations is of doubtful value.

The second important dimension of industrial relations is workers' participation in management. The Second Five-Year Plan envisaged the association of labour with management, presumably to achieve better industrial re-

lations. Although these schemes have been introduced in a number of undertakings of both public and private sector, they have proved abortive. Meher, in his article, points out that conditions are not ripe for a successful experiment in joint management. Unless both management and workers feel the need for such association, it cannot make headway. It is not that conditions are not ripe; even in the UK, a highly industrialised country, the experiment has not been successful. Actually, there is no material base for joint management and co-operation. Since Independence, profits have been going up and industrial houses have accumulated colossal assets; but the worker is still fighting for a need-based wage. Under such conditions, how can one expect the workers to co-operate with the management or to change their attitude and outlook towards management? Material conditions for such co-operation are absent. The simple technique of imposing joint management cannot yield results.

Another important dimension of industrial relations is collective bargaining. L C Joshi and N M Vakil, in their articles, plead for collective bargaining. They point out that, other methods, such as conciliation, arbitration, and codes, have failed to achieve better industrial relations. Though Government pays lip-service to the idea of collective bargaining, in actual practice it has hampered the growth of collective bargaining. It is high time that Government gave up its slipshod policy of 'identity of interests' through a plethora of acts and codes.

Finally, Vaidya's article tries to locate the origin of industrial conflict in the minds of men and suggests psychological solutions. The opening sentence of her article is: "Wars begin in the minds of men, so do strikes and other forms of industrial unrest". In the very following sentence she contradicts herself: "It is needless to say that industrial conflict is a result of several socio-economic and political factors." According to her, conflicts arise as a result of differences in perception. For instance, the efficiency drive is a rational step from the point of the management but from the workers' point of view it is a threat to their job and their very livelihood. Thus the same phenomenon is viewed differently by the management and the workers. Hence conflict. The trouble is that she gives equal weight to

these differences. What is rational from the point of view of the management may result in a lot of suffering to labour. Secondly, differences in perception are not a figment of the imagination but a reflection of concrete reality. Psychology cannot change that reality.

Most of the articles are descriptive, and suggestive of a need for change on the part of the workers and employers. The arrangement of the articles is unimaginative. Two articles, dealing with collective bargaining, are separated by 10 articles on other aspects of industrial relations. Similarly,

two articles on human relations are separated by two articles on trade unionism and industrial relations in the public and private sectors. One of the articles, 'Techniques as Parameters of Productivity', looks out of place. The editor has also shirked his own responsibility of introducing and connecting the themes of these articles.

Had the authors taken a little trouble in writing those articles and had the editor used a little imagination, the book might have been a useful contribution to the growing literature on industrial relations.

For a Progressive Agriculture

H S Verma

Creating a Progressive Rural Structure: To Serve a Modern Agriculture by A T Mosher; Agricultural Developmental Council, New York, 1969; pp xvii + 172; \$ 4.50.

MOSHER in this book has started from where he left off in his previous book, "Getting Agriculture Moving" (Frederick A Praeger, New York, 1966). This book is an attempt to discuss 10 elements affecting agricultural growth, five each of which he had earlier termed as "essential" and as the "accelerators". In this book the author combines these two sets of elements into six activities or, more accurately clusters of activities. These are: (1) research to find and develop new and improved farm (and related) technology, (2) arranging for the importation and/or domestic production of farm supplies and equipment needed to put the new technology into use, (3) creating a progressive rural structure, or organisation of the countryside, that provides channels through which goods and information can move easily back and forth between each farm and the total society in which it is located, (4) creating and maintaining adequate incentives for farmers to increase production, (5) improving agricultural land and (6) educating and training technicians to accomplish all these tasks competently.

What is a progressive rural structure (PRS)? According to Mosher, it is a rural circulatory system that expedites the flow of goods, information, and agricultural support services, between each farm and the wider society. It needs to be organised into units of two sizes: farming localities, each of which serves all the farmers within it, and farming districts, each serving a

number of farming localities. Thus a PRS has several elements. Prominent among these are: (i) market towns containing outlets where farmers can purchase production supplies and equipment and markets where farmers can sell their products, (ii) rural roads to expedite and reduce the cost of the commodities, information, and various rural services, (iii) local verification trials that determine the base for all practices in the light of local conditions, (iv) the extension service through which farmers can learn about, and learn how to use, new technology, and (v) credit facilities to finance the use of production inputs.

The book is divided into seven chapters. Covered in a chronological order are: the farming locality (its nature and importance), the farming district (regional servicing of farming localities), problems of organisation and operation, agricultural growth and rural welfare, determining place priorities for a PRS, and finally, a perspective.

By farming locality, the author means a rural area sufficiently small so that a farmer anywhere within it can, by transport available to him, go from his home to a market centre where off-farm facilities he needs are available and return home certainly on the same day. As is evident, this definition is similar to the meaning assigned to the term "community" but treats the sociological aspects of human groups from the standpoint of their influence on farm production. In a farming locality, the author envisages five basic

and highly complementary elements: (1) a market centre providing markets for farm products and retail outlets for farm supplies and equipment; (2) adequate roads, both to connect the farms within each locality to its market centre and to connect its market centre with the outside world; (3) local verification trials of supposedly improved farm practices; (4) the services of an agricultural extension service; and (5) access to farm production credit.

A farming district, Mosher emphasises, is not necessarily identical with a political or administrative unit that may be called a district. A farming district is more a functional unit serving as a wholesale market for farm products and for farm supplies and equipment to the farm localities, providing agricultural research, extension, banking and communication facilities. In Mosher's vision of modern agriculture, the farming district is the basic unit for creating and expanding PRS. It is the farming district that meets the needs of the farming localities within it; and it is the farming localities, in turn, that provide farmers with the services and facilities they need to increase production.

Although the complementarities among them make it desirable to treat the various elements of a PRS as a single activity in planning their geographical location and expansion, their subsequent efficient operation poses several problems. First, each element of a PRS needs organisational ties in two directions: (a) a connection to an appropriate larger organisation of the same element, and (b) a connection with other elements of a PRS at the same level (locality, district, or nation). Second, those agricultural support activities that are commercial and those that are not commercial require different kinds of administration. Third, the most 'local' unit of different agricultural support activities can effectively serve different sizes of geographic area. This fact complicates the task of determining the optimum size for individual farming districts. Wisely enough, the author does not prescribe a particular solution but tries to take note of the problems as a step toward devising reasonably good solutions in the light of differing sets of local circumstances.

As a PRS cannot be provided all over the country because of technical and economic difficulties, some system of priorities is required to tell us where to start in each country and in what order to extend a PRS to other parts

of the country. Allocation of priorities, according to the author, should be done on the basis of a land classification that combines an estimate of the inherent capacity of each area for agricultural production with an estimate of the immediacy of its potential for agricultural growth. On this model, the author classifies the areas as follows: (1) Immediate Growth Potential (IGP) areas; (2) Future Growth Potential (FGP) areas; (3) Low Growth Potential (LGP) areas. To the above classification is added the criterion of economic urgency. The approach outlined to promote agricultural growth within a few years calls for provision of agricultural support activities in all localities in all IGP areas. It also involves undertaking critical investments in research and land improvement in FGP areas. It does not involve stimulating of agricultural development in LGP areas, since these are unlikely ever to support a substantial market-oriented farming industry.

A PRS could be created by recognising that a modern agriculture is not a commodity; by planning backward from a modern agriculture as well as forward from the present situation; by recognising and acting on the importance of farming localities; by recognising farming districts as the basic unit for expanding and developing a PRS; by using local verification trials to determine local economic possibilities; by developing a full PRS as rapidly as possible in IGP areas and a skeleton PRS in FGP areas; by recognising the two-way interdependence of agricultural growth and rural welfare and by including programmes to encourage both: by viewing community-oriented projects or campaigns as an excellent way to co-ordinate the efforts of all agricultural support activities in IGP areas only; by varying the intensity of rural programmes to fit regional potentials for agricultural growth; by encouraging both local and national initiative in planning with respect to a PRS and developing a set of procedural steps for giving effect to these general principles. Following these general principles, the author goes on to outline a sample of 14 procedural steps.

Though the book's style of writing is good, and its conceptual approach is new, it nevertheless views agricultural development in isolation from the other sectors of the economy. Taking a more realistic view of the situation, it is difficult to think of, for

example, agriculture and industry as totally independent sectors not affecting each other, even in countries such as India. This limitation has reduced the credibility of many of the excellent suggestions of the book. A PRS, one

might submit, need not, and perhaps should not, be a circulatory system for serving a modern agriculture alone: it should serve all the important elements of the economy if it is to be legitimately called a PRS!

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The Indian Political System Need for New Research Angles

V Subramaniam

N Srinivasan

The Indian political system has obviously grown too complex for simple, elegant models and nostalgia for such models will not help us to understand the complex reality — much less change it.

The old-fashioned political scientists wanted to anchor political studies firmly to constitutional law and studies of governmental institutions; Duvergerian political scientists to party systems; and those concentrating on election studies to voting behaviour.

Each of these has an important contribution to make but a fast-growing political system is a 'many-splendoured thing', demanding many types of investigation into many areas. It demands even experimenting with models other than the simple structural/functional models — for example, gaming models or dialectical models which need not be the monopoly of Marxists.

It may be worth going further to simulate fairly complex models in the computer or on paper. In fact, models based on actual research conclusions, where available, combined with explicit plausible assumptions, where they are not, when simulated quantitatively may tell us a lot about areas for future concern or investigation. Such sophisticated speculation can also tell us much about the breaking points of the system and their dangerous possibilities.

A complex political system deserves no less; it demands variegated research, complex simulation, and continuous analysis for its understanding.

THE Indian political system has, since 1947, attracted much external and internal academic interest, for obvious reasons.¹ Indian Independence heralded the break-up of the British empire and a new era of decolonisation; India's non-alignment policy attracted both favourable and critical comment from outside; India's democratic experiment with the largest electorate in history drew wide attention; while Indian planning excited general interest not among economists alone. These four factors — apart from the personalities of Gandhi and Nehru — drew foreign academics to the study of Indian political problems. Indian political scientists, on the other hand, started with a deep and spontaneous interest in the freedom struggle itself which extended later to the democratic experiment, mainly from a constitutional point of view. However, in areas such as political parties, interest groups, and elections, Indian political scientists largely followed the initiative and methodologies of foreign academics. All this academic work, both Indian and foreign, concentrated on a few, crucial, problem areas. And it led to some interesting formulations such as the one-party dominant system. However, the 1967 election results gave such a jolt to these emerging formulations that, for quite some time now, journalistic and academic writing has been concerned with catching up with the failure

of the old model even while new factors of great significance such as defectionism and political violence have erupted in the political system. In relation to all these phenomena, then, pained surprise was more in evidence than value-neutral academic dissection.²

This stage is fortunately giving way to one of calmer observation, and it seems opportune now to look into the gaps and shortcomings in the researches on the Indian political system. As an essential background to this, we need to understand the framework of the system theory which underpins the concept of the political system. Hence this paper is organised into three parts; in Part I we explain the basic system theory involved in an analysis of any system; in Part II we take a bird's eye view of the research landscape insofar as it concerns the political system, mainly taking note of serious gaps and shortcomings; and in Part III, we try to suggest new research areas and angles that would give greater balance to research effort and may even lead to more realistic, sophisticated and predictive models.

I

Basic System Theory

This part is likely to appear rather remote from empirical political science research and interpretations, partly because system theory has rarely informed

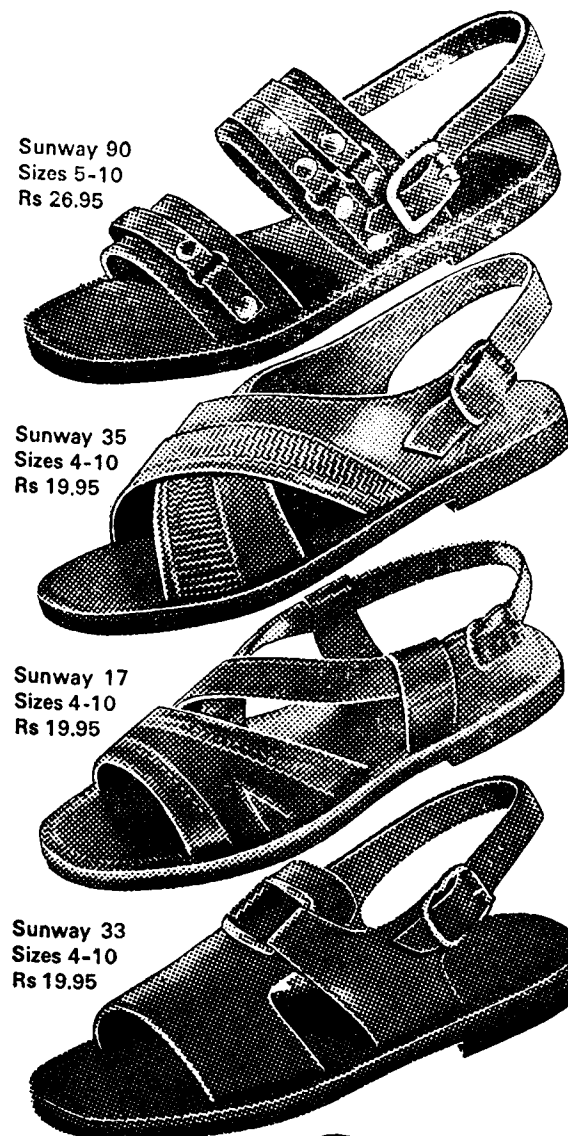
the Indian research effort except perhaps in sociology, and even the average Western political scientist has used it only recently and limitedly. But acquaintance with this theory is necessary to understand recent Western academic work in political science and it is also likely to be a psychological stimulant to help widen our vision. We may reap these benefits even if we understand the theory in a qualitative manner. And quantitative understanding might lead us further into a more comprehensive grasp of the system studied and perhaps to some foresight of emerging trends as well.

System theory, as it is used in the social sciences, in general is a mixed bag of ideas derived from different natural sciences, while systems analysis is a very precise and versatile quantitative tool based on a precise mathematical concept of systems.³ The former, as synthesised in its present form by sociologists (in particular by Talcott Parsons) derives its ideas from four sources: the Newtonian idea of physical systems such as the solar system, the thermodynamical concept of a closed chemical system of interacting molecules, the biological concept of a living organism as a system, and the inherent human craving through the ages to impose some order on one's varied precepts. In fact, this mixed parentage gives it a rather protean character. What is presented below includes the



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elements of the (Parsons) system theory (as used by David Easton) and some quantitative elements from the more precise (mathematical-based) system theory.

A system may be looked upon as a whole (or a set) whose members are interdependent. These members may be planets or molecules or living cells or human beings in an association, or they may be abstract social or political concepts or economic or mathematical variables. Stated more precisely, a , b , and c , form a system when the value of a at any moment of time is a function of the values of b and c , the value of b , a function of a and c and that of c of a and b .

Such a system is called a 'closed system', the implication being that a , b and c are mutually dependent and not dependent on anything else. Once this is granted, the relation between a , b and c may be explored, and expressed by a mathematical function. It may be a simple linear relation or a complex exponential one, and it may become more complicated if a , b and c play a game — when 'game theory' is drawn upon to derive the function. Once the interdependencies of the system can be expressed by such a function, however complex, the behaviour of the system becomes both controllable and predictable within limits.

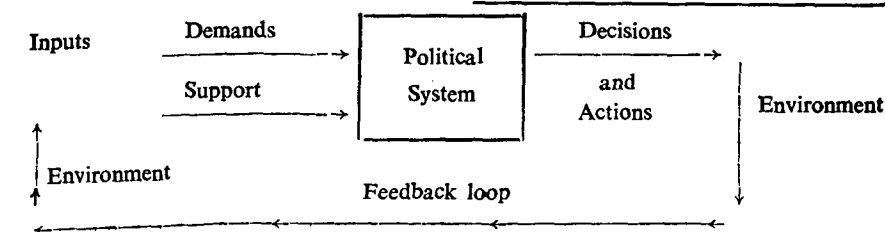
These conditions never obtain in any social system. Its members like a , b and c may be closely interdependent — but, in addition, they are usually also related to a number of outside variables or factors, perhaps in a less close way. Hence considerations which apply to closed systems do not apply automatically. But they can be made applicable under two conditions which, unfortunately, are not made clear by social scientists in general.

In the first place, the factors outside the system should be much less closely related to the system members than the latter are among themselves. In that case, the three *ceteris paribus* theorems of Simon, Ando and Fischer assure us that the outside factors may be ignored (a) for a long time, if only the relative (and not the absolute) values of system members are being studied and (b) for a short time, even when the absolute values are studied.⁴ This means that once we establish the comparative remoteness of outside factors, the system is amenable to all the quantitative techniques applicable to a closed system.

In the second place, when a social system is called 'open', what is really meant is that certain factors called 'inputs' are taken in and certain other factors called 'outputs' are sent out of the system which exercises some measure

of control over both. A completely open system which has no control whatever on inputs and outputs is no system at all, and what is meant by an open system is really a system with some measure of control over input and output. It is unfortunate that this point is never made clear in the discussions of an open system by social scientists.⁵

The typical social science model of a system thus includes the system itself, consisting of closely related factors called actors or members + inputs representing certain factors entering the system from outside + certain factors produced by the system called outputs. In addition, the outputs affect the environment and the latter's reaction to the outputs is conveyed or fed back together with the inputs. This is called the 'feedback loop' and is considered a very important part of a system model.



In the case of a political system, as pictured above by David Easton, the inputs are the (financial, power or status-related) demands made by various groups as well as the support (electoral propagandist or financial) given by such groups; while the outputs are the decisions and (implementation) actions of the system.⁶ The system itself is supposed to consist of various political bodies such as cabinets, legislatures, parties, and pressure groups, though practically all social scientists are a little vague about what constitutes the membership of a given system. The working of the feedback loop is also left a little vague. A distinction needs to be drawn here between two broad types of system reaction to feedback — viz, the system which merely *adjusts* itself for continuous existence on receipt of the feedback message, very much as a cyclist turns left the handlebar of a rightveering bicycle, and the system which *learns* continuously at the expense of the environment from feedback.⁷

This takes us naturally to the contentious concept of equilibrium in a system. A 'good' system was supposed to attain a state of peace and stability in regard to the mutual relations of its members and if disturbed is supposed to get back to that state. This idea has been considerably modified to include the movement of the system

from one fairly stable state to another. But this vague compromise called 'dynamic equilibrium' hides a fundamental conflict between (a) the Marxist-minded who interpret social evolution in terms of a continuing dialectic between a thesis and its antithesis, leading to a synthesis which becomes a thesis again for the next dialectic and (b) the old-fashioned structural functionalists who postulate a more or less stable equilibrium. We cannot describe or discuss this recent and spirited controversy here, but we need to draw attention to the vague and fluid nature of the concept of equilibrium at present.⁸

Lastly, the relation between a number of different systems and their relation to a larger enveloping system is expressed in two complementary ways. To avoid confusion, we may call the smaller systems 'sub-systems' and the larger enveloping one 'the system'. The

former are related to one another through the outputs of one sub-system forming the inputs of one, or more, other sub-systems, while the total of all inputs of all the sub-systems equals the total of outputs. Secondly, for descriptive convenience and clarity, we say that each sub-system has a goal which is equivalent to one of the functions of the whole system.⁹

A brief account of how system ideas came to be used in the social sciences, and in political science in particular, is necessary to round off this short summary of system theory. It was no accident that it took shape first in Sociology and found its first extensive use there. Other social sciences such as politics, economics, and law, had in the 18th and 19th centuries crystallised around visible institutions such as King, Parliament, Ministers or Courts, or in well-defined areas of behaviour such as buying and selling; but anthropology and sociology took the whole range of human behaviour and institutions as their subject. To advance beyond Frazer's "Golden Bough", it was necessary for them to have a connecting link for this apparently scattered subject matter and a base for this wide area of concern. So, starting from some simple ideas of structure and function in Britain, borrowed partly from Durkheim, system theory added on contributions and

modifications over half a century, and took final shape in America at the hands of Talcott Parsons.¹⁰

It came to political science rather late, mainly because the Anglo-Saxon legal-constitutional basis of political studies induced a psychology of exclusion of anything non-legal, imprecise or emergent. The exclusion was broken in the US but only in stages; political parties were recognised as part of political studies late in the last century and received a full measure of recognition in Goodnow's "Politics and Administration" which also confirmed Wilson's earlier invitation to treat 'public administration' as part of such studies.¹¹ Bentley saw early in this century that this extension was not enough and brought in the interest groups that interact with political parties sometimes from the inside and sometimes from the outside. This cautious, step-by-step extension of the area of interest was predictably replaced in the 1950s by the inclusive approach, mainly for two reasons. In the first place, the Parsonian system theory was becoming popular, its treatment of the economic system as a sub-system of the total social system was followed by Dunlop in his study of the industrial relations system; and his example was bound to spread further. Secondly, the sudden post-war expansion of American academic interest to the outside world, and particularly to developing countries, and the difficulties of visiting American researchers in interpreting political phenomena therein, drove them to look for an inclusive theory. In fact, time was ripe for extending the system theory, when David Easton worked out his theory of political systems in detail in his "Framework for Political Analysis" and his later "Systems Analysis of Political Life". His use of system theory has helped political studies and research to some extent, but its application has not fulfilled the hopes raised at the beginning. We shall go into the reasons for this disappointment later when we look into the research work on Indian politics and its shortcomings.

II

The Research Landscape

No particular theory or outlook informed the early writings of Indian journalists and academics on Indian politics. Their immediate area of interest was naturally the constitutional process in India — and a good number of books and articles were confined to legal interpretation and its obvious political overtones, with a chapter or

two thrown in on the story of constitutional reforms under the British. A few strayed into discussing the Indian social heritage and its implications for democracy.¹² Simultaneously, there was keen interest in finding the full story of the transfer of power into Indian hands. The immediate post-Independence years produced two areas of intense disillusionment in politics: first, in regard to the restriction of civil liberties under Congress rule, and secondly, concerning the bitter internal group rivalries in the Congress, particularly in the State legislature parties, spilling over to day-to-day administration. These two naturally received journalistic and some academic attention in tones loaded with moral indignation.¹³ The academic atmosphere changed with the first general election of 1952 and the sweeping victory of the Congress. Attention then began to focus on four problem areas *viz* (a) political parties, their structure, and the party system in India, (b) the planning process and (c) elections and electoral behaviour and (d) field studies of community development and later, Panchayati Raj. The first began to embrace the supporting groups of the parties, *viz*, interest groups, castes, associations, business houses, and trade unions; while the second attracted some of the best economists in the world and, in due course, naturally drew attention to its political implications too.¹⁴ Election studies were, however, descriptive to start with and became quantitative much later. Studies of community development and Panchayat Raj were initiated by anthropologists and sociologists, and this led them to study local politics and State-level politics.¹⁵ This was perhaps the most fortunate development, as it brought into political studies the technique of concentrated field observation — as a counterpoise to the prevalent generalisations at an All-India level. By the mid-fifties, there was already a regular flow of foreign academics (mostly American) into India and they stimulated research in quantity with money, example, and drive, and in particular popularised the techniques of survey research after a fashion. But the great American contribution was the publication of symposia on specific problems.¹⁶ These brought together the available knowledge and viewpoints for instant consumption and comment, and also shaped important inter-disciplinary topics such as modernisation, or planned economic and social change. On the other hand, they had the ill effect of proliferating symposia to the neglect

of deep research. From the late fifties onwards, research in political science has developed in some quantity in several favourite directions to the neglect of others. Simultaneously with this development, some models and comprehensive interpretations of the Indian political system as a whole emerged — such as the one party dominant system, the politicisation of the traditional institutions of caste and religion, and the simultaneous co-existence of loosely-linked semi-autonomous political units at different levels in the Indian political system.¹⁷ It was these comprehensive interpretations that received a jolt from the 1967 elections.

The above account does not attempt to be a history of Indian political science research during the last two decades. It is written from memory mainly to highlight certain phases and influences, to refresh the reader's memory, and to provide the background for the following discussion of the gaps and shortcomings. Some of these apply particularly to India, and others to political science research in most countries.

The initial slowness in the development of field research, and its subsequent proliferation, can be attributed to some obvious reasons. Except in anthropology, in the other academic areas in India for a long time documents were considered the natural sources and field research was considered rather vulgar. But this prejudice was easily wiped out by the example of well paid respectable foreign academics doing field work. A more important reason was a moral stance against existing 'evils'. The two-nation theory was morally wrong, so there was no point in finding out who believed in it. Similarly, caste was evil, caste-based parties were evil and let us fire editorial darts against it rather than investigate it. Groupism in the Congress was immoral and should be condemned rather than researched upon. These attitudes, more explicit among the older journalists of the Gandhian era, were also shared by Indian political scientists.¹⁸

With the increasing popularity of field research, the tide now seems to have turned. But it is not realised that the two types of field research are complementaries and not substitutes for each other. The older anthropological type of concentrated field observation collects facts as the 'objective' investigator sees them. The new survey research collects the impressions and attitudes of the actual participants in a situation, quantitatively. Both are ne-

cessary, and one is a corrective of the other. This view is largely accepted now, even in Britain, but has not yet gained ground in India.

Interdisciplinary isolation, which V Subramaniam has discussed earlier ('Inter-Disciplinary Isolation in Universities', July 5, 1969, p 1071), is responsible for some missed insights. This is perhaps at its worst between history and sociology since a combined knowledge here would be most fruitful.¹⁹ To give one example: the selective rise of some State leaders and some groups to all-India prominence, and the relation of regional to the central organisation, were perennial problems in India's history. A historian like Panikkar was able to see the continuity of this phenomenon from the rise of the Marathas to that of Padayachis. But in general, political scientists when they deal with the use of traditional supports such as caste for modern political parties fail to realise that this was exactly what Shivaji, Ranjit Singh, and Madhoji Scindia, did for their task of integration and that it had its advantages and disadvantages.

A third shortcoming, *viz*, the lack of predictive ability or explanation after the event, is not peculiar to Indian political science research. It is quite widespread and already subject to nasty jokes.²⁰ The obvious reason is that predictions, usually based on the projection of existing factors in the model of the political system, are easily falsified by new factors not included or foreseen. Where this is due to the model of the system neglecting some existing factors, the blame rests squarely on the researcher. One of the purposes of system theory is to alert him to such possibilities and induce him to look deep for all the relevant factors and to draw a workable boundary for the system. Unfortunately, this knack, which I call 'system consciousness' is not automatically created by a study of system theory. In some cases, it is induced by the study, in others the study simply induces jargon-consciousness, while in some others — notably good journalists — it exists naturally without any study of system theory. That is why the best journalistic comments often provide a better interpretation of current politics than the laboured writings of some political scientists after the event.²¹

Apart from this widespread general lack of system consciousness among academics, there are other shortcomings. The chief of these is the unbalanced distribution of research effort in some areas, considered easy or immediately rewarding. A perusal of the appendix,

'Further Reading', of Morris-Jones's "The Government and Politics of India", reveals the imbalances existing in the early sixties but it is more interesting to note that since then, only one significant area has been added to the list, *viz*, that of total interpretation of the Indian political system which was rather embryonic in the early sixties. It is natural for research workers anywhere to crowd into an apparently immediately rewarding problem area, rather than pioneer work in a neglected new area. But this general trend is made more acute by the Indian situation. In the first place, this rush is encouraged by the greater availability of money for some types of research. Secondly, the tendency to rush into known areas to do similar work or even duplicate old work, is encouraged by the importance attached to post-graduate paper qualifications. This rush also effectively forecloses better research on the same topic for quite some time.

These, and other shortcomings, affect a general interpretation of the political system more than they affect sectional interpretations. Lack of research in some areas drives the general theorist to depend too heavily on other researched areas. Since voting behaviour is the most researched area, apart from public administration (with parties and legislature running a poor second), a portrayal of the Indian political system draws too heavily on it. The evolution of the one-party dominance concept may be thus traced from (a) Myron Weiner's tilting against Duverger, with India's flourishing multi-party system in a simple majority electoral situation, through (b) researches on the victorious all-India Congress party, and the attribution of the democratic function of internal opposition to its factions and (c) to the final shaping of the one party dominance thesis. This thesis was presented as both realistic and democratic; realistic, because the Congress majority had survived three general elections and several by-elections, gaining less than 50 per cent of the votes cast, and democratic, because the opposition was provided from inside by factions and from outside by other parties trying to influence the factions. On the factual side, it left out two factors (i) the slow but sure absorption of the election lessons by opposition parties and (ii) the terrific bandwagon effect of defeat on a mass electorate and a loosely-knit party. Both factors came into play in 1967, and wiped out the model. In fact, the bandwagon factor has had long-term effects in disrupting the Congress itself

and in modifying Centre-State relations considerably. With the benefit of hindsight, we may note that the two-decade story included phenomena other than consensus and it was more dialectical than was recognised at the time. The strength of the Congress Centre *vis-a-vis* the State legislature and organisational wings was a carryover from the freedom struggle, reinforced by a centripetal constitution and a traumatic reaction to Partition. Factionalism in the States was partly the result of differences between the borders of the Pradesh Committees and the British provinces, the periodical reconstitution of the former and then of the latter, simple power-lust, a lack of responsibility encouraged by the ultimate possibility of President's rule,²² and the subconscious connivance of the Central leaders who enjoyed 'peace-imposing' on the State Congress parties. The balance was bound to tilt in the opposite direction sooner or later. The slow translation to, and debilitation at, the Centre of some State leaders led to the strengthening of the other State leaders who stuck to their States and gained more strength through the increase in regional consciousness. The tremendous decrease in the Centre's prestige, following the Chinese invasion of 1962, strengthened the hands of State leaders such as Kamaraj with an enviable record of stability.²³ The combination of such leaders to compose the quarrels at the Centre was a reaction that came a little sooner than was expected, but it was bound to come anyway.

The Kamarajan big-brother act at the Centre only slightly delayed the strengthening of regional non-Congress parties. In spite of the measures taken by the Centre, Plan failures and the food crisis brought down Central prestige further. This benefited regional leaders and parties — i.e., those Congress leaders of known regional persuasion as well as non-Congress regional leaders. This slowly gathering storm might not have burst in 1967 but for the determined effort at electoral combination by non-Congress parties in several States. It paid off immediately in the defeat of the Congress in some States and, more lastingly, in the anti-Congress chain reaction. Defections from a defeated and faction-patched Congress were not unexpected. Defections *per se* too were logical corollaries to mere electoral combinations for immediate victory. The subjection of the so-called consensus to an agonising reappraisal was again no unexpected consequence.

It is now worth looking briefly into the nature of this consensus. In a de-

mocratic society, a certain degree consensus is postulated as a necessary counterpoise to various freedoms — particularly freedom of opposition.²⁴ This may be ideological, methodological or goal-oriented. The different groups may be agreed on their loyalty to the country, or to a particular type of government, or to the constitution; or they may be agreed on methods of election and of settling controversies without agreeing on ideology; or they may be agreed on final goals and differ on methods. In practice, the consensus that obtains is a mixed, protean thing — and may vary between peacetime and wartime.

The Indian consensus was perhaps more protean than the consensus in any other democratic society. So far very little work has been done on the content and method of this consensus at different levels of authority and in different regions and organisations. At the level of the party system, the consensus was partly based on the probability that the Congress was bound to win a majority. This made the infighting within the Congress subject to some discipline and it made the rival parties half-hearted in their bid for power. Within the Congress again, the Kamaraj method of creating consensus was to find out, by personal opinion poll plus persuasion, the possible victor and to back him with a subdued proclamation of his forthcoming victory. In short, consensus was evolved by the sedulous creation of a myth that opposition was useless. This method, and the consensus based on it, were bound to crack up when opposition was shown to work. The eruption of violence is a different type of challenge; some part of it may be based on a total rejection of all consensus, but another part of it is based upon lack of orderly forums for pressure and dissent.

The foregoing is an extremely cursory attempt to draw attention to factors which are not often discussed in regard to the Indian political system. Its main purpose is to highlight the risk of such omissions in any simplified model of the Indian political system. The temptation to simplify was, no doubt, rather strong before 1967; in the first place, the system had a smooth and simple appearance; secondly, simplicity means elegance and an elegant model is always an academic temptation;²⁵ thirdly, the electoral system was by far the major element in the political system tending towards one party dominance for a while — and, in the near-absence of any other mode of political articula-

tion except voting, it was building up the foundations of political violence.

But the system is sufficiently and openly complex now to demand complex models based on wider, more planned and varied research efforts. The primary task of the academic is to explain this complex reality in a value-neutral manner first. He may express his preferences, point out the risk, and utter his warnings, but only after the explanation. We try to list, in the next section, a few of the areas in which research is needed now to expand our range of vision of the system, to help us understand its complexities.

III

Possible Research Angles

The most obviously neglected area (in view of its closeness to the more popular election studies) is the study of the reaction of the political parties to elections. This reaction to the conduct and result of earlier elections, is expressed in their strategy at the succeeding election, in particular (a) in their choice of issues and (b) in their selection of candidates. This reaction depends on the success of their own feedback mechanism about voting behaviour. In fact, the nature of this feedback not only determines party reactions but the very stability of the political system. A system where the parties grossly and continuously misinterpret voting behaviour is bound to lead to political violence or dictatorship. It is surprising that in the course of descriptive election studies there are only some casual studies on the choice of issues and practically no published studies on candidate selection. We were pleasantly surprised to find how rewarding this area was through a comparative study of candidate selection in Madras of the DMK and the Congress.²⁶ The methods of the former were more streamlined and almost a replica of selection methods for university posts in Britain. The candidate was asked to give the names of three referees, each of whom was asked to evaluate the candidate's loyalty and chances of success. The references and the reasons stated for selection made it clear that the process was as conscientious and thorough as was possible in the circumstances. The TNCC perhaps employed the same criteria, but less formally and rigorously, as seen from the evidence. A semi-quantitative analysis suggests that the more rigorous procedures of the DMK contributed in part to its victory — and more, to faith in its sincerity after the victory. We need several studies, possi-

bly quantified, of candidate selection and of strategy determination in order to learn about the feedback reaction of parties and to understand the health of a political system.

This takes us naturally to the related problem of political leadership. Some work has been done on the personalities of leaders, on styles of leadership and on the combinations of various leadership roles by a small number of people at the district level. We need more of these studies as well as research on the evolution and legitimization of leadership on which there has been so little work. We have some significant research findings from individual and social psychology about the rise of leaders in small and large groups. The findings on small groups indicate (i) that there are no general leadership characteristics as such and leadership is just a role complementing other roles and (ii) that the most efficient groups have two complementary leaders, viz, the task-oriented one and the integration-oriented one. In regard to large groups, two types of leadership can emerge, a negotiator emerging out of several small group leaders or a plebiscitary personality if each small group is not cohesive. We need to study, with the help of such theories, the emergence of leadership rather early (i) partly because, with the disappearance of the old guard in all parties, the emergence of new leadership needs to be understood and (ii) partly because this understanding — supplemented by research on different popular images of leaders — would alert us to the emergence of unusual trends. We may as well bear in mind Bertrand de Jouvenal's warning that, leading is primary political behaviour compared to voting which is perhaps tertiary.²⁷

We also need more studies of general political behaviour at ordinary times to supplement studies of voting behaviour, if only because the latter is not initiatory but response-behaviour to a presented situation of some artificiality. Studies of melting pots such as new industrial townships and satellite townships, and of mobilising activities of castes, unions and associations, are also particularly needed to supplement election research on the nature of party and candidate support.²⁸ Many voting studies agree that voting behaviour is determined largely by a predisposition based on group membership. In this sense, there are mediating groups in any political system, the difference being that in old societies they are traditional groups (Gemeinschaft) and in industrial societies they are voluntary associations (Gesell-

schaft). The change-over of the voter from an old to a new intermediary is good news but his mere abandoning of an old one may be an indication of atomisation. All this is to argue that questions posed by the findings of voting behaviour research may possibly be answered by research into non-election-time behaviour. In fact, such questions are posed in good numbers by the different studies of the 1967 elections. While there seems to exist a large area of agreement, there are differences of emphasis and even a conflict or two in the findings. This clearly provides interesting points of departure for further investigation.

Most of the researches suggested in the foregoing paragraphs may be termed 'linkage studies' as they link one process with another or one group with another. Thus candidate selection and issue selection are reaction processes to the process of election, linked by feedback just as some trade unions or chambers of commerce are groups linked with some parties through common membership, contributions, or affiliation. Of course, there are the obvious linkage areas between the top civil service and the ministries, and the field civil servants, voters, local leaders and partymen. Such linkage explorations may sometimes reveal nothing more than the obvious, but at other times they lead one to sense emerging relations and phenomena well in advance. It is even possible, on the practical side, to suggest through such studies the needed forums for dissent and the modes for better political articulation.

Let us repeat our main plea in conclusion. The Indian political system has obviously grown too complex for simple elegant models and nostalgia for such a model will not help us to understand the complex reality — much less change it. The old-fashioned political scientists wanted to anchor political studies firmly to constitutional law and studies of governmental institutions; Duvergerian political scientists to party systems; and those concentrating on election studies to voting behaviour. Each of these has an important contribution to make but a fast-growing political system is a 'many-splendoured thing', demanding many types of investigation into many areas. It demands even experimenting with models other than the simple structural/functional models — for example, gaming models or dialectical models which need not be the monopoly of Marxists. It may be worth going further to simulate fairly complex models in the computer or on paper. In fact, mo-

del based on actual research conclusions, where available, combined with explicit plausible assumptions, where they are not, when simulated quantitatively may tell us a lot about areas for future concern or investigation. Such sophisticated speculation can also tell us much about the breaking points of the system and their dangerous possibilities.

A complex political system deserves no less; it demands variegated research, complex simulation, and continuous analysis for its understanding.

NOTES

- 1 The reflections in this article were induced through our joint authorship of the All India Report on the 1967 Elections, based on a research project sponsored by the RPC of the Planning Commission in 1967. The Report, entitled "The Indian Voter: A Study of the General Election of 1967" by N Srinivasan and V Subramaniam, was submitted to the Planning Commission in June 1969. In writing the first chapter on the Indian political system and the electoral system, we were struck by the large part played by the latter in the former and the dearth of studies in other areas confirm or modify election research or answer questions posed thereby. Parts II and III of the article are based heavily on our first chapter and Part I was added by Subramaniam specially to acquaint readers very briefly with system theory as used in the social sciences in the West.
- 2 Practically every article that appeared in the central pages of the national newspapers in February-March 1967 stressed the fact that the Congress share of the total votes cast increased slightly while its share of seats dropped drastically, implying that, there was something wrong with it. In fact, the Congress share of votes decreased slightly but this was nothing compared to the drastic loss in regard to seats. Similarly, defections drew condemnation more than analysis.
- 3 For simple concepts of system theory on the one hand and systems analysis on the other, see F E Emery, "Systems Thinking", Pelican, 1969. For a discussion of the variegated origins of system theory see V Subramaniam, "Systems Concept in the Natural Sciences: Some Comparisons and Relevant Implications", Seminar Paper, Research School of Social Science, Australian National University, Canberra, 1968. This paper will be published shortly in an academic journal.
- 4 Ando and Fischer, "Two Theorems on *Ceteris Paribus*", *American Political Science Review*, Volume 56, pp 108-113.
- 5 Most social scientists are so anxious not to be accused of describing a social system as closed (and therefore stagnant and obsolescent) that

they rush to call their systems open, without specifying that the openings are controlled to some extent by the system. This omission is found in several works including A K Rice's "The Enterprise and Its Environment", Tavistock, London, 1963, and Easton's "A Systems Analysis of Political Life".

- 6 David Easton, "A Systems Analysis of Political Life", John Wiley and Sons, New York, Chapter 2, and in particular p 30 and p 32.
- 7 The latter is more or less a cybernetic system.
- 8 David Easton, *op cit*, pp 19-21, gives us an idea of the difficulties involved in taking a middle position. While giving up the idea of a stable equilibrium that follows earlier structural functional ideas of mechanisms for controlling deviant behaviour, Easton finds it difficult to adopt the Marxian helix of continuous dialectical change, and leaves his position undefined. In this he is not unusual. The controversy between structural functionalists and Marxists was started by Ralph Dahrendorf's critique of structural functionalism in the *American Sociological Review*, 1958 and in his book, "Class and Conflict in Industrial Society", Stanford, 1959. Since then the debate has ranged spiritedly and inconclusively in several sociological journals. The following three articles give some of the flavour of the debate, P Van der Berghe, "Dialectic and Functionalism: Towards a Synthesis", *American Sociological Review*, Volume 28 (1965); A Frank, "Functionalism Dialectic and Synthesis", *Science and Society*, XXX, 2nd issue, 1966, and Maria Ossowska, "A Case against Functionalism", *Polish Sociological Bulletin*, Volume 13, Number 1, 1966. Both sides have stated their views with increasing vehemence, and it is clear that emotionally there is no common ground between system theorists, even those who believe in "dynamic equilibrium" and the dialecticians.
- 9 For a succinct account of Parson's social system theory, see his "Structure and Process in Modern Societies", Free Press, chapters 1 and 2.
- 10 It is not the purpose of this short sentence to trace the origin and development of social system theory. It is meant to indicate Durkheim's influence on Malinowski, and later, on several Americans, before a detailed social system theory emerged from Talcott Parsons.
- 11 J Frank Goodnow, "Politics and Administration", New York, 1900.
- 12 Ambedkar's speech in the Constituent Assembly at the conclusion of its labours, presenting the Constitution, reflected on the Indian and particularly Buddhist traditions of republicanism and the present contrast between India's democratic constitution and her hierarchical society. The first work on the constitution to follow this lead and discuss briefly the Indian political

- heritage was N Srinivasan's "Democratic Government in India".
- 13 D F Karaka's "Betrayal in India" reflects this mood of the times. For a more satirical commentary see, Vighneswara, *sotto voce*.
- 14 The Indian planning experiment no doubt drew some of the best foreign economists for research and the prevailing joke was that a leading economist had to be Hungarian-born and associated with Indian planning. This was an important factor in raising Indian research standards first in Economics and later in other social sciences.
- 15 E.g. F G Bailey, "Politics and Social Change: Orissa in 1959".
- 16 Ralph Braibanti and Milton Singer are among the two indefatigable symposia-editors on topics ranging from modernisation to the Radha Krishna cult.
- 17 Rajni Kothari's "Towards a Political Perspective for the Seventies" in this journal's Annual Number 1970 rightly picks out these three as the major theoretical formulations.
- 18 The pages of *Modern Review*, Calcutta, *Swatantra*, Madras, and *Forum*, Bombay, illustrate the deep indignation of journalists during the late forties with these 'evils'.
- 19 A leading historian characterised a leading sociologist's paper as 'miserable' for its lack of historical perspective after a Conference in 1967.
- 20 A political scientist, particularly one interested in voting behaviour was defined as "one who will explain tomorrow why his prediction of yesterday failed today".
- 21 This seems to be true not only of India but of the UK as well. See A H Birch's observation that one learnt more from the *Economist* than from the books of political scientists in his "Representative and Responsible Government".
- 22 Gopala Menon remarked after the first declaration of President's rule in Kerala that the possibility of avoiding chaos through it made State politicians more quarrelsome and irresponsible.
- 23 In fact, the Madras State had established a tradition of attracting its best sons — from Rajaji to Kamaraj to Anna — to its politics and government except for a short interval and of refusing to be bullied by Central leadership. Indeed Kamaraj's refusal to follow Mahatma Gandhi's advice in 1945 set the pattern.
- 24 For a general discussion of consensus see David Easton, *op cit*, pp 296-99. See also, Glendon Schubert, "The Public Interest", Free Press, 1960.
- 25 A leading academic when with the failure of his model, replied

half seriously that he felt like rousing the Congress leaders, pointing out to them that they have lost little by way of electoral support i.e. the proportion of the total votes cast.

- 26 V Subramaniam and G Lakshmana Rao, "Candidate Selection in Madras", (a forthcoming publication). The DMK laid open all its files containing applications, references, decisions, and reasons thereof. The TNCC gave similar permission soon after. The material is being processed through the computer and is being written up. This gives a comparative evaluation of the feedback effect on, selection, policies of, the two parties. W H Morris-Jones collected details of all the Congress ticket seekers in different States. When processed, this study will give us some comparisons of the Congress selection process in different States, the winning as well as losing ones.
- 27 Bertrand de Jouvenal, "The Pure Theory of Politics", chapter 1.
- 28 The Gokhale Institute of Politics and the Delhi Institute of Economic Growth have made such studies mainly with an economic accent. G Lakshmana Rao's doctoral work at the Australian National University on Bhilai is a study with a strong political accent.

Meat Potential of India

Ashok V Desai

The evident consequence of the taboo on beef-eating is to reduce the average food consumption in India, and in particular consumption of animal protein. It would be a fallacy, however, to assume that the taboo is the only factor that depresses protein consumption. It is necessary to look at all the depressive factors together and to assess their relative importance.

As long as agriculture remains animal-powered, the primary purpose of husbandry will remain the breeding and maintenance of bullocks. India suffers from excessive requirements of animal power and inadequate fodder production to meet them. These purely economic factors are enough to prevent India from becoming a major meat consumer. Their effectiveness can be seen in Pakistan where, even with no taboo on beef, the per capita meat consumption is only 3.6 kg.

The serious implications of the taboo are potential ones. For, there is much scope in India for augmenting fodder supplies and reducing animal draught requirements. While India is unsuitable for large-scale pastures owing to aridity, its waste lands can yield sizeable quantities of fodder if they are weeded and planted with grass. There is also room for the growing of fodder as a subsidiary crop in many areas. And Indian agriculture, or at least the part of it other than rice culture, is as capable of mechanisation as agriculture elsewhere. Thus, more fodder could eventually be produced or diverted from the production of draught power.

The consequence of reduced animal power would be a drop in the proportion of bullocks. Male calves would be starved out just as are male buffaloes today, and the proportion of cows among cattle would rise. India could then develop a dairying industry.

That is when the taboo on beef will become of consequence. For as a result of it, cows will live beyond their optimum milch life, and the output of milk per unit of fodder input will suffer. Further, the dairy industry will get no credit from the sale of dry cows; that will also push up the cost of milk.

THE holy cow is well known all over the world. The Indian taboo on beef is regarded outside as incomprehensible and irrational in view of the food shortage in India. One often comes across the somewhat simplistic view that the food shortage is due to the Indians'

unwillingness to eat beef.

It is not the purpose here to discuss the rationality or otherwise of the taboo on beef, but rather, to examine the quantitative consequences of the taboo.

The evident consequence of the ta-

boo is to reduce the average food consumption in India, and in particular consumption of animal protein. It would be a fallacy, however, to assume that the taboo is the only factor that depresses protein consumption. It is necessary to look at all the depres-

sive factors together and to assess their relative importance.

For concreteness, let us compare West Germany, a heavy consumer of meat, and India. We will confine ourselves to 1961, a year in which fairly complete statistics are available for both countries. The per capita meat consumption in that year was 58.4 kg in Western Germany and 1.4 kg in India (Table 1). What was this enormous difference due to?

One reason is that West Germany is an industrial country of the first rank. It exports large quantities of manufactures, and can import much more per head than India. With a population of 54 million, West Germany exported goods worth \$12,687 million in 1961; whereas India, a country of 436 million, exported goods worth Rs 655.2 crores. Consequently, India's export earnings (and more besides) were absorbed in importing essential raw materials and equipment, while West Germany could afford to devote a part of its earnings to the import of meat, animals, and fodder.

Table 1 shows the effect of imports on German consumption. Of a total of 3.15 million tons of meat consumed, West Germany imported 431,000 tons. Nor does this bring out the whole impact of imports, for 2.19 million tons of feeding stuffs were also imported in that year.¹ It is difficult to say just how much meat was produced from them, since the effectiveness of different feeding stuffs varies, and since animals differ in their efficiency of conversion of feed into meat. But we shall make a rough guess. Of the various animals in West Germany, horses, sheep, and goats, are fed mostly on local green crops, and the major part of pigs' feed consists of indigenous potatoes. Thus it is mainly cattle and poultry that depend on imported feed-stuffs — cattle on oilcake and poultry on maize. The total meat output of poultry and cattle reared at home was 1.06 million tons in 1961. The average consumption of grains as fodder in the years 1960/61 to 1962/63 was 10.06 million tons,² while the imports, as we said earlier, were 2.19 million tons. So roughly 21.7 per cent of the feed was imported — which would have produced 231,000 tons of meat if the conversion ratio were uniform. This is an underestimate since imports included feed concentrates and since poultry is a more efficient converter of feed than larger animals. Thus, at least 666,000 tons or a fifth of West Germany's meat was supplied from imports.

TABLE 1: MEAT CONSUMPTION

	West Germany				India	
	Number of Animals ('000)	Meat from Indigenous Animals ('000 tonnes)	Meat from Imports ('000 tonnes)	Meat Consumption	Number of Animals 1961 ('000)	Meat Production and Consumption* ('000 tonnes)
	1	2	3	4	5	6
Horses	710	18	—	—	18	1351
Cows in milk	5107	—	—	—	—	51016
Other cows	1389	955	106	84	1145	3307
Other cattle	6371	—	—	—	—	121234
Buffaloes	—	—	—	—	—	51208
Pigs	15776	1619	57	—	1676	5176
Sheep	1035	15	—	—	15	40223
Goats	352	3	—	—	3	60824
Chicken	60634	109	184	293	114254	100**
Total meat	—	2719	163	268	3150	613
Population (million)	—	—	—	—	54	435
Consumption per head	—	—	—	—	58.4	1.4

* 1957/8 ** Author's estimate.

Sources: Columns 1 and 6: "FAO Production Year Book" 1964, Tables 74-82. Columns 2 and 7: *Ibid*, Tables 83 B, 84 and 85. Column 3: *Ibid*, Tables 83A and B. Column 4: UN "Yearbook of International Trade Statistics" 1963, p 264. Population: UN "Statistical Yearbook" 1964, Table 2.

Apart from imports, Germany consumes more meat because of the technological superiority of its meat industry. The superiority manifests itself in the higher average weights of animals slaughtered and in their shorter life. What would be the German meat production if indigenous animals weighed no more than the Indian ones? Let us estimate it on the basis of the figures of Tables 1 and 2. For the purpose of this calculation, let us assume that all poultry in West Germany is fed from imports. Then 833,000 tons of beef would have been produced from indigenous fodder. If German cattle, pigs, and sheep, weighed as little as the Indian ones, they would have given 1.35 million tons less of meat. So, without imports and the higher dead weights, German meat production would have been 1.13 million tons.

The negligible frequency of slaughter of Indian cattle is obviously due to the taboo, the effect of which we wish to isolate. But pigs are reared entirely for meat in India, and yet their frequency of slaughter is only about a tenth of the German frequency. If pigs slaughtered in Germany had as long an average life as the Indian pigs slaughtered, they would have produced 166,000 tons of meat; and if they had also weighed as little, meat output would have come down to a mere 76,000 tons.

The individual as well as the aggregate effects of the various factors are summed up in Table 2. As it shows, the meat output of West Germany, without imports and with the low carcass weights and slaughter frequencies prevalent in India, would have been 464,000 tons, or 8.6 kg per capita. The comparable figure for India is 1.4 kg. The total protein picture is less unfavourable, for the Indians ate 45.5 kg of vegetable proteins per capita in 1960-62 while West Germans had 31 kg.³

Of the difference of 57 kg in the per capita consumption of animal protein between West Germany and India, 7.2 kg or 12 per cent could be attributed to the Indian taboo on beef. But could it? For even if the Indians were to turn to beef, they could not slaughter cattle at so young an age as is done in West Germany, since the primary function of cattle in India is to meet draught requirements. Bullocks are used for ploughing; besides, bullock-carts are a major form of transport in rural areas. The draught requirements are so pressing that farmers give bullocks priority in allocation of feed, while cows are starved. Consequently, the proportion of cows to working bullocks is only 79 per cent.⁴

As long as agriculture remains animal-powered, the primary purpose of husbandry will remain the breeding

and maintenance of bullocks. Owing to the high mortality rates, a third of the cattle have to be young stock. Thus, out of the 1961 cattle population of 175 million, grown-up animals were only 122 million. If the working life of cattle were limited to 12 years, 10 million cattle would be available each year for slaughter. If their carcass weight were 130 kg — as high as of slaughtered buffaloes, which are bulkier creatures — they would yield 1.3 million tons of beef, or 4.7 kg of beef per person per year. This would be a valuable addition to the diet; but it is hardly necessary to argue that it cannot make a substantial contribution to the solution of the food problem. The basic point is that India suffers from excessive requirements of animal power and inadequate fodder production to meet them; these purely economic factors are enough to prevent India from becoming a major meat consumer. Their effectiveness can be seen in Pakistan where, in spite of an absence of a taboo on beef, the per capita meat consumption is only 3.6 kg.

The serious implications of the taboo are potential ones. For, there is much scope in India for augmenting fodder supplies and reducing animal draught requirements. While India is unsuitable for large-scale pastures owing to aridity, its waste lands can yield sizeable quantities of fodder if they are weeded and planted with grass. There is also room for the growing of fodder as a subsidiary crop in many areas. And Indian agriculture, or at least the part of it other than rice culture, is as capable of mechanisation as elsewhere. Thus, more fodder could eventually be produced or diverted from the production of draught power.

The consequence of reduced animal power would be a drop in the proportion of bullocks. Male calves would be starved out just as are male buffaloes today, and the proportion of cows among cattle would rise. India could then develop a dairying industry.

That is when the taboo on beef will become consequential. For as a result of it, cows will live beyond their optimum milch life, and the output of milk per unit of fodder input will suffer. Further, the dairy industry will get no credit from the sale of dry cows; that will also push up the cost of milk. Milk will remain an expensive commodity in India, and its consumption will stay low. The economic argument against a ban on cow slaughter is that

TABLE 2 : ANIMALS SLAUGHTERED AND CARCASS WEIGHTS

	West Germany*		India	
	Number Slaughtered ('000)	Average Carcass Weight (kg)	Number Slaughtered ('000)	Average Carcass Weight (kg)
Cattle	5642	184	745	80
Buffaloes	—	—	694	131
Pigs	22318	74	701	34
Sheep	587	26	12034	9
Goats	301	8	25297	9

* Figures for Western Germany are not consistent with those given in Table 1.
Source : "FAO Production Year Book", 1964, Tables 83 B and 85.

TABLE 3 : WEST GERMAN MEAT CONSUMPTION UNDER VARIOUS HYPOTHETICAL DISABILITIES

	(Thousand tons)				
	No Disability	Single Disability	No Imports	With Indian Slaughter Frequencies	All Disabilities
No disability	3150				
No imports		2483			
With Indian slaughter frequencies		1639	1028		
With Indian carcass weights		1590	1132	896	
All disabilities					464

Source : Calculated from Tables 1 and 2.

it will result in the slow extinction of cattle by starvation.

NOTES

1 UN "Year Book of International Trade Statistics", 1963, p 264.

2 "FAO Production Year Book", 1964, Table 103.
3 *Ibid*, Table 101 B.
4 Calculated from "FAO Production Year Book" 1964, Table 76 and "Statistical Abstract of the Indian Union", 1965, Table 23.

Shipping Corporation's Contract for Five Ships

A CONTRACT was signed in Bombay on April 6, between the Shipping Corporation of India and Hindustan Shipyard of Visakhapatnam, for five cargo liners — each of 13,400 tonnes deadweight. The total value of the contract is over Rs 20 crores.

These will be modern cargo liners, capable of a speed of over 17.5 knots. They have been provided with large refrigerated chambers of 850 cubic metres to carry frozen cargoes like shrimps, fish, etc, which are becoming increasingly important in India's export trade. The vessels shall be fully airconditioned and will be equipped with other modern amenities for the crew.

The five cargo liners shall be delivered between 1972 and 1973. For the last two vessels of the series, MAN engines, built under licence in Garden Reach Workshops of Calcutta, would be used. These will be the first ships

built in India to be powered by indigenously built main engines.

The Shipping Corporation has so far taken delivery of 22 vessels built at Hindustan Shipyard. Including these five, seven vessels are on order with them, for delivery in the next three to four years. The design of these five vessels is entirely different from that of the other two vessels ordered. The vessels acquired from the Hindustan Shipyard are employed on the overseas run.

The Shipping Corporation now owns a diversified fleet comprising bulk carriers, super tankers, modern cargo vessels, passenger-cum-cargo vessels, etc, of 77 vessels with a total deadweight tonnage of 13.54 lakhs.

Besides the above vessels on order, the Corporation has already placed firm orders with various foreign shipyards for construction of bulk carriers, super tankers, cargo vessels etc.

Income Distribution

Patterns, Trends and Policies

P K Bardhan

T N Srinivasan

THE Planning Unit of the Indian Statistical Institute held a Seminar on Income Distribution in India on February 25 and 26, 1971. A version summarising the proceedings of the Seminar appeared in the March 13 issue of this journal ("Who Are the Poor?" pp 608-10). In our view this summary does not adequately cover the range of issues discussed as well as some of the conclusions that emerged. In view of the importance of the subject, we thought that it would be useful to present a more comprehensive summary of the discussions based on the chairman's opening and concluding statements as well as the detailed notes of the points made by individual participants as recorded by the rapporteur of each session.

The aim of the Seminar was to bring together a number of research workers who have been working on various aspects of inequalities in income distribution, their changes over time and their implications for development policies. In all 19 papers were discussed. The Seminar was organised in Five Sessions:

- I Sources of data and their reliability;
- II Patterns and trends in inequalities: all-India;
- III Patterns and trends in inequalities: regional variations;
- IV Factors affecting inequalities; and,
- V Policy issues.

SOURCES OF DATA

Much of the discussion in the first session centred around the divergence between the National Sample Survey (NSS) estimates and those derived from official national income accounts. It would appear that from 1955-56 to 1962-63 the two estimates are remarkably close to each other but thereafter there appears to be an increasing divergence between the two, the NSS estimate being as much as 12 per cent lower than the official estimate for 1967-68. Some of the participants took the position that the NSS estimate for 1967-68 was too low and argued that this was due to underestimation of consumption by the top expenditure groups. They suggested that since the

sampling design of NSS did not use consumption expenditure for stratification, given the skewness of the expenditure distribution, the probability that the observed sample average per capita consumption was below its population value was very high. Further, the fact that some of the items of consumption of upper expenditure groups such as clothing and consumer durables, etc, are infrequently purchased may result in their being left out altogether by the households when they report their consumption to the NSS investigator. It was also claimed that the NSS investigator with a low social status is not taken seriously by the upper expenditure groups leading to response biases for these groups.

These propositions were strongly contested by a number of participants. They argued: First, even though the sample estimate was more likely to be an underestimate in a probabilistic sense, it was nevertheless unbiased. Second, the seasonality, if any, in the purchase of items would not bias the NSS estimates of annual consumption since in each annual round of NSS canvassing took place in a number of sub-rounds spread throughout the year. Third, it was by no means clear that infrequency in the purchase of an item led to recall lapse. On the contrary, it was possible that expenditure on such items was more easily remembered. Fourth, in order to establish increasing divergence between NSS and official estimates after 1962-63, it was necessary to show beyond reasonable doubt that the degree of underestimation has been increasing and there was no evidence of this. Fifth, the mere fact of agreement between the two series did not establish the absence of bias in either of the series, nor could it be said that the mere fact of divergence would mean the presence of bias. Sixth, it was well known that the statistical basis (for example, animal husbandry, small-scale industries, trade and household services) of some components of official national income estimates was quite weak. Seventh, since the official estimates of consumption were obtained by subtracting public consumption and

savings from national income, the fact that the saving estimates themselves were notoriously weak could compound the errors in estimates of total national income. Eighth, the NSS estimates of consumption on the other hand were direct estimates obtained by following a systematic and explicit procedure for canvassing information from a scientifically chosen sample of households, though being a survey estimate, it might be subject to response biases. Ninth, an estimate of the sampling and non-sampling error (other than response biases) was available from a comparison of sub-sample estimates. Though the participants did not rule out the possibility of increasing underestimation by the NSS, they did not find the reasons offered by some participants in support of this conclusion very persuasive.

RELIABILITY OF DATA

It was suggested that one way of checking the reliability of data was to compare at individual commodity levels the quantum of consumption of specific commodities and their behaviour over time. A comparison of few selected commodities showed that in the case of foodgrains the NSS estimates were consistently and significantly higher than the official figures. In 1961-62, the only year for which commodity details are available from NSS, there seems to be reasonably close agreement between the NSS and official data in respect of commodities like clothing, edible oil and sugar. It was also shown that while the index of per capita expenditure derived from the two sources were more or less identical in the case of edible oil and sugar, there was substantial difference in the case of foodgrains and clothing. In the face of this evidence, a certain agnosticism would seem justified. It is only a far more detailed analysis of commodity-wise consumption and in particular, the reasons for the sharp divergence in the estimates for certain key commodities, that can lead to a more categorical conclusion.

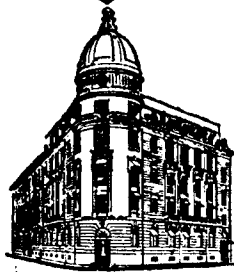
The Second Session focused on the patterns and trends in inequalities of income and living standards. A num-

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ber of papers attempted to estimate inequalities in income (at current prices) on the basis of NSS data on consumption, adjusted for savings and taxes. The conclusions were sharply divergent, some holding the view that incomes in India are more evenly distributed than in many other countries, and others claiming the opposite. To a very large extent the divergent conclusions appear to reflect the assumptions on the distribution of savings as between different expenditure groups. In the absence of reliable data, more or less arbitrary assumptions on the distribution of saving by level of consumption are unavoidable. It did not therefore seem possible to establish categorically what the precise degree of inequalities in India is and how it compares with inequalities in other countries. There were also problems of a conceptual nature vitiating comparability across countries.

There was considerable discussion on the phenomenon of negative saving, its plausibility and its significance. Although most surveys (in India and elsewhere) seem to suggest that a substantial proportion of the population are dissavers, some participants were sceptical on the ground that it was difficult to understand how large proportion of population could continue to dissave indefinitely. It was pointed out that even if one observed dissaving by a particular income group, it would be rash to conclude that such dissaving was done by the same set of households year after year. To the extent there is upward and downward mobility among households across income classes the phenomenon of dissaving by given income group year after year is not implausible.

INCOME AND SAVING

Reference was made to the NCAER Survey of Income and Saving conducted in the early sixties. Some participants tended to discount the survey altogether on the ground that it related only to one year and the estimates thrown up by it were known to have response biases and to be inconsistent with national economic aggregates. But others held the view that it was important to cross check the results of different independent surveys (like the NSS and the NCAER) in order to speak with greater confidence on the question of income distribution. It was reported that the Lorenz ratio of consumption distribution implicit in the data on income and savings obtained from the NCAER surveys was higher than the

inequalities in consumption revealed by the NSS for the same period. However, there are a number of differences in concept and methods of valuation which would seem to explain the direction of difference though not its quantitative significance.

It was clear from many of the papers that the NSS data consistently showed that the inequalities in consumption, as measured by the Lorenz Ratio (LR), in rural areas was lower than in urban areas. They also suggested that the LR of consumption with reference to household as unit was higher than the LR for the population (the ranking in both cases being in terms of per capita consumption). It was pointed out that this was consistent with an inverse correlation between per capita of consumption and household size.

There was some discussion on the suitability of LR as a measure of inequality. The point was made that the difference in the LRs taken by themselves did not necessarily give a unique idea of relative inequality. Comparisons of LR over time or space could be considered valid only if the Lorenz curves did not intersect. It was, however, pointed out that the Lorenz curves based on the available data on consumption fortunately did not intersect.

Apart from calculating LRs, there were also some attempts to measure the incidence of poverty in terms of the proportion of population falling below some normatively defined minimum consumption level. The NSS data showed that if this normative minimum was taken as Rs 15 per capita per month for the rural population, the percentage of people in rural areas below this minimum was about 40 per cent in 1960-61; if the norm was taken as Rs 20, the proportion would be about 60 per cent.

The discussion on the changes in inequality over time was particularly interesting. Most participants came to the conclusion that LRs of consumption at current prices derived from NSS data had appreciably declined over the sixties both in rural and urban areas. However, there was a sharp divergence of opinion on the changes in inequality of real consumption. Some participants used different price indices for deflating nominal consumption of different expenditure groups to obtain a measure of their real consumption. The different price indices allowed for differential price changes in the consumption baskets of

different deciles of the population. Using this procedure one participant showed that the LR of real consumption declined over the sixties though the decline was not as striking as in the case of LR nominal consumption. Another participant deflated the nominal consumption of different deciles (as reported by the NSS) for the year 1967-68 by a uniform deflator, the deflator being the implicit national income deflator of CSO. After observing that there was a decline in real consumption in 1967-68 as compared to 1960-61, for all expenditure groups and strikingly so for the upper income groups, this participant found such a picture to be "incredible". He then "corrected" the picture in such a way as to bring the overall average per caput consumption to equal the official estimate. There was a lively discussion on the validity of his entire procedure. One participant suggested that had different deflators for different deciles groups been used, the picture would not have been so "incredible". It was agreed that deflators should reflect the difference in the commodity consumption of the different classes of people and the divergent price trends of different times of consumption. While there were a lot of difficult problems involved in constructing such deflators, two of the papers showed that such a task was not altogether impossible. It was readily accepted by all the participants that there was scope and need for further refinement in this area.

PROPORTION OF RURAL POOR

Another participant using NSS data noted that the proportion of rural population with a consumption below the normative minimum (Rs 15 per caput per month at 1960-61 prices) had increased sharply from 1960-61 to 1967-68. This view was contested by some simply on the ground that it was "incredible". Others tried to show that there was no such increase by using official estimate of average per caput consumption and NSS data on distribution of consumption among fractile groups. The ensuing discussion showed that the differences arose primarily from (a) the price index used for converting the normative minimum defined at 1960-61 prices to that at current prices, and (b) the difference noted in the discussion of the first session between the NSS and official estimates of average per capita consumption for 1967-68 or 1968-69. It was, however, pointed out that factor (b) was far

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more significant in explaining the sharp increase in the proportion of rural people below poverty line, since it turned out that the use of number alternative price indices did not make much difference in the estimates.

INTER-REGIONAL DIFFERENCES

The papers on inter-regional differences in inequalities and the incidence of poverty were based entirely on NSS data. Not surprisingly the degree of inequality was found to vary appreciably as between States. The behaviour of inequalities over time also did not show any uniform and consistent pattern over the States. There were also very substantial differences in the incidence of poverty measured as a proportion of population falling below specified per capita consumption level. The differences, as was to be expected, were largely explained by variation in the average per capita consumption level and the degree of inequalities in consumption as between States.

One of the papers presented in the Seminar made a tentative attempt at identifying the characteristics of the poor and examining the association between the degree of inequality and some of the factors which would seem to have a bearing on them.

Some of the major conclusions of this analysis may merit consideration:

- (1) The degree of consumption inequalities in rural areas is less than inequalities in land distribution possibly because (a) households with large holdings tend to be of larger size, (b) larger holdings generally have a larger proportion of poor quality land. Further, to the extent larger holdings have higher per capita income, the fact that they are likely to save more will result in inequalities in consumption being lower than inequalities in income (and land).
- (2) Contrary to the popular impression, it is not true that large land holders are invariably rich or that landless workers or small holders are invariably poor. In fact, a significant proportion of the poor households have large land holdings while a sizeable proportion of landless workers and small farmers fall in higher per capita consumption brackets.
- (3) One of the main explanations of this apparent anomaly seems to be the behaviour of family size. There is significant concentration of large size families among the poor income groups and a significant concentration of small size families in the relatively high per capita consumption categories.

- (4) The per capita consumption of agricultural labourers is on the average lower than for other groups but the inequalities are perceptibly small. The per capita consumption of non-agricultural class would appear to be slightly above the average though the inequalities within this group is not significantly different from that of the rural population as a whole.
- (5) Variation in the degree of inequality (as measured by LR) in consumption among States seems to be positively associated with the inequality of distribution of land ownership. The association was rather weak and did not explain more than 25 per cent of the variations in consumption inequalities. There seems to be a weak negative association between the proportion of irrigated area and the degree of consumption inequalities, and the positive association with proportion of income derived from animal husbandry.

IMPACT OF GREEN REVOLUTION

There was a lot of discussion on the impact of "Green Revolution" on income inequalities. There was some agreement that though the new agricultural technology might be neutral to the size of holding and might have indirectly increased employment, it was likely to have worsened income distribution insofar as the acquisition of requisite new inputs depended on initial asset holdings. Some evidence was also presented of a decline in real wage rate in rural areas as well as industry.

There was general agreement in the course of discussion about the need for more intensive analysis of poverty. Additional factors like the age, sex and earner-dependent composition of households and the regional distribution of the poor would be useful. A suggestion was made that since the degree of inequality did not appear to have changed very much over the last 10 years, it might be worthwhile pooling NSS data for several rounds for such an analysis. This would enlarge the sample size to a level which would permit the building up of a far more disaggregated regional picture of the incidence of poverty and the characteristics of poor. While recognising that the kind of correlations and regressions between consumption inequalities and possible explanatory factors was interesting, a great deal of work was needed to formulate testable hypothesis before meaningful statistical analysis could be attempted.

The last Session was devoted to policies for achieving a more equitable distribution of income and wealth. Of the papers submitted to the session, one was fairly comprehensive and discussed various policy alternatives particularly with a view to the objective of assuring a minimum standard of living to the population; other papers dealt with particular policy issues like land redistribution, with taxation, the role of public investment, tax policy and differential interest rates on bank credit to help the small producers.

LAND POLICY

On land policy it was generally agreed that in spite of various land reforms, land was very unevenly distributed, rents were high and uncontrolled (also largely uncontrollable in view of the pressure of demand for land), tenants by and large did not have adequate security; and a mere policy of lowering the land ceilings and land redistribution would only lead to a vast increase in the number of uneconomic holdings without making much of a dent in the problem of rural poverty. One participant argued for the legal prohibition of tenancy (involving ownership rights for existing tenants) and land mortgage.

The same participant also considered the possibility of influencing technological choice in favour of more labour intensive methods of production. He discussed at length the experience of the Khadi programme to illustrate the problem of protecting an inferior technology in the presence of an advanced technology and of artificially restricting the pace of adoption of improved technology. Another participant asked whether we had done everything possible to adopt techniques which were consistent with our factor endowments. It was possible, he argued, that the relatively high wages in the organised and unorganised industries might have led to a higher capital intensity than would be desirable from the social point of view.

There was a lot of criticism of a policy of differential interest rates designed to provide cheap credit to small farmers and small entrepreneurs. The problem of re-lending, the growth of a whole host of intermediaries, and possible misuse of discretionary powers to the bank branches were emphasised. A more direct policy of helping the poor

through the fiscal machinery was considered better by some participants.

ROLE OF PUBLIC OWNERSHIP

The paper on the role of public ownership as an instrument of income distribution noted that the public sector policy of providing model housing and other amenities to its workers or that of limiting the salaries of top executives had not had any real impact on the much larger private sector. In many cases the benefits of the public sector did not flow to those who deserve them most, and, since in general the public sector undertakings had a low rate of profit, the problem of small surplus and consequently slow growth would lead to bleak prospects for the poor in future as well.

There was a considerable amount of discussion on the suggestion of a massive rural works programme designed to utilise underemployed, unskilled labour without involving much use of scarce inputs like cement and steel. The claim by one participant that a long list of such projects was lying in all block development offices waiting to be taken up was seriously questioned by many participants. They pointed to the lack of a comprehensive and integrated programme based on careful technical preparation and planning. They also emphasised the need for responsible participation of local communities in such an effort. Some participants were of the view that equitable sharing of the benefits of such projects and effective local participation and organisation required a very different type of institutional framework possibly along the lines of the communes.

As for resources, one participant claimed that if the richest 50 per cent of the Indian population accept a 15 per cent cut in their consumption and the second richest 5 per cent accept a 7½ per cent cut, between 800 and 1,000 crores of rupees a year could be mobilised for the works programme. He did not specify the kind of taxes this would involve. Some participants were sceptical of the political feasibility of such a large dose of taxation of the rich. They pointed out the difficulties faced in the much smaller effort call for the current plan. One participant suggested a global tax on all forms of wealth with confiscatory rates for wealth above 3 lakhs of rupees. Others pointed to the scope for additional taxation on the rural

rich. Another suggestion was to make the existing system of taxation of income and wealth more effective by lowering the maximum marginal rates of taxation of income stopping various kinds of loopholes and exemptions.

One participant also referred to the question of real resources which would remain even if a massive programme of redistributive taxation works. Since the poorer people had a much larger propensity to consume foodgrains than the rich, a redistributive tax

policy by itself could not solve the problem; the foodgrains released by the rich would be much less than what the poor need. Some kind of rationing of essential commodities might be needed.

The difficulties in the way of a really effective redistributive policy were found to be many, but the participants agreed that the problems of the poor in India were desperate and some of the policy solutions were imperative.

Profits and Investment in Coal Industry

A Comment

R C Sekhar

I READ with interest "Profits and Investment in Coal Industry" by A B Ghosh (November 7 and 14, 1970). I have, however, the following comments to offer on the paper.

(1) I am not clear about the implications of Ghosh's statement that equities in relation to debts have grown faster in the coal industry as compared to other industries.

(2) It seems to me that Ghosh has not consistently separated out figures relating to the public sector companies. Any study of the coal industry without segregating the public sector would give a very lopsided view of the industry.

(3) I feel that a much better understanding of the coal mining industry can be obtained if we have a pooled cross-section analysis of the behaviour of coal mining companies over time. Such a study of the mining industry in the US has been done by Armando M Lago in his paper "Quantitative Economic Analysis of Sources and Uses of Funds in the Mineral Sector". His conclusions are interesting.

(4) Lago has analysed the accounts of sampled mining companies in seven years crucial to the industry in the US — 1947, 1949, 1954, 1955, 1958, 1962 and 1966 — and tried to work out equations which would enable one to understand the relationships between cash outflows on prospecting, inventories, plant and machinery and dividends and choice of source of funds between loans, share capital and working capital and profits. He has also derived from his studies the impact of variations in taxation policy in respect of depreciation and depletion allowances and income-tax credits on the financial behaviour of the firms. One of his

interesting conclusions is that if depreciation and depletion allowances were reduced by 10 per cent in the US, there would be a drop of 34 per cent in investment in mines. Similarly, the investment tax credit passed in 1962 resulted in a 6 per cent increase in mine development investment. Lago also shows that mining companies have a palpable aversion to taking the risk of indebtedness, as demonstrated by the relative lack of borrowings in mining firms. At the same time, the overall cost of capital to the mining corporations would be very much lowered if the debt to total capital ratio was increased from about 0.35 to 0.43. Lago also notices the influence of the previous year's dividend rather than the current year's profits on current year's dividends. There is also a difference of behaviour between pure mining companies and integrated producers.

(5) It would be naive to build one's arguments on the hypothesis that the capitalistic entrepreneur will not behave in the way in which he normally does. If the purpose of all practical economics is to make for optimum allocation of resources we will have to see how far Government in its dominant role as the purchaser of coal achieves this purpose by a policy of "socialism by price guidance" coupled with use of its powers of taxation. In judging the behaviour of coal mining companies one has also to see how far the nation's mining wealth is conserved by the industry, an aspect which has not been touched upon by Ghosh.

(6) I reproduce in Table 1 an analysis of accounts of 5 typical companies. The figures have been altered by me marginally to lift the questions

involved to an academic level and to avoid recriminations over criticism of individual companies. The conclusions to be drawn from the Table are:

(a) The Table shows that divergence between companies is large.

(b) The divergence may be due to many reasons beyond the control of individual companies; for example, distance from consuming points, gradation of coal, political and social pressures operating in the area in which the mines of the company are located.

(c) Any study of coal mining companies' financial behaviour which does not segregate the public sector companies is likely to give a very lopsided picture.

(d) Leaving out the public sector, the less successful companies have a lower debt-equity ratio. Therefore, in the present circumstances increase in debts appears to be a signal of disaster.

(e) There are indications to show that in private sector companies, for example in Company 'A', while there may be some investment in mechanisation of existing units as shown by the relative increase in plant and machinery figures, compared to depreciation, the investments are very moderate. No large-scale investment in new properties or development is evident. In this situation a superficial examination of accounts will not enable us to make out companies which may be faced shortly by severe problems of survival. Company 'C', for example, had merrily been paying dividends on declared profits in the earlier period upto 1964 and had a sudden collapse due to mine replacement problems.

(f) While it may be true that moneys had been flowing out from coal mining companies through dividends and heavy managing agent's remuneration (for example, Company 'B') or to non-mining assets (building in building in city and other investments, as in Company 'D') and had tax planning (for example, Company 'C'), sacrificing the future for the sake of temporary advantages in showing profits and declaring dividends, it is difficult to say that reinvestment would have been always in the private interest of the company.

(g) The conclusion as at (f) above arises obliquely out of lack of correlation of wage price differential with profits, for this distinctly indicates short-term variations in demand and the variation in the incidence of fixed costs (including wages). Thus with lowering of demand, profits would certainly vanish as the bulk of short-term variation in demand cannot be count-

TABLE 1: ANALYSIS OF ACCOUNTS OF FIVE COAL MINING COMPANIES
(all amounts in Rs lakhs)

Company 'A' 1949-1968			
Growth of production: from 19 lakh to 33 lakh tonnes per annum. Total production during the period: 535 lakh tonnes.			
Source of Funds		Application of Funds	
Profits	1,190	Plant and machinery	502
Depreciation	490	Property and others	192
Loans	150	Development	68
Equity	20	Working capital	119
		Dividend	356
		Managing agents	86
		Taxation	527
	1,850		1,850
Average equity: 130; Debt-equity ratio: 1 : 0.8.			
Company 'B' (An Integrated Producer) 1950-1966			
Growth of production: from 8 lakh to 22 lakh tonnes per annum. Total production: 289 lakh tonnes.			
Source of Funds		Application of Funds	
Profits	650	Managing agents	115
Depreciation	172	Dividends	186
Loans	104	Investment	54
Equity	—	Taxation	248
Working capital	22	Plant and machinery	268
		Property and others	77
		Development	—
	948		948
Average equity: 85; Debt-equity ratio: 1 : 0.9			
Company 'C' 1956-1969			
Production dropped from 18 lakh to 13 lakh tonnes per annum. Total production: 216 lakh tonnes.			
Source of Funds		Application of Funds	
Depreciation	50	Managing Agents	15
Loans	40	Deferred revenue and investment	34
Working Capital	140	Dividend	25
Equity	—	Taxation	16
		Plant and machinery	25
		Development	40
		Other	10
		Losses	65
	230		230
Average equity: 34; Debt-equity ratio: 1 : 0.2			
Company 'D' 1958-59 to 1968-69			
Production dropped from 10.5 lakh to 10 lakh tonnes per annum. Total production: 70 lakh tonnes			
Source of Funds		Application of Funds	
Profits	110	Dividends	51
Depreciation	75	Taxation	50
Loans	83	Managing agents	4
Equity	28	Building in a city	27
		Fixed investments	29
		Land and shafts	110
		Lead and lift	12
		Others	13
	296		296
Average equity: 38; Debt-equity ratio: 1 : 0.60.			
Company 'E' (Public Sector) 1962-1968			
Source of Funds		Application of Funds	
Depreciation	2,600	Plant and machinery	7,500
Equity	5,700	Development	3,900
Loans	5,300	Prospecting	800
		Working capital	1,400
	13,600		13,600

ered by reduction in prices because there are not probably elastic to price variations. Demand may be elastic only in the long-term as location of industries can be governed by the price factor.

(7) There is another presumption in Ghosh's paper that increased mechanisation would reduce costs. On the basis of my experience and also the trend in other countries, I have serious doubts about his projections. Obviously, mechanisation should give advantages to the coal industry to the extent that increases in the store and machinery costs and wage rates do not outstrip the labour cost reduction due to improved labour productivity. One of the disturbing factors in India is availability of machinery and spares. In the circumstances we could probably make a statement of only limited optimism as follows: with mechanisation and reasonable standard of supply of spare parts and availability and utilisation of machinery and increase in coal demand, costs may not rise steeply in future.

(8) Ghosh has also given some indices in Table 5 of his paper for judging whether there has been mechanisation. He uses the indices of percentage of mines using electrical power and/or using coal cutting machines. However,

it would be more correct to adopt criteria for differing levels of mechanisation, say, horse power installed per 1,000 tonnes and horse power per employee, coal loaded below ground by machine as percentage of production, coal transported below ground in conveyors as percentage of production below ground, ratio between explosives used and coal produced, percentage of open-cast mechanised production, say by draglines, shovels and dumpers and so on. The phenomenal increase of output per manshift in the US is partly because of high productivity of open-cast mining, a point which has been completely missed by Ghosh's article.

(9) Ghosh's view that price increases in coal industry are not justified because of lack of correlation between price-wage relatives and profits and also his suggestion that price increase prevents the coal industry from looking into problems of productivity are not entirely logical. Suffice it to indicate that Indian coal is the cheapest in the world and the only country where coal cost is comparable to India is the US. Indian coal is about Rs 1.62 to Rs 1.90 per million BTU at pit-head while coal in the US is about 20 to 36 cents per million BTU. The prices in UK are about three times as high as

in India, and those in Sweden and Germany about six times. It is in the transportation of coal from pit-head to the consuming points and in the efficiency of use of coal by consumers that India appears less economical. In US the cost per million BTU at consuming point is 25.8 cents while in India it is probably Rs 3 to Rs 4 per million BTU. Again, even with price of coal at 40 cents per million BTU, which is anticipated after some time with increased costs, electricity costs in the US are estimated only at 5.6 cents per 10 KWH. There may be a further gradual reduction as fuel consumption is expected to go down from 8,500 BTU per KWH to 7,500. Everyone is aware of the high power costs in India and one can easily judge where the major inefficiency lies. Analysis of the coke rate in steel plants would also reveal a similar story.

(10) It is, however, another issue if by increasing coal prices in India there would be more optimum allocation of resources for the country. One has to see this in the light of many factors including the foreign exchange content of diesel oil. On the question of keeping the private sector profits within limits or nationalising the industry one is bound to be influenced by one's ideological and political preferences.

turers is 52 lakhs; a Letter of Intent for 4,00,000 tyres was issued to a new unit in 1969 making a total of 56 lakhs. However, some of this capacity is unlikely to become available until 1974/75.

Experience has shown that due to labour problems, shortage of electricity, dislocation of transport and similar problems, a maximum of 90 per cent of the Industry capacity has been utilised in any year. On this basis, in 1973/74 the effective Industry capacity is likely to be reduced to about 50 lakhs tyres compared with an estimated demand of 75 lakhs tyres. The demand could increase to about 80 lakhs tyres in view of the more intensive utilisation of vehicles as a result of increasing industrial and agricultural activity, and if some of the new vehicle manufacturing projects materialise.

These facts and the recent tyre shortage once again highlight the need for a Government policy which will ensure that there is sufficient available capacity and actual production of automotive tyres and tubes to meet the growing demand of the domestic and export markets. This policy must ensure that Letters of Intent are implemented quickly. The reason for the serious tyre shortage which developed in 1968 was that four proposed new units which were granted Letters of Intent in the early 1960s for a total of 12 lakhs tyres did not implement their schemes and the Government had finally to revoke these Letters of Intent. A number of Letters of Intent have recently been issued to new units for a total capacity of 24 lakhs tyres. Based on past experience, it is likely to take a new manufacturer several years to implement a capacity of 3,00,000 tyres, which is now considered to be the minimum economic unit. On the other hand, an existing manufacturer with experience in implementing expansions and with the necessary technical and managerial skills, can achieve this within two years.

The Government should not, therefore, wholly rely on new units to meet the additional demand for tyres but should also permit expansion to existing manufacturers to make sure that the country is not short of a vital product. Your Company is ready to play its part in meeting the future demands of the country.

During the year, we continued our efforts to expand the Industrial Pro-

ducts side of our business and our two outstanding achievements were:—

- 1 A contract worth Rs 1.5 crores with the Neyveli Lignite Corporation for the supply of special cotton/nylon conveyor belting. This is the largest contract ever to be placed in this country for conveyor belting.
- 2 Introduction of Metalastik rubber to metal bonded components for the Indian Railways, particularly a large mounting for diesel and electric locomotives.

Exports

In 1970, your Company achieved yet another record—our export of all products crossed the Rs 3 crore mark, which represents an increase of approximately 9 per cent over 1969. This was achieved in the face of stiff international competition and was only made possible by the development of new markets, constant market research, product development and the continuous assistance which we receive from our UK Associates and their worldwide distribution organisation. A notable achievement was that our exports to the General Currency Area markets, where competition is most severe, increased by 36 per cent.

Automotive tyre and tube exports in 1970 were 11.6 per cent of our production as against the guarantee of 10 per cent which we have given to the Government. We consider this to be a very good performance for a non-traditional item. Dunlop India's automotive tyre and tube exports constituted 43 per cent of the total exports of these products from India.

During the year, we developed ten new markets and introduced a special type of cycle tyre called "Slik" for the sophisticated American market, a new tyre design for earth-moving machines and two new types of cycle rims. Our cycle tyres greatly assist the exports of bicycles manufactured in the country; in fact, many overseas orders stipulate the fitment of Dunlop cycle tyres. Our exports of cycle tyres and tubes were 77 per cent of the total exports from the country.

It is our constant endeavour to maximise exports but our efforts have at times been handicapped by labour problems, strikes at the ports, irregular availability of shipping space and ever increasing freight rates. Recently, and without reference to the Industry, the export of nylon tyres to the

UAR has been banned for 1970/71 under a bilateral trade agreement with that country. Unless this ban is removed, our export efforts will be seriously affected, and the important UAR market, which has been developed after much hard work, will be lost to the Indian Tyre Industry. It would be helpful if the Government were to consult the Industry and take us into its confidence when such agreements are negotiated.

Our export efforts are also dependant very largely on our ability to produce and supply goods at competitive prices. Duty drawback rates have a significant influence and have been suddenly reduced in the past. These are at present once again under review and it is hoped that the rates will not be reduced again; if they are, we may not be able to quote competitive prices. It should be appreciated that with such uncertainties, we are not always able to quote prices for delivery in the future which is a normal characteristic of export business.

Cash subsidy rates should also be established at levels which will encourage exports. We are still losing substantial amounts on our export business.

If such difficulties are not overcome soon, some enquiries for exports which are now being received will ultimately be diverted by the customers to other sources of supply. This will obviously affect our export achievements.

There is, therefore, an urgent need for the Government to establish long term policies to enable the exporter to plan well ahead to increase exports.

Costs

Costs have risen during the year mainly on account of increases in raw material prices. In the last two years, cotton prices have increased by nearly 50 per cent, and since January 1971 they have risen by as much as 20 per cent. This has necessitated increases in the selling prices for cycle tyres. An excise duty of Rs 300/- per tonne has been imposed on indigenous synthetic rubber and since November 1970 octroi has become applicable to all raw materials received at our Sahaganj factory. To these burdens must be added a substantial increase in wages, salaries and dearness allowance.

State trading agencies are now taking an active part in procuring and supplying some of our major raw

COMPANY MEETING

DUNLOP INDIA LIMITED

Chairman, Mr R G S Nairn's Review

THE following is the address by the Chairman, Mr R G S Nairn, at the 45th Annual General Meeting held on April 19, 1971, at Calcutta.

I have pleasure in welcoming you to the 45th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December, 1970, have been in your hands for some time, I should like, with your permission, to take them as read.

The Year's Trading

Total sales increased by 8 per cent over 1969 to Rs 87.71 crores.

Once again the demand for nearly all our products was in excess of our production capacity. In the case of automotive tyres, the position was aggravated by the dislocation of production in some other tyre manufacturing units, which resulted in a short-

age of truck and rear tractor tyres in the second half of the year. This situation was rectified in conjunction with the other members of the Automotive Tyre Industry. Despite overall cost increases, the Automotive Tyre Industry voluntarily reduced the replacement market prices for truck and rear tractor tyres by 0.75 per cent with effect from 1st January, 1971, in order to create an atmosphere in which these tyres could become available at fair prices. I am pleased to tell you that these measures have had the desired effect. The Tyre Industry also reduced the Defence prices for truck tyres by 0.75 per cent with effect from 1st January, 1971.

During the period of shortage, your Company naturally had to give priority to supplies for Defence and State Transport organisations to enable them to keep their fleets operational, and to

vehicle manufacturers to maintain their programmed production. However, due to the shortage of Industry capacity for rear tractor and earthmover tyres, agricultural tractor and earthmoving machinery manufacturers were not able to obtain their full requirements. We are doing everything possible to expand output of these tyres.

The demand for nylon truck tyres continued to increase in the domestic market. However, Industry production could not keep pace after meeting export commitments, due to the insufficient availability of nylon tyre cord, all of which is imported. It is important that indigenous production of nylon tyre cord becomes available as soon as possible and, in the meantime, larger imports should be permitted.

The total sanctioned capacity of the existing automotive tyre manufac-

materials. The State Trading Corporation, for the first time, has commenced purchasing indigenous natural rubber in order to relieve the burden of high stocks with the small growers. We are glad that the rubber purchased by the STC is available to the Industry at the controlled prices. However, certain other raw materials, such as nickel and titanium dioxide, which have now been canalized through State organisations, cost considerably more than they did when we were able to obtain these materials through direct imports.

Production

Tyre production at our Sahaganj factory was approximately the same as in 1969 with the exception of cycle tyres, which were badly affected by labour difficulties. Consequently, the shortage of Dunlop cycle tyres increased in the domestic market and our export deliveries were badly affected.

Industrial Products output at Sahaganj was satisfactory except for bicycle rims, which suffered severely from the shortage of steel rim strip; this has created difficulties for some of the bicycle manufacturers. Although the import of some rim strip has been permitted by Government, we are still short and there may be further interruptions in the production programme.

Production at the Ambattur factory increased significantly due to the completion of a part of our expansion programmes which will be finished in 1971 and fully effective in 1972. Automotive tube production commenced at Ambattur during 1970. Production of bicycle rims, against the licence for 15 lakhs rims, will commence at Ambattur in 1971.

In accordance with Government directives, we are doing everything possible to maximise production at both factories in order to avert any possible shortages in the future.

Product Development

The Company's products continued to enjoy the highest reputation for quality and service during the year.

In keeping with our policy to bring to our customers improved products of latest designs, we have been evaluating modern patterns in the truck tyre range and the benefits will become apparent to consumers with the introduction of new truck tyres

during 1971.

In 1970, we introduced a premium cycle tyre, the "Dunlop Goldseal". This very modern design of tyre is already manufactured in several factories in the Dunlop Group. We expect that it will play an important role in assisting bicycle exports and in developing cycle tyre exports, and will also find its place as India's top quality cycle tyre.

We continued to develop new tyres for the latest civil and military aircraft operating in India and it is our intention to try and make the country self sufficient in aero tyres. During the year, we also became the first manufacturer in India to produce tyres for industrial forklift trucks.

These developments and many others have only been possible as a result of the continuous technical assistance that we receive from our UK Associates supplemented by local development work. Our new Technical Aid Agreement, which was submitted to Government at the end of 1969, has not yet been finalised. I am pleased to tell you that Dunlop Limited has been continuing to give us technical assistance during 1970 in the belief that the Government will appreciate the need for us to continue the purchase of technical knowhow on a reasonable cost sharing basis.

Tyre technology is continuously changing and the tyre that we make today is very different in terms of design, raw materials and construction, to the one made only a few years ago. Although we have always carried on development work in India to adapt some of the knowhow to suit local conditions, it is not possible or practicable for our Company to duplicate the research and development work carried out by our UK Associates as the resources required are enormous and completely beyond our capacity.

I have mentioned earlier the very important plans for increasing exports. Success in this field is dependant on our ability to continue the manufacture of products which are fully competitive in international markets in design, quality and performance. The tyre industry throughout the world is in the throes of a technological revolution brought about by new developments in vehicle design, increasingly stringent safety requirements and development of new synthetic polymers and fibres. New tyre designs are gradually replacing conventional constructions; steel, nylon, polyester

and other materials are becoming increasingly important in tyre production. We must therefore, be permitted to keep continuously up to date with these developments not only to compete successfully in the export markets but also to bring the benefits of the latest developments to our domestic customers.

It is important to see this point in the right perspective bearing in mind that the total production of automotive tyres in India is less than 1 per cent of the world production. However, for some products, such as cycle tyres, where the volume of production reaches a sufficiently high level, local research and development work can be undertaken. Our UK Associates have proposed that we undertake this work and sell technical know-how to other cycle tyre manufacturers in the Dunlop Group thereby earning valuable foreign exchange for the country.

Diversification

We are always seeking opportunities for diversification into product fields, which are capital intensive and require sophisticated technology. In view of the increasing need for such new and modern products in the country, we feel that we can play an important part, and we have submitted an application to Government for the manufacture of steel cord conveyor belting, which is essential for iron ore and lignite mining.

There is an urgent need to increase the manufacturing capacity for conventional rubber conveyor belting, and fan and vee belts. By 1973, there will be a substantial shortfall and imports are currently being allowed to augment indigenous production. We, therefore, hope that the Government will take urgent steps to licence additional capacity to existing manufacturers who are in a position to implement expansions quickly and to offer a technologically competent product to the market.

Our Letters of Intent for golf and tennis balls are still under negotiation with the Government.

Personnel

Despite the unsettled conditions, employee relations have remained generally good during the year. In 1970, we concluded negotiations and signed a new five-year agreement covering the engineering operatives at our Sahaganj factory in West Bengal.

The agreements covering the production operatives and staff at the Sahaganj factory, and the staff at the Head Office and the District Offices throughout the country, expired at the end of the year. New agreements are now being negotiated and we hope to finalise them in the near future.

From its inception, the Company has adopted progressive methods and techniques with a view to improving the welfare and conditions of service of all employees. However, it must be remembered that there are limitations and the ultimate welfare of the employees depends upon the continuing prosperity of the Company.

Our training programmes for personnel at all levels continue to make good progress. Consistent with the Company's policy to keep pace with the technological changes and to improve managerial efficiency, new training programmes were developed and introduced.

Profit and Loss Account and Balance Sheet

The financial results for 1970 have already been covered in the Directors' Report, but there are a few points that I would like to make.

As you will have noticed from the accounts, the main feature of the year's trading is that the significant increase in income yielded very little by way of additional profit. The major reasons for this were increased raw material and personnel costs and higher depreciation charges. Another contributory factor was increased interest charges reflecting the higher level of bank borrowings which were needed to finance additional raw material stock holdings, particularly natural rubber and textiles. These increases more than offset the significant reduction in accounts receivable, which have been achieved through our continued efforts to make the optimum use of all available liquid resources.

Once again, your Directors have taken into account the substantial cash requirements needed to finance your Company's expansion plans. Accordingly, they propose to maintain the ordinary dividend at 20 per cent for the year, the same as for 1969 and retain the balance of available profit amounting to Rs 1,65,99,000 by transferring this amount to general reserve.

Capital expenditure in 1970 was Rs 3.20 crores. In addition, commitments

for capital expenditure at 31st December, 1970, amounted to Rs 5.67 crores. Expenditure includes the implementation of the industry licence received in December 1967 to increase the Company's automotive tyre and tube capacity by 1,35,600 units and 1,24,800 units per annum respectively. Also included are commitments made against the industrial and capital goods licences received in 1969, for the automotive tyre and tube and bicycle rim expansions at the Ambattur factory, and for the replacement of old equipment at the Sahaganj factory.

The major part of the expenditure on the current expansion plans will be met from the Company's own resources. However, additional finance of approximately Rs 2 crores will be required and an application has accordingly been made to the Controller of Capital Issues for the issue of 15,00,000 Ordinary Shares at a premium of Rs 4 per share to members in the ratio of 3 new Ordinary Shares for every 20 Ordinary Shares held. The proceeds of the proposed issue will be Rs 2.1 crores.

The Board

Mr J A Moore relinquished his appointment as Managing Director during the year on retirement after long and distinguished service with the Company. I am sure you will join me in wishing Mr Moore a long and happy retired life.

Mr Sachin Chaudhuri also retired from the Board. I would like to take this opportunity of thanking him on your behalf for the wise counsel that he has given us and for the great interest that he has always taken in the Company.

Mr K Padmanabhan also retired at the end of the year. Here again I would like to take this opportunity of thanking him for his many years of devoted and loyal service to the Company.

Mr J R Scott retired from the Board during the year on taking up an appointment with Dunlop Limited, UK and Mr C J T Blease took over from him.

We have now re-organised our executive management team with the appointment of four new wholtime Directors. These are Mr R N Basu, Director Accounting, Mr N S Bedi, Sales Director Industrial Products, Mr

R M Bhandari, Director Administration and Industrial Relations and Mr L J Tompsett, Sales Director Tyres.

I am sure you will join me in extending a warm welcome to the new Directors.

Future Prospects

Our diversification plans, which I have already mentioned, are designed to broaden the base of the Company's manufacturing activities.

We hope that we will be permitted to have a share of the expansion of the Automotive Tyre Industry, and we have submitted an application to Government for permission to establish a new factory with an initial capacity of 3,00,000 automotive tyres and tubes in Goa, which is an industrially underdeveloped area. In keeping with our policy of forward planning, we have already purchased some land. We hope that this application will be considered favourably, particularly in view of our creditable export performance, a good record of supplies to Defence and vehicle manufacturers and our progressive manufacturing and development policies.

Under the Monopolies and Restrictive Trade Practices Act, your Company can be considered a dominant undertaking. This is so only because according to the Act the basis for calculating market share is the actual production and not the licenced capacity. In 1970, our share of the Automotive Tyre Industry's production was approximately 38 per cent. Our licenced capacity, on the other hand, is only 28 per cent of the total capacity sanctioned by Government to the Industry. It will thus be seen that loss of production in other units and the extent to which they have implemented licenced expansions can actually determine whether an undertaking is dominant or not.

As mentioned earlier the expansion of the Company's Ambattur factory is making good progress. Given stable conditions, your Company will continue to grow and we face the future with confidence and optimism.

In conclusion, I should like to thank all our employees for the efforts they have made during 1970 towards the progress of the Company.

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

Bayer



Bayer (India) Limited

Speech of the Chairman, Mr B M Ghia

The following is the Speech of Mr B M Ghia, Chairman, Bayer (India) Limited, delivered at the Thirteenth Annual General Meeting of the Shareholders held on April 21, 1971:

Friends,

I have great pleasure in welcoming you to the Thirteenth Annual General Meeting of the Company.

You must have already received the Annual Report of your Company for the year 1970. With your permission, I shall take it as read.

I am sure that you would have been happy to notice from the report that your Company's performance in 1970 was laudable. Sales increased by 29 per cent over the previous year and reached Rs 7.42 crores. Depreciation amounted to Rs 55 lakhs, as against Rs 50 lakhs in the previous year and the Statutory Development Rebate Reserve came down to Rs 54 thousand as against Rs 11 lakhs in 1969. The Company made a net profit of Rs 1.06 crores as against Rs 41 lakhs in the previous year. Consequently the loss carried forward has now been reduced to only Rs 17 lakhs — from Rs 1.23 crores. The total reserves of the Company at the close of the year amounted to Rs 1.25 crores.

We hope to improve the favourable trend in the sales as well as in profits during the year 1971.

It is gratifying to see that the **Rubber Chemicals Division** increased its sales in spite of the stagnation in the tyre industry due to prolonged strikes and strained labour relations in that industry. Rubber consumption was thus not increasing for the first time in a decade but it is bound to gather momentum with the restoration of normal conditions.

We introduced three new rubber chemicals in our manufacturing programme during 1969 and in 1970, four new products were added. We are

thus doing our best to ensure that the requirements of the rubber industry are increasingly met by indigenous manufacture.

At the last Annual General Meeting, I informed you that your Company had applied for an expansion licence for rubber chemicals. A Letter of Intent in this connection was received in December 1970. This expansion is intended not only to increase our production capacity for the existing products in order to meet the growing consumption, but also to introduce some new products and intermediates which are now being imported. There are however certain difficulties in accepting the conditions stipulated in the Letter of Intent which we shall be discussing shortly with the Government.

Now, referring to the indent business of the **Chemicals Division**, you will be glad to hear that we have done well, although the overall import of chemicals into the country continued to decrease.

I have particular pleasure in informing you that we are planning to set up a plant for TDI (Toluene Di-isocyanate), the basic raw material for the manufacture of polyurethanes. An application for the necessary Letter of Intent was submitted to the Government in March 1970 and we expect that your Company will receive it in the near future. Polyurethanes have a very broad use, the most important being Molto-pren flexible foam with its numerous applications, for example, as mattresses, seats, cushioning material, lining for clothes and packaging material. Polyurethanes are used in the form of rigid foam for insulation in refrigerators, deep freezers, buildings and wagons. Semi-rigid foam finds application in the automobile industry as crash pads, arm

rests, sun visors, etc. Polyurethanes are also used as coatings and may indeed be used for several other purposes which may be developed in this country later on. Considering the wide scope, the importance of this project to the Indian economy seems obvious.

The **Pesticides Division** made good progress towards an increased turnover. I am pleased to say that in addition to "Ethyl Parathion", "Methyl Parathion" and "Metasystox", we started the basic production of "Fenitrothion". The extended range of "Bayer Quality Pesticides" is showing its effect already on the sales during the first three months of 1971.

Our business in Household Pesticides is making steady progress. You are aware that they are highly effective insecticides originating from Bayer-research and in a sense, unique.

Our collaboration on scientific and technical matters with the scientists of Bayer Leverkusen and their world-wide organisation will be further intensified with the view of promoting better pesticides. We shall increase further our extension services and training efforts to acquaint farmers with correct and most economical pesticides — one of the most important inputs for boosting crop yields and the economic situation of farmers.

The performance of the **Pharmaceutical Division** may be considered to be satisfactory. As you are aware, there was some uncertainty in the business after the Drugs Price Control Order was introduced but this did not seriously affect your Company.

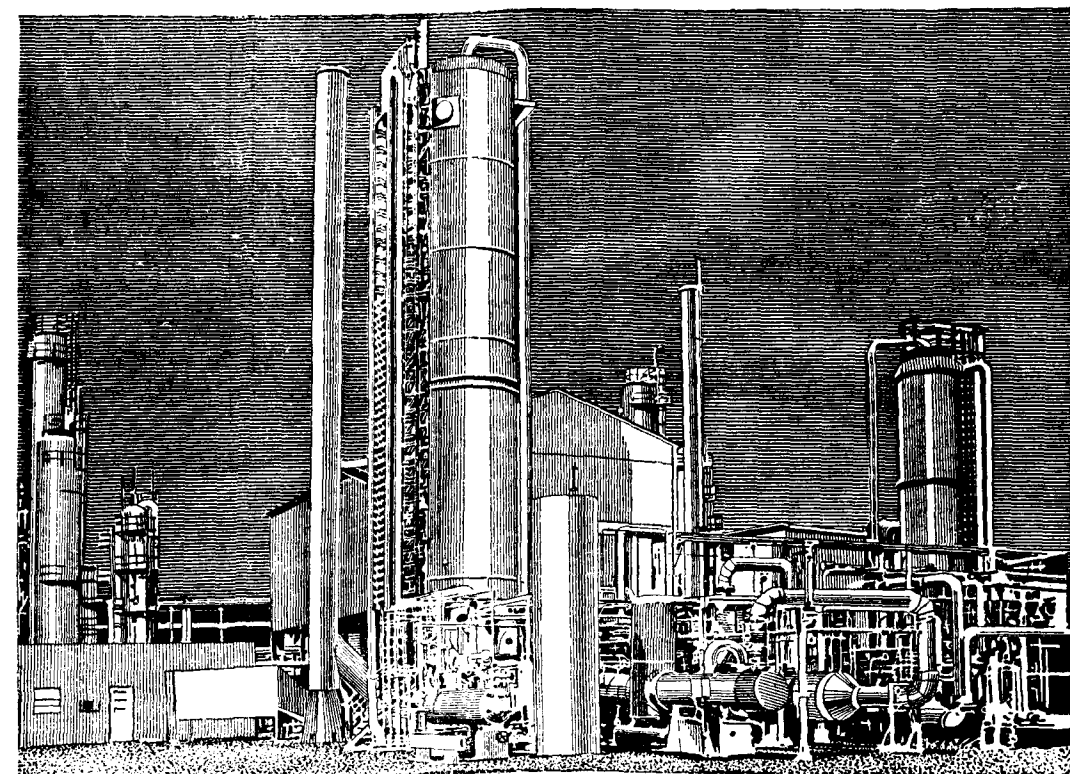
The plant for the basic manufacture of "Resochin" (Chloroquine Phosphate), the world-famous anti-malaria drug, has been working in full steam. We made substantial supplies to the Government, mainly for The National Malaria Eradication Programme and also to co-formulators. The basic production of a large number of other drugs was also increased at our multipurpose plant, leading to considerable saving in foreign exchange.

With the co-operation of Bayer Leverkusen, we exported "Resochin", "Bayer's Tonic", "Detigon Linctus", "Mitigal", "Resotren Comp.", etc, to Turkey, Thailand, Indonesia, Malaysia, Singapore and Ceylon.

I am pleased to say that we had full co-operation from all employees of your Company which has greatly contributed to our success in 1970. I am sure that such cordial relationship will continue to be maintained in future.

Thank you.

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April 24, 1971

Regd No MH — 1393

**ECONOMIC
AND
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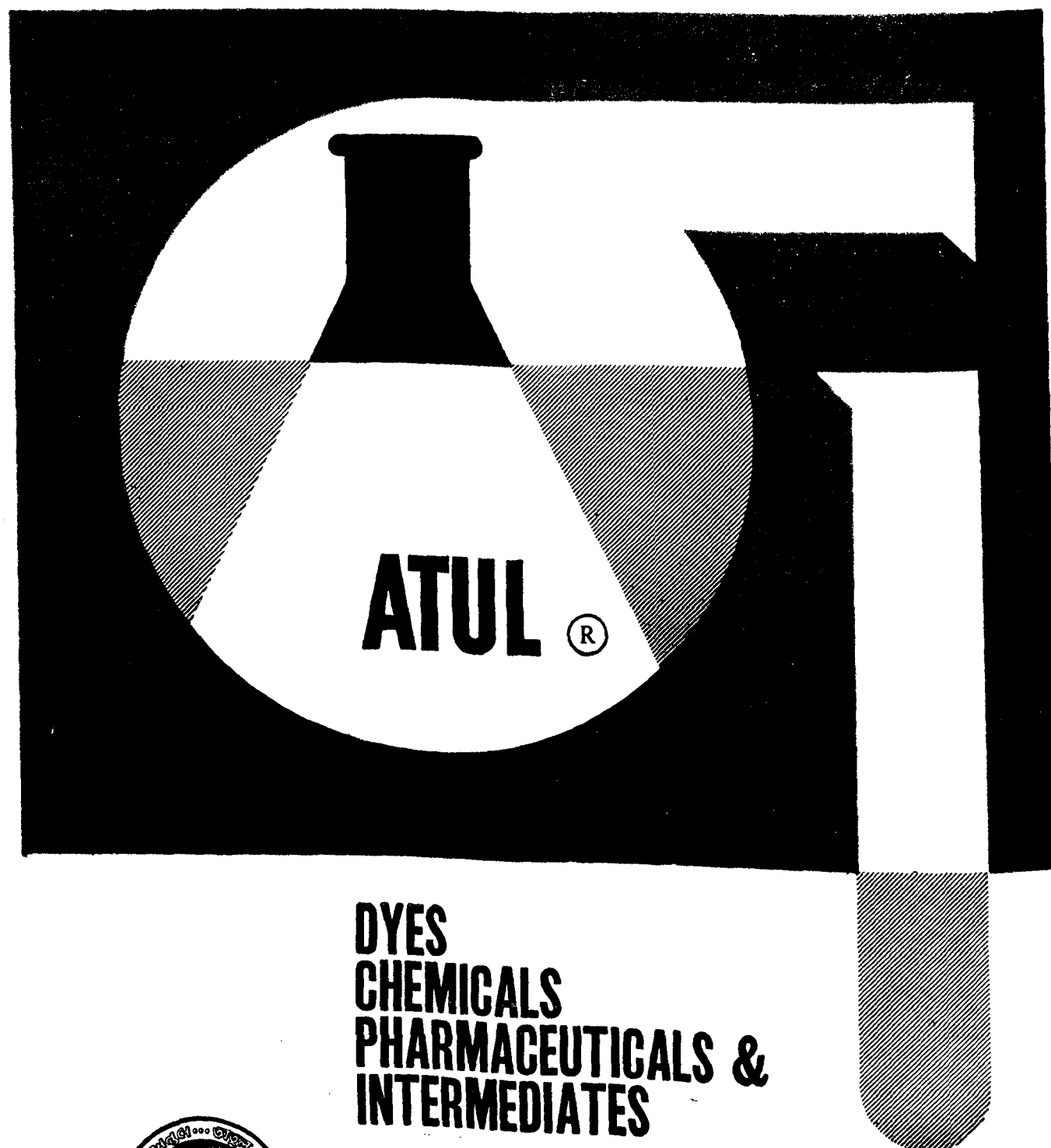
WEEKLY

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May 1, 1971



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U.G.32A

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhurl

Vol VI No 18 May 1, 1971

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Security before Sensibility

THE long expected *demarche* in Sino-American relations has taken place in the theatrical guise of a warm official welcome to US table tennis players in Peking. There might be many strands in Peking's reasoning leading up to the particular timing of this dramatic gesture of *bonhomie*. Among these strands, the thought of helping the growth of the anti-war movement in the United States and possibly making some impact on the presidential election in 1972, by lessening Sino-American tensions and allaying the usual US fears of Chinese expansionism, could not have been missed in Peking. This gesture might also have been accelerated by the ignominious defeat of the US-inspired South Vietnamese invasion of Laos. Coming so soon after the North Vietnamese victory in Laos, the Chinese overture could not have been misconstrued by Hanoi as a sign of Peking edging out of a difficult situation in South-East Asia. Additionally, American war weariness could be accentuated by coupling the well-publicised rout in Laos with a show of sweet reasonableness by China.

In fact, it is very likely that China decided on this gesture after close consultations with North Vietnam, possibly during Chou En-lai's visit to Hanoi, which was five weeks after the South Vietnamese had first intruded into Laos and by which time the signs of their rout had become very clear. In this context, Chou En-lai's statement in Hanoi, warning the US that China was prepared to make every sacrifice to defend the North Vietnamese people, can be seen as a part of alternating soft and tough tactics in the strategy of further disenchanting the US about its pointless enmeshment in Indochina.

Calculations about South-East Asia or for that matter, South Asia, are important, but at the same time subsidiary to the increasingly obvious primary goal of Chinese foreign policy—the prevention of a potential world-wide Russo-American collusion of interest and convenience against China. Thus, China's actions on the international stage can no longer be regarded, if they ever could be, purely in the ideological terms of liberating the down-trodden people of the world from the metropolitan imperialists and their bourgeois lackeys in Afrasia and Latin America.

It is futile for national liberation movements in Bangla Desh or elsewhere to expect China to back them even at the price of forgetting its own national security interests *vis-a-vis* the other two super powers. Taken in this context, the pro-Islamabad stance of Peking in the Bangla Desh crisis is perfectly understandable. Podgorny's letter to Yahya Khan urging him to seek a political, and not a military, solution in East Bengal was probably seen for what it was — a Russian attempt to control events in Bangla Desh and Pakistan before they got out of hand and also to bolster Russian influence in New Delhi, all this with the tacit consent of the Americans, who seem to be quite happy since Tashkent to let the Russians maintain 'stability' in the subcontinent i.e. bolster the Centrist governments in New Delhi and Islamabad generally and caution them when necessary.

Sensing a convergence of interests over Bangla Desh between Moscow, Washington and New Delhi, Peking has reacted by backing Islamabad, though in ambiguous jargon. The encouragement of a potential social revolution in East Bengal takes second place to the prevention of Russo-American collusion and control over both governments, Indian and Pakistani. Yet we in India, continue to think of China in regional or Asian terms, while the Chinese are taking a much wider world-view of their interests. We have chosen to regard Chinese statements about East Bengal as confirmation of our illusion that China's main strategic aim is the encirclement of India by fostering anti-Indian feeling in Islamabad, Colombo, Khatmandu and so on. This might be a peripheral motive but it is by no means an important Chinese concern. If we do not realistically acknowledge the fact that China is looking much beyond India and even Asia, we shall continue to look towards the United States and the Soviet Union to ward off a 'menace' which is not very menacing, as it is not too interested in India or the subcontinent.

Following from this, our diplomatic offensive over Bangla Desh is totally misconceived, being geared towards further involving the US and the USSR in Bangla Desh, which will only result in drawing the Chinese more closely into the crisis. It will be disastrous for India and the rest of South Asia if the three super powers are further drawn into the cockpit of subcontinental politics. On the contrary, we should discourage Washington and Moscow from taking a stand over Bangla Desh and deal with the situation firmly and independently. But then, those who rule in New Delhi are too tied to the apron-strings of the Soviet Union and the United States to take such independent action.

Cotton Textiles

Cost-Plus, Subsidy-Plus

THOUGH it went unnoticed at the time, the threat was issued on All Fools Day by the Minister of Foreign Trade, L N Mishra, to raise the proportion of controlled varieties of cloth to total cloth output from 25 to 40 or even 50 per cent and the fine for shortfalls from 6 paise to 25 paise per metre. The significance of the date of the threat became clear this week when the Government accepted the mill industry's proposal to retain the proportion of controlled varieties at 25 per cent, to subsidise the output of these varieties and to tap the subsidy mainly by jacking up prices of uncontrolled varieties.

In terms of the watered down formula, Rs 3.75 crores would be raised by the mill industry through a levy of Rs 300 per bale on cotton imports — not all cotton imports, which during the current cotton year amounted to 11 lakh bales, but only on the 1.25 lakh bales that remain to be allocated. The assumption is that imported cotton goes into the production of the costlier varieties of textiles. The mill industry, in addition, would collect Rs 75 lakhs by imposing a levy of 15 paise, 12 paise and 6 paise per metre on superfine, fine and higher medium varieties. The Government in turn would pay Rs 75 lakhs from the penalties it has collected so far from mills for non-compliance with the 25 per cent ratio.

The intention is to utilise the Rs 5.25 crores thus collected for subsidising 100 million metres of cloth during the three months ending July. On an annual basis this would involve payment of Rs 21 crores for 400 million square metres out of a total of over 4,000 million metres. From this it should be clear that what is visualised is the production of 10 per cent of total output in the controlled category — not 25 per cent. Incidentally, the subsidy works out to just over 50 paise against a minimum loss of 75 paise per metre which the mill industry had claimed it would incur in producing controlled varieties of cloth when the Foreign Trade Minister made his April first announcement.

If the loss of 75 paise per metre is anywhere near the actual loss that mills incur, then who precisely is to bear the balance of loss of 25 paise per metre? Obviously, those who produce the controlled varieties. Who precisely are they? Here one comes across a blank, for the latest Press reports indicate that the Textile Commissioner is to invite tenders from mills wanting to produce controlled varieties of cloth — at a loss! Well, it is just possible that the loss on controlled cloth was exaggerated to the

Press by the mill industry. Even so, the fact remains that the sophisticated mills of Bombay, Ahmedabad and the south, which have taken advantage of the liberal development rebate and easy loans from the financial institutions to modernise their mills, have the option not to produce the controlled varieties of cloth at all. They have to pay a fine, but a token one.

In sum, the system of compelling the consumer to buy costlier varieties of cloth by perpetuating the shortage of cheaper varieties — the supply of which mills are deliberately choking with the co-operation of Government — is being continued. True, the latest arrangements are valid for the quarter ending July. The Bureau of Industrial Costs, which is examining the cost structure of the industry, is expected to report by then. In other words, by putting off the issue of availability of cheap cloth to July-August, the Budget this month has been denied the option to change the levies on the mill industry.

Kerala

CPI's Fate in the Balance

THE abject pleas of Achuta Menon, the CPI Chief Minister of Kerala, to the Congress party in the State to join his Ministry have availed him nothing. The joint meeting of the KPCC and the Congress legislature party on April 24 decided against the party joining the Government. The joint meeting had to be called as a majority in the legislature party was in favour of accepting the Chief Minister's invitation whereas the KPCC, which is dominated by what has been called the party's youth wing, was opposed to it. Clearly, the views of the latter have prevailed despite Achuta Menon's pleadings with the Prime Minister herself in Delhi.

The question of the Congress joining the Kerala Government assumes importance because the differences on this issue represent two opposite viewpoints within the party on the party's political line in the State. The leader of the legislature party, K Karunakaran, takes the view that faced with a well organised CPI(M) the Congress has perforce to sustain and be part of a broad-based coalition such as that represented by the Achuta Menon Government. On the other hand, the KPCC leaders maintain that the Congress can take on the CPI(M) single-handed and that in this kind of a direct confrontation the supporters of the numerous small parties, including the CPI, will mostly back the Congress. The results of the recent Lok Sabha and Assembly elections in West Bengal, in which the Congress fought the CPI(M) on its own and parties other than these two were almost decimated, are held up

as evidence of the correctness of this approach. In Kerala such a clear polarisation may not immediately come about since the Muslim League and, so long as it remains a separate party, the Kerala Congress are likely to retain some pockets of support. But, basically, the fight in Kerala, as in West Bengal, is between the Congress and the CPI(M). In this fight alliances with the CPI and the numerous other minor parties adds nothing to Congress strength and merely helps to keep these parties alive. So runs the KPCC argument.

Of course, these political arguments buttressed by the factional power struggle within the Congress party in Kerala. If the party had joined the ministry the legislature party faction would have gained enormously and, through their control of important government departments, its leaders would have been able to strengthen their position within the party. On the other hand, the group now in control of the KPCC established its ascendancy in the party after the last Assembly elections. It did not, therefore, play as important a part in those elections as it did in the recent Lok Sabha elections in which at least four of the six party candidates elected were its nominees. The group's calculation is plainly that it will be able to play a decisive role in a fresh election to the Assembly held in the next few months. For precisely the same reason the legislature party leaders would like to extend the life of the present Assembly as much as possible. Hence their enthusiastic support for the Achuta Menon Government.

The outcome of the elections to the Lok Sabha, which demonstrated that almost nowhere in the country had the Congress anything to gain from the support of the CPI or any other party, has definitely tilted the scales in favour of the KPCC leaders. But what presumably clinched the issue at the joint meeting of the KPCC and the legislature party was the recent no-confidence motion against the Government. While the Government survived the CPI(M)-moved motion by a comfortable margin of votes, its popular image was badly sullied by the discussion on the reports of two investigations by senior IAS officials into specific charges of corruption. The charges, fully proved by the investigations, related, in one case to the appointment of relations of the Chief Minister and some other Ministers to jobs in the Government-owned Travancore-Cochin Chemicals and, in the other case, to the acquisition of 1,000 acres of a rubber estate for a proposed agricultural university in Trichur at a grossly inflated price allegedly in consideration of a large donation to the CPI. The Assembly debate on the two reports has been used

by the KPCC to argue that the image of the Congress will be tarnished if it now joins the Government.

Since behind the differences on the question of the Congress joining the Government are diametrically opposite positions on the party's political strategy and a struggle for power within the party, nothing has been really settled by the supposedly 'unanimous' resolution of the joint meeting of the KPCC and the legislature party. The KPCC leaders will push ahead with their efforts to discredit the Government and work for fresh elections to the Assembly. They have simultaneously declared their resolve to carry on an inner-party struggle against 'reactionaries and power-mongers'. Not only the Achuta Menon Government's but the CPI's future depends on the outcome of this Congress faction fight. If the KPCC wing prevails and there is an election to the Assembly in 1972 or, as is very probable, even earlier, the CPI will be crushed between the Congress and the CPI(M). The CPI(M) has started getting ready to exploit this possibility. Thus the CPI(M) leaders' recent conciliatory overtures to the CPI are really directed at the CPI's rank and file whom the CPI(M) would want to attract to itself in the event of the CPI's political collapse.

East Bengal

The Indian War Effort

EAST BENGAL's struggle for freedom is no longer being fought in its paddy fields and marshlands but in the chanceries of India and Pakistan in Islamabad and Dacca and New Delhi and Calcutta. Or so it would seem. So occupied has the Government of India become with the diplomatic war on Pakistan that the life and death struggle of the people of East Bengal appears as almost a side-show. The real thing is to put the Pakistani Foreign Office in its place; to register two protests for every one of its; to show that it can hope to get away with no das-tardly scheme to deprive our diplomatic personnel of their diplomatic privileges. Verily, the draftsmen in the External Affairs Ministry have taken over from the EPR, the Ansars and the Mujahids.

This is the kind of fight that we relish. We do not have to worry that at some stage the fight might be taken over by pro-Chinese guerrillas or that our arms might fall into the hands of undesirable elements or that slowly the whole of eastern India might become the scene of a Vietnam-type war or that this Super Power or that might not approve of what we are up to. How much we are impressed by our diplo-

matic war can be seen from the way our news media are lapping it all up. Every pointless note couched in stereotyped Foreign Ministry officialise, every inane statement of Government spokesmen, every trivial happening to one of our representatives in Islamabad or Dacca is splashed on the front pages of newspapers. And why not? Did not the two Houses of Parliament declare on behalf of the whole country that we "cannot remain indifferent to the macabre tragedy being enacted so close to our border" and assure the people of East Bengal that "their struggle will receive the wholehearted sympathy and support of the people of India"?

There are other fronts on which we are fighting East Bengal's war. There is the jute front, for instance. How can we make a quick buck out of the cessation of jute exports by Pakistan? The subject was keenly debated at a high-level conference in the Capital the other day. Then there is the refugee front. How can the flow of refugees be slowed down? Should the border be sealed in certain areas? And who is to feed the refugees — the Centre or the Governments of the concerned States? And what about the influx of Bengali-speaking East Pakistanis into Assam? Should this not be treated on par with the 'infiltration' from across the borders which has always so exercised successive governments in Assam?

Surely, with so much on our plate we cannot be blamed if we no longer have much time to spare for what the Parliament had termed "the historic upsurge of the 75 million people of East Bengal"?

Tamil Nadu

The Familiar Gap

SOME State governments are always quicker than others at identifying their travails and playing them up appropriately. Prominent in this category is the Government of Tamil Nadu. Their latest (publicised) difficulty lies in the 'green revolution' area. According to a

Press report, the agricultural plan of the State for the current year is in danger of failure. The reason is familiar — a shortage of fund. The total requirement of the State's farm programme is placed at Rs 180 crores. After taking into account credit from institutional sources and even from moneylenders, there is an estimated 'credit gap' of Rs 37 crores. This, according to Tamil Nadu officials, has to be filled either by commercial banks or by the Central Government.

Ever since the Gadgil Report sanctified it with undue emphasis, the concept of the 'credit gap' has been much bandied about. What is frequently forgotten is that there hardly exists an area in a scarcity economy such as ours where a 'credit gap' does not exist or cannot be identified or even roughly quantified. In launching on specific programmes, it is surely more important to consider what is feasible, rather than base action on near-miraculous fulfilment of extravagant expectations.

Since the nationalisation of the major commercial banks, banks have come to be viewed as a limitless source of funds for all 'productive' ends. In actuality, bank credit is a scarce resource; and while its present distribution does not perhaps follow any principle of optimisation of economic or social benefit, further distortion of the pattern of regional distribution of credit in favour of the more affluent States will have adverse political overtones. The Tamil Nadu authorities are definitely in for a disappointment if they expect the commercial banks to step in and fill their farm programme's 'credit gap'. For Tamil Nadu is one of the few States with a credit-deposit ratio exceeding 100, indicating that the credit extended in the State exceeds the deposits collected in it. Also in the direct finance extended to farmers, the State comes second, next only to Maharashtra. A few months ago, the amount stood at Rs 30 crores.

And there is yet another interesting sidelight on the banking situation in the State — one which could usefully be examined in depth by the Government

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or bankers in the region. The pace of deposit accretion* in Tamil Nadu, particularly in the Thanjavur 'rice bowl', is reported to be far from heartening.

Of course, the authorities could argue that this is only because adequate credit has not been pumped in. But there should be some deeper reasons.

BUSINESS

Living with Price Control

THE pharmaceutical industry has quietly fallen in line with the changed attitudes of the private sector towards the Government, so clearly evident at the recent annual meeting of the FICCI. Gone are the abrasiveness and the belligerence which marked the industry's postures during the Tariff Commission inquiry into the costs and prices of selected drugs and, even later, at the time of the imposition of price control by the Government last year. Instead the tone of the speech of the new president of the OPPI, which speaks for the large manufacturers, especially the foreign-dominated ones, at the OPPI's annual general meeting last month was noticeably conciliatory. While there was the expected reference to the "disruption" of industry and trade caused by the Price Control Order, the main concern was obviously to stave off a further investigation of the costs of another 25 bulk drugs and possible Government action on the report of the Study Group on the Small-Scale Sector (see "Small vs Big Not the Issue", February 6, p 408).

The change of tone has no doubt as much to do with a realistic acceptance of the fact that the industry has perforce to live with price control as with a recognition, which had apparently escaped it in its first panic at seeing its cosy world of high prices, small turnover and enormous unit profits so rudely disturbed, that price control is not such an impossible thing to live with after all. So used had the industry got to operating on relatively small turnovers that the increase in demand that has followed price reduction in the case of a number of products has taken even the major units by surprise. The forced cut in unit margins has also spurred a new awareness of the possibilities of maintaining or even raising profit levels through larger turnovers. Hence the new-found concern for expansion of capacity and the complaints voiced by the OPPI president against the ambiguities of industrial licensing policy.

Here the industry is on sound ground. Insofar as licensing is holding up expansion of capacity for production of essential drugs, the Government is actu-

ally defeating the whole purpose of drug price control which is to make available larger quantities of essential drugs at lower prices. In fact, the supply of a number of drugs has not kept pace with the increase in demand as a consequence of reduction in their prices. Inevitably these drugs have gone off the 'open' market and can be had, if at all, only at premiums over the controlled prices.

The OPPI president also complains against the canalisation of a major part of the imports of the pharmaceutical industry through the STC. According to him, "prices of raw materials have risen chiefly as a result of the introduction of the Pool Pricing Scheme . . .". This may be true, but there is no escape from it in a situation (which exists in a number of other industries as well) where the same raw material is indigenously produced and also imported and the price of the indigenous material is higher than that of the imported material. Some sort of pooling arrangement with an averaging of prices thus becomes unavoidable. The OPPI president's solution of reverting to the system of giving import licences to actual users makes no sense unless he is implying that manufacturers should not be obliged to use higher-priced indigenous raw materials. In which case what happens to his claims about the industry's record in import substitution—that imports as a proportion of output had come down from 13 per cent to 8 per cent over the last eight years? This, one may be sure, would not have been achieved but for official compulsion, for relaxing which there is no case at all.

For all its claims of import substitution and export promotion, the pharmaceutical industry remains a net importer, its imports being about Rs 19 crores annually and exports Rs 7 crores. The OPPI president criticises the Government's stipulation that companies must export a minimum of 5 per cent of their production of selected pharmaceutical items or suffer a 20 per cent cut in their imports of raw materials. Two points need to be noted in this context. First, it is not clear how rigorously the export stipulation is enforced, since

taking the industry as a whole exports come to less than 3 per cent of output. Second, whatever the merits of compulsion as a general instrument of export promotion, there is a good case for applying it to the pharmaceutical industry. That is the only way the international pharmaceutical companies can be persuaded to allocate a part of their export markets to their Indian subsidiaries and affiliates. Where the present formula needs to be modified is in extending its application to the total output of a company instead of only to the pharmaceutical component of it. Most pharmaceutical companies have non-pharmaceutical lines of production (e.g. cosmetics). It is illogical that this socially less important part of their activity, which has in many cases expanded faster than their output of medicines, should escape the net of compulsory export. Simultaneously, there need be no compulsion to export pharmaceutical products so long as the export commitment on total output is met. Obviously, there is no particular merit in compelling export of essential drugs in preference to that of items like cosmetics.

Exports

Lost and Found

THE Minister of State for Foreign Trade, L N Mishra, is one of those strongly tipped for a place in the Cabinet. So with the impending announcement of Cabinet changes, it is not difficult to see why he decided to call a press conference to let the country know that the growth of exports in 1970-71, at 8.5 per cent, had exceeded the Fourth Plan's annual target of 7 per cent. In 1969-70, the first year of the Plan, exports had increased by just 4 per cent and so, even with the impressive performance last year, the growth of exports in the first two years of the Plan was lower than the Plan target. However, if in the remaining three years of the Plan exports continue to increase by as much as they did in 1970-71, Rs 113 crores, the country would be within striking range of the Fourth Plan's export target of Rs 1,900 crores in 1973-74.

The Foreign Trade Minister's estimate of exports in 1970-71 is Rs 1,530 crores compared to Rs 1,413 crores in 1969-70. He arrives at this estimate after revising the figures of exports in August, September and October 1970. The revisions are substantial; of the rise of Rs 113 crores in exports in 1970-71, the revisions

account for Rs 33 crores. What has not been disclosed is the basis of these revisions. Foreign Trade Ministry sources have suggested that the revisions were necessitated by "delayed" returns from the Customs authorities. But there have also been reports of a change in the system of reporting trade statistics based on provisional shipping bills corrected for short and shut-out shipments whereas the old system was based on finally passed-out shipping bills. This change obviously makes the month-to-month figures non-comparable with those of the previous year. Whether the figure for 1970-71 as a whole is comparable to that of the earlier years needs to be clarified.

The comparability of the figures apart, some aspects of our export performance in 1970-71 need to be noticed. First, it is clear that the inflationary situation prevailing in most countries has made a substantial contribution to our higher export earnings. It would be interesting to see how much of the higher exports are on account of higher unit prices and how much on account of increase in the quantities exported. To the extent the higher foreign exchange earnings are the result of inflationary conditions abroad, the gains from exports may be balanced by the losses on account of higher prices of imports.

Second, exports of iron ore have evidently made a large contribution to the higher exports in 1970-71. In the first seven months of the year export earnings from iron ore were Rs 15 crores, or 20 per cent, more than in the corresponding period of 1969-70. Seen in the context of the current steel shortage and growing imports of steel, it would appear that we are exporting low value added ore and importing high value added steel. That apart, we are not maximising export earnings from even iron ore through beneficiation and pelletisation of the ore.

This is part of a larger point about our export effort. In the quest for pushing up exports of 'non-traditional' commodities, the export effort has been dispersed over a wide range of items with a multiplicity of incentives and subsidies devised more or less *ad hoc* to meet the requirements of each export item. In the process, the cost aspect of the export effort has become thoroughly clouded. The situation is not very different from that in respect of import-substitution where, again, the effort has been indiscriminating and oblivious of cost-benefit considerations. It will be recalled how subsequent studies had revealed that the pre-devaluation scheme

of import incentives for exports were so framed that exports of many commodities yielded negligible net earnings of foreign exchange. The reconstituted Planning Commission, when it gets down to work, might usefully undertake a detailed investigation of the plethora of export incentives and subsidies that have accumulated over the years with a view to rationalising our export promotion effort.

Air-India

Time for Reconsideration

THE task of selecting a suitable aircraft for expanding its fleet was not an easy one for Air-India when the Boeing 747 introduced an entirely new dimension to air transport. Capable of seating 300 to 400 passengers under exceptionally spacious and comfortable conditions and with an enormous capacity for cargo, the Boeing 747 was expected to yield an appreciable reduction in fare levels due to its low cost of operation per seat-mile. This, primarily, was what prompted Air-India to place its orders for the Boeing 747s to gradually replace its present fleet of Boeing 707s. At that time the American SST and the Anglo-French Concorde were envisaged as the supersonic passenger planes of the late 1970s or early 1980s, and acquisition of Boeing 747s by Air-India was thought of as the first step in the eventual transition to the age of SSTs and Concorde.

Now that the SST is out of the picture and the future of the Concorde is very much uncertain, the Boeing 747s (or their mini version) have, it appears, come to stay in the airline industry for some time. All, however, is not well with the 747s; and Pan Am, TWA and BOAC have been having difficulties both in operating the 747s as also in finding passengers to fill them. For Air-India, which has generally operated satisfactorily and profitably (with load factors of nearly 50 per cent), the acquisition of the Jumbos poses the problem of increasing its fleet utilisation. To start with, the introduction of the 747s on the profitable 'blue ribbon' route (India-UK-USA) has come up against difficulties with the UK Government. BOAC is apparently behind the UK Government which has still to clear Air-India's 747s for transatlantic flights. Under the bilateral agreement between the Indian and the British Governments (which doesn't specifically mention the type of aircraft to be operated), Air-India does not have to seek the clearance of UK to operate 747s from London. But what

BOAC is attempting is a little arm-twisting to extract some indirect form of pooling arrangements from Air-India. Reports suggest that BOAC, whose losses have been mounting, is pressing for a 40 per cent cut for itself on tariffs from 747 operations by Air-India but only on that volume of Air-India's passenger earnings which are from passengers in excess of the capacity of Air-India's present 707s. The 707s carry about 150 people and, if BOAC has its way, Air-India would have to shell out 40 per cent of the fare paid by passengers in excess of this number. Technically, Air-India can refuse to oblige; at worst this might jeopardise its landing rights in the UK. But it remains to be seen who would come out worse in such a tussle, since Air-India operates only 20 flights a week in the British territories as against an average of 30 flights by BOAC in India.

Air-India has not gained particularly from its pool arrangements with BOAC and Qantas in the Eastern Sector. Considering the unsatisfactory state of most of the airlines (forecasts of increased passenger traffic having failed to materialise), the future of the airline industry appears more than a little uncertain. Given this background Air-India will have to look more closely at the high density traffic routes as also at the distribution of its fleet between the high density and low density routes (westwards and eastwards). Also, it is time Air-India took up with the Government its case for being allowed to operate on the domestic routes on a regular basis as against the present *ad hoc* arrangement of mopping up the spillover from IAC. Considering the high volume of traffic in the domestic sector, the Government should consider allowing Air-India's Jumbos on the main trunk routes. The will help the airline to achieve better utilisation of its fleet and also help it to meet at least a part of its rupee costs. In the long run, if Air-India is not to remain a small carrier, serious attention will have to be given to merging IAC with Air India.

Automotive Tyres

New Licensing Policy Needed

A Correspondent writes:

IT has been officially estimated by the Government that the demand for automotive tyres will be 7.5 million in 1973-74. The total licensed capacity of the automotive tyre industry today is 5.2 million; in addition, Government issued

a Letter of Intent to a new manufacturing unit in 1969. Thus, it can be said that on paper the total licensed capacity is 5.6 million; some of this, however, will not be available until 1974-75.

Since the automotive tyre industry has never produced at more than 90 per cent of its capacity, it is safe to assume that in 1974-75, a production of only about 5 million can be expected, leaving a shortfall of 2.5 million tyres. In order to make up this deficit, the Government has recently issued Letters of Intent to eight new manufacturing units for a total of 2.4 million tyres. Past experience indicates that a new manufacturer takes many years to complete negotiations for foreign collaboration (no indigenous knowhow is available in India outside the 7 existing automotive tyre manufacturing units: Dunlop, Goodyear, Firestone, Ceat, Inchek, Mansfield and Premier), and also to build up the manufacturing 'infrastructure' and technical knowledge to make tyres; this is understandable because modern tyre manufacturing is highly technology-oriented. On the other hand, an existing manufacturer can implement extra capacity within two years.

This underlines the need for a realistic Government policy to make sure that the country is not short of tyres in the next few years, especially in view of the importance of this product to road transport, which is essential for the economy of the country. The automotive tyre industry must also continue to earn valuable foreign exchange for the country by increasing exports. The industry's exports have increased from Rs 59 lakhs in 1962-63 to Rs 5.46 crores in 1970. As such, Government must urgently consider issuing licenses to existing tyre manufacturers also to ensure that the country's requirement of tyres for the domestic and export markets are fully met.

Government also needs to resolve the anomaly that exists in regard to the definition of a dominant undertaking under the Monopolies and Restrictive Trade Practices Act. For example, Dunlop India had only 28 per cent of the total licensed capacity of the automotive tyre industry in 1970 which does not make this company a dominant undertaking. But because Dunlop's share of the automotive tyre industry's total production in 1970 was about 38 per cent, the company can be considered a dominant undertaking. Therefore, a company which is efficient and produces to its full licensed capacity can be termed a dominant undertaking according to the Act, if other manufacturers of the industry pro-

duce below their licensed capacity! The basis of calculating market share of a company, according to the Act, is actual production as a percentage of an industry's total production and not licensed capacity.

It is common knowledge that unpredictable factors like strikes and labour problems, shortage of electricity and raw materials can reduce the production of a company resulting in a lower market

share, thereby, pushing up the market share of other manufacturers to above their share of licensed capacity. Surely, a more pragmatic and realistic redefinition of dominant undertakings is indicated. Otherwise, an efficient undertaking which is able and willing to expand may not be allowed to because its market share is artificially high due to loss of production in other manufacturing units of the industry.

LETTER TO EDITOR

Beyond the Panegyrics

THE unquestioned erudition of Marxists the world over will no doubt ensure that the centenary of the Paris Commune of 1871 will be observed with the same fanfare as the recent anniversaries connected with Lenin or Marx's writing of 'Capital'. Not that the event does not deserve to be so honoured. Indeed it does. However shortlived, it was the world's first socialist revolution. It is, however, very likely that in the paeans of praise for the noble intentions and actions of the 'Communards', certain aspects of the Commune may be given, perhaps deliberately, rather less attention than they deserve. As it happens, these aspects should be of some topical interest to those who claim to be seriously engaged in changing the socio-economic systems in the countries of the so-called third world from a Marxist or socialist standpoint.

First, the basic impulse of the world's first socialist revolution was the not unbourgeois sentiment of patriotism. It was the mass reaction to the French government's failure to effectively prosecute the Franco-Prussian war leading to an armistice on what was considered to be humiliating terms. Contemporary parallels to this situation are only too many. Appeals to patriotism are not only the last resort of the scoundrel; they are among the most used stock-in-trade of Leftist activists of all shades. And rightly perhaps. To take one example which comes readily to mind: With the simple, all-embracing demand for autonomy for East Pakistan, it did not take Sheikh Mujibur Rahman any time to swamp the ideologically-oriented efforts of Maulana Bhashani to organise East Pakistan's peasants against an oppressive socio-economic system. The poor in large numbers have responded to

Mujib's call by laying down their lives for an objective which when achieved on Mujib's terms should bring the maximum benefits to the educated middle classes. In the promised land of Mujib if there is any place for, say, radical land reform, it has never been made explicit. And yet the landless peasants, the poorest among the poor, have made the Sheikh's cause their own.

Second, it is worthwhile recalling that the eventual suppression of the Paris Commune was carried out not by monarchists or agents of an *ancien regime* but by people who in today's parlance would be described as liberals and centrists. It was they who lined up thousands upon thousands of the Communards against the "Federates' Wall" in Paris and had them shot. Comparisons must be necessarily of limited validity when they are stretched over a hundred years. But the observance of the centenary of the Paris Commune will have been little more than a ritual if it does not provoke some thinking about the role of the so-called 'national' bourgeoisie in the conditions of present-day economically underdeveloped societies. The massacre of Indonesian communists was held up by most of the world's communist parties as the outcome of Left 'adventurism'. But it was as much a bloody and massive defeat for the strategy of working for socialist revolution through broad-based national fronts. Communists who seek to conceal their failure to organise workers and peasants behind such a strategy did not understandably see the Indonesian disaster in that light. They may be expected to take a similar attitude in their panegyrics on the Paris Commune.

R RAMACHANDRAN

Bombay
April 5

CAPITAL VIEW

A 'Routine Transfer'

Romesh Thapar

THE other day, even as C Subramaniam prepared to enter the Union Cabinet as Planning Minister, and a leading Soviet commentator wrote a significant and highly publicised article on India's new role in South Asia, we were suddenly diverted by a local scandal. It was a minor affair in terms of national questions but it threw a flood of light on the unhealthy practices which have a tendency to take root. I refer to the summary removal from office, three months before the expiry of his term, of Srichand Chhabra, dynamic President of the New Delhi Municipal Committee, who has become almost a national figure because of his outstanding contribution to the cleaning up and beautification of the Capital.

The story is too familiar to repeat. It has sparked angry editorials, incisive cartoons, considerable news footage and, what's more, exposures of the way power can be manipulated and utilised for temporary political gains. The whole town is shocked by his 'dismissal'. The *jhuggis* which were demolished were brand new. The invasion of squatters was organised by politicians and experienced racketeers, the former with their eye on the local elections, and the latter to make some quick money from the squatters assuring them that everything could be fixed with the Prime Minister 'through Sanjay'. It has been known for

some time that the PM's son, having been inducted into the Delhi political scene, is being used as a spokesman by all manner of persons who, it is alleged, are professional violators of municipal laws and regulations.

The decision to demolish new *jhuggis* was taken at a meeting presided over by Lt Governor A N Jha and action was taken in consultation with the Minister for Works and Housing, I K Gujral. Why then was Srichand Chhabra singled out for attack? Because, as even his closest friends know, he cannot be manipulated. Nor can he be deflected from the task given him to do. He was only carrying out the brief given to him because no *jhuggi* can be destroyed without the Lt Governor's orders — and these need clearance in the Capital from the Ministry of Works and Housing. Action was taken only after it was considered that this sudden 'invasion' of new *jhuggis* could reach alarming proportions, and that any postponement on the 'elections are due' plea would be fatal.

It is unfortunate that policies for housing the mass of the people can be subverted by *jhuggi-jhompri* politics designed to register quick political gains, that sinister lobbies can operate for their personal, selfish interests. What is vitally needed is a massive exercise to house people in a planned way, and in a civilised way. This has been totally ignor-

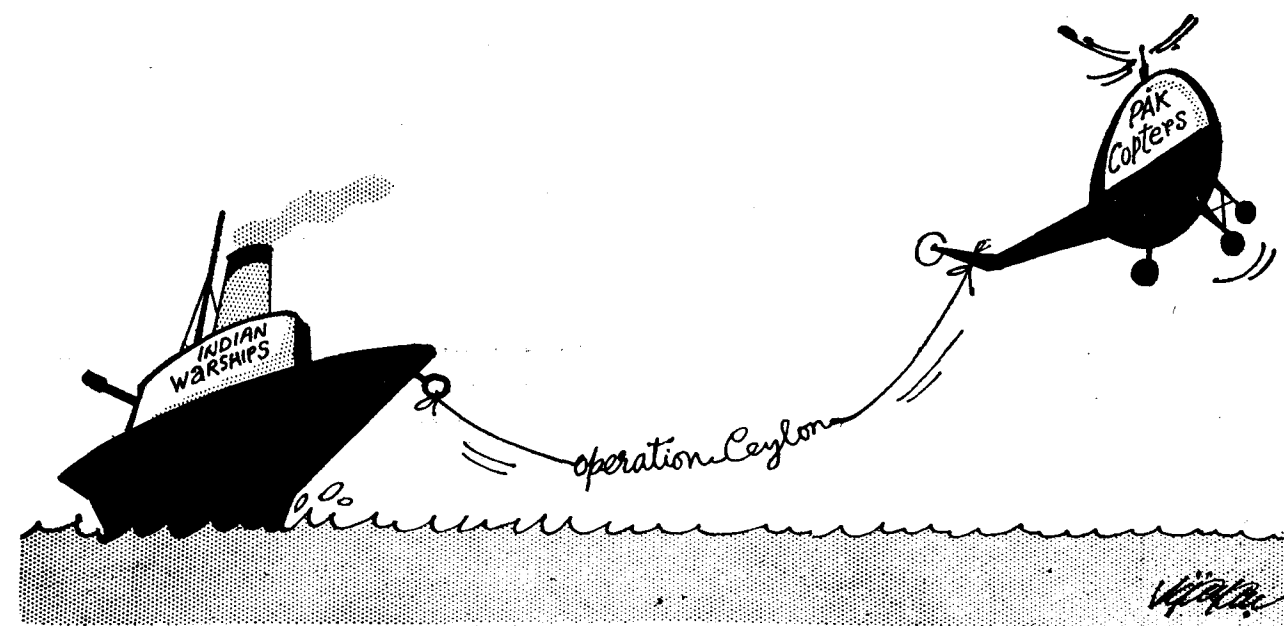
ed. The ugly shadow of Calcutta lengthens. And the politicians close their eyes to this growing cancer even as they mouth socialistic slogans about *jhuggis* and *jhompri*.

What has shocked public conscience is that the removal of one of our outstanding administrators, a Padma Shri at that, was done by a telephone call from the Prime Minister holidaying at Simla. There was no study of the facts. No investigation was made, not even on-the-spot inquiries by officials of the Home Ministry under which the NDMC functions. Indeed, all normal procedures were short-circuited. Elections or no elections, this kind of action is intolerable and responsible citizens will have to find a way to check the misuse of power.

This also puts a terrible question mark over responsible administrators, the committed, involved men that the Prime Minister so frequently talks about. It is these men who are today demoralised by the attention given by the political leadership to fixers. We know that even as officials put out the falsehood that this was 'only a routine transfer', the fixers were busy at the squatter colonies threatening a fate "similar to Chhabra's" for anyone daring to challenge the law-breakers.

All the political racketeering notwithstanding, Delhi will not forget Srichand Chhabra. He has given new life to the Capital over five intensive years. A deputy secretary of the IAS — if we had more like him we would not be crawling in the dung and dirt of centuries.

April 26



What the norms permit

MARKETS

Rap from Government

Nishtar

THE stock market has been marking time recently, moving up and down in a leisurely manner. By April 17, the market had moved so very close to the year's highest level recorded in January that it was almost inevitable that it should pause to allow technical forces have their play before taking its next important step. However, despite considerable corrective profit-taking, the market has staged only a modest retreat. Selling has been easily absorbed due to a number of bull factors. The corporate news in particular has been very favourable. Quite a large number of companies which have released their results recently have gladdened the hearts of their shareholders through larger profits, higher dividends and bonus issues. Thanks to the return flow of funds and spurt in deposits, conditions in the short-term money market have improved perceptibly. The inter-bank call rate has come down to 6 per cent and banks have effected a substantial reduction in their borrowings from the Reserve Bank. This has naturally raised expectations of a liberalised credit policy. Reports from New Delhi indicate that the Government is inclined to implement the licensing policy in a flexible manner with a view to stimulating industrial growth. Recent export trends have also been encouraging.

Of course, the news has not been altogether bullish. Apart from technical considerations which have favoured a corrective setback, the stock market has had to reckon with some unfavourable factors. The stock exchange authorities have asked their members to reduce the outstanding positions in cleared securities by ten per cent in each clearing. This step seems to have been taken at the instance of the Government which has conveyed to the market authorities its displeasure at the continuance of forward positions even though 22 months have passed since the ban on forward deals in June 1969. What is worrying the market most is the marked deterioration in Indo-Pakistani relations which has led to the closing of diplomatic missions in Calcutta and Dacca. The consequences of an open conflict between the two countries can be very serious. Political uncertainty apart, the market

cannot feel at ease in face of the massive tax effort that would be necessary to raise resources to take care of the big rise in non-Plan expenditure and administrative expenses of the Central and State Governments and to finance the stepped up development programme. Fiscal policy can have a far-reaching impact on the outlook for equities.

Misplaced Concern for Cotton-Grower

COTTON prices have eased further and the market can be expected to continue to display a softer tone for some time. The ruling prices of cotton are about Rs 750 to Rs 1,100 a candy below the fantastic levels recorded in the last week of January, but they are still substantially above the highest levels recorded last season. Arrivals of foreign cotton in recent weeks have been quite heavy; import quotas had been released quite early in the season but mills had opted for late deliveries. Tighter credit control and the changed market psychology have discouraged holding of stocks which in turn has resulted in increased flow of supplies.

But the decline in cotton prices cannot be satisfactorily explained in terms of improved availability of cotton — foreign and indigenous. Changes on the demand side of the equation have been far more important. The demand for cotton is derived from the demand for cloth and yarn. And conditions in the piecegoods and yarn markets have continued to be sluggish for quite some time. Prospective buyers — wholesalers down to retailers, particularly upcountry traders — have been keeping off the

market because of financial stringency and uncertainty about Government policy regarding production of controlled cloth. This has made mills cautious in making fresh purchases of cotton. Quite a number of mills are reported to have failed to lift what they had previously contracted to buy. Forward deals have shrunk considerably. With the slack period still ahead mills cannot be expected to turn aggressive buyers of cotton or bid up prices. Chances are that cotton prices will be marked lower if the area of cloth control is enlarged and prices are kept unchanged at the existing un-economic levels.

Maharashtra's Bill for monopoly procurement of cotton has been cleared by the Centre but not without certain amendments aimed at ensuring that the price and distribution system proposed in the draft Bill are integrated with the national pattern. Since cotton is on the concurrent list, New Delhi would seem to be justified in insisting that the cotton procured by the State is subjected to distribution and price laws that are already in force or that may be enacted in future. But Maharashtra Government does not seem agreeable to any conditional clearance by the Centre. It feels that if procurement prices were to be allowed to be fixed by the Centre, the main purpose of the Bill would get defeated. Under the State's monopoly procurement scheme, growers are to be guaranteed a minimum price based on the cost of production. The agricultural prices committee appointed by the State Government to go into the question is understood to have recommended a 12 per cent profit margin over and above the cost of production as the guaranteed price. This would be very different from the floor prices (support prices) fixed by the Centre which have no practical significance since prices have always ruled substantially above these levels.

IMPORTANT CHANGES IN OIL PRICES (BOMBAY)

	(Prices in rupees per tonne)				
	1970		Jan-March 1971		April
	High	Low	High	Low	
Groundnut oil	5625	3850	4600	4125	4000
Cottonseed oil	5300	3825	4550	4100	3850
Castor oil	4050	2850	4300	3325	2800
Linseed oil	4750	3650	4700	3625	3400

Nobody can be opposed to a fair deal to the grower. There is also need for reducing the gap between what the grower receives for his produce and the final price paid for it by the consumer. Any measure which helps to ensure a better price to the producer without any extra burden on the consumer is to be welcomed. Whether the State take-over of distribution can help achieve this objective is a controversial issue. The public sector has still to acquire a reputation for efficiency in much less difficult fields of activity.

The problem of cotton and cotton growers is not low farm prices but ridiculously low yields. The cotton economy will continue to be plagued with chronic shortages unless yields improve rapidly. The Government and all other interests concerned would do well to concentrate their attention on how best to improve yields. Cotton prices are already high and have been rising. Emphasis on 'remunerative' prices seems altogether misplaced.

Prices Tumble

OILSEEDS and oil prices which had been drifting lower for some time developed pronounced weakness during the week ended April 24 when prices simply tumbled. In a matter of few days linseed futures (July) were marked down by Rs 10 to Rs 145.25 (per quintal) and castor futures (June) came down by Rs 14 to Rs 118.75 — the sharpest decline for any single week this season. The latest quotations are a little higher than the lowest prices — a technical rally perhaps. The sharp fall has not only uncovered many weak bull positions but unnerved even strong bulls.

Several factors have contributed to the marked change in the bullish psychology which had led to holding/hoarding of stocks thereby reducing physical supplies to the market. Scarce and costlier credit had been making its influence felt for quite some time and the downward drift in prices added to the risk of carrying large stocks. The increased flow of summer crop (groundnut) arrivals in the southern region and the progress of marketing of rabi oilseeds have led to substantial improvement in the current supply position. Sentiment has also been affected by the assured supply of reasonable quantities of mutton tallow to soap manufacturers — big as well as small units. The vanaspati industry is also assured of satisfactory supply of soyabean oil.

In view of the improved supply posi-

tion and easier tendency in prices buyers have turned cautious. Vanaspati manufacturers have ceased to be aggressive buyers of edible oils and the recent cut in the percentage use of soyabean oil — ranging from 2.5 per cent to 6.5 per cent, depending on the zone — has not led to any increase in the demand for groundnut oil. The sharp break in castor futures and castor oil prices is attributable mainly to the withdrawal of

support by shippers due to lack of fresh export business in castor oil for quite some time. Russia which has been the major buyer of castor oil has not evinced any interest in Indian castor oil recently. Export activity has been confined to groundnut extractions and fairly large business has been put through with Russia and some other East European countries. Japan too has taken fair quantities of Indian extractions recently.

COMPANIES

Feeling the Pinch

Hansavivek

PREMIER CONSTRUCTION is feeling the pinch of the credit restraints exercised by banks. It has been providing financial accommodation to companies in which it has a substantial stake. These companies have been experiencing difficulties in obtaining timely financial accommodation from commercial banks and financial institutions. It had, therefore, to contend with greater demand for such assistance during 1970. The directors complain that the attitude of the banks has been more rigid and less helpful. Some of the companies could not obtain additional limits when they needed it most. PC itself has not been able to obtain additional limits, although it is stated that the ultimate use of such funds has been for industrial purposes. The shares pledged by it against overdraft arrangements have been transferred in the name of the banks in accordance with the directives of RBI. The company's business, of giving guarantees in respect of credit facilities of subsidiaries and other companies, has been affected. The banks have not stipulated that no guarantee charges should be paid by these companies to PC. At the same time, they are not agreeable to waive the guarantees given by it. This has created an "embarrassing situation" for the company. PC had to dispose of some of its investments owing to the financial stringency. It is now offering 6.30 lakh equity shares of Rs 10 each in Hindustan Construction — a subsidiary — to the public for subscription at a premium. This will also enable listing of HC's shares on the stock exchange. PC's subsidiaries generally revealed setback in their working. Acme Manufacturing incurred a loss on ac-

count of "unprecedented" slump in demand for diesel engines and lubricators. Indian Hume Pipe also suffered a loss. IIC, however, achieved better turnover in spite of "labour unrest" and earned adequate profits to maintain dividend. Vikhroli Metal Fabricators declared a dividend of 6 per cent following improved working. Construction of National Rifles' factory has been completed and trial production of CO₂ rifles has been undertaken. Walchand Tander Cement could not make any further progress as its application for manufacture of cement has not been approved by Government. PC severed connection with Mysore Petro Chemicals (formerly Premier Petro Chemicals) promoted for the manufacture of phthalic anhydride at Bangalore with local parties. The project has been handed over to the Mysore State Industrial Investment and Development Corporation on reimbursement of promotional expenses. PC has been registered as an "interconnected undertaking" under MRTP Act. On receipt of government consent, the face value of equity shares was increased from Rs 50 to Rs 60 per share by capitalising Rs 21 lakhs from reserves. In spite of concerted action in the last two years, there has been no improvement in the working of Tiwac Industries, which was reorganised with the company's nominees on its Board. Apart from giving an additional loan of Rs 2 lakhs to it, PC secured for it additional equity capital of Rs 5 lakhs from MSIIDC, by giving an undertaking to purchase these shares at par at the end of 5 years at the option of MSIIDC, and subject to the approval of the Central Government. PC's proposal to pur-

chase 1,820 equity shares in Tiwac from Syndicate Bank was not approved by the Central Government. It is now negotiating with the bank to suitably revise the arrangement regarding financial assistance to Tiwac to enable it to tide over its difficulties.

PHILLIPS CARBON BLACK's plant was unable to produce at full capacity last year owing to inadequate availability of good quality raw materials. Major suppliers of feedstock could not fulfil their commitments mainly due to general labour unrest and disruption in normal working. A new agreement with a supplier for bulk procurement of feedstock is being negotiated, and this is expected to alleviate shortage of raw materials to some extent this year. Domestic sales were affected during the first half of last year due to strikes at two major tyre-producing plants and uneasy labour conditions in other companies. Despatches for the South were on many occasions restricted due to wagon shortages. The company has maintained the price level since 1964. The price of one grade of black was actually reduced during 1969-70 to keep in line with international prices. A marginal increase in freight rates

was absorbed by the company. Exports to UAR, Iran, Iraq and Ceylon were increased. Government has not yet approved the company's application for expansion. The directors anticipate a steady increase in carbon black demand in the future in view of the increased licensed capacities granted for tyres and the manufacture of rubber goods. Government has approved the company's application for payment to directors of a commission of one per cent of the net profits in any financial year for 5 years from 1969-70, subject to the condition that the total amount of commission payable to all the directors together will not exceed Rs 1 lakh in any year. Bonus shares allotted on a one-for-ten basis to members registered on January 8 last rank *pari passu* with other shares for payment of the recommended unchanged dividend.

MADURA MILLS continues to pursue its modernisation and expansion programme. It has installed a modern blow room line and a good number of high speed draw frames. An additional beam dyer has been installed in the dyeing and finishing unit to meet the increasing demand for fabrics made of synthetic fibre. Indigenous high production cards

have been ordered based on encouraging results from extensive trials. A few indigenous wet doublers have been installed and some more will be added this year. This year will also see the installation of large package two-for-one twistors and multi-end winders to facilitate development of export trade in knotless folded yarn. The company has received 'letters of intent' for the installation of an additional 100 industrial and 400 civil looms, but these are "tied to an unworkable export stipulation". Efforts are being made to have these export stipulations reviewed. Further schemes to improve productivity in various departments have been introduced. Despite development of new markets, export sales showed a decline over the previous year owing mainly to "sharply rising raw material costs and consequent uncompetitive prices". An "unprecedented" increase in cotton costs, particularly since last September, "seriously threatens our export business", say the directors. During 1970, production showed a satisfactory trend, notwithstanding shortage of rayon and nylon filament, strikes, go-slow tactics by labour and power-cuts which to some extent affected production of industrial products.

Tasks before the IRCI

(From a Special Correspondent)

WHEN the Industrial Reconstruction Corporation of India begins work in Calcutta very shortly the city will have for the first time a development bank with a national backing. The IRCI's charter gives it an all-India frame but there is no harm if the Corporation confines its initial or even its permanent jurisdiction to the Eastern Region where there is more than full-time scope for an all-India agency. The grim events in East Bengal currently providing an emotional diversion in Calcutta from its pressing economic problems may permit a quieter inauguration of the IRCI's activities but the breathing time may prove too short unless the Corporation makes haste to get down to its tasks.

There is no denying that the IRCI faces an oversized job, not in the sense of performing the typical financial functions, but in mobilising other services required for accomplishing its role. If it were only the financial functions, the existing all-India institutions — IDBI, ICICI and others — were fully equal to performing them. For larger industrial projects there have never been any serious handicaps in dealing with proposals from a distance. For smaller projects, again, there has been no institutional gap as the State Financial Corporations and the IDCS, with their own resources as supplemented by the all-India institutions, have been in a position to deal with available proposals. Thus Calcutta's problems, and indeed the whole of Eastern Region's had not been just finance but want of other requisites, reflected, on the surface, in an almost near absence of eligible projects.

Even at the risk of repetition of the now well known difficulties of Calcutta, it is worth recalling what these have been. First, there have been the lasting effects of separation of East Bengal whose impact on the jute industry is common knowledge but perhaps even more important was the denial of East Bengal's populous market for the manufactures of Calcutta and the Eastern Region. Secondly, the virtual diversion of investment and managerial resources in the immediate post-independence years to the acquisition and management of British assets in India which were mostly in the Eastern Region, meant that there was no fresh stimulus in the form of new industrial projects. Thirdly, the policy of a single price for steel, what-

ever its national justification, prejudiced the position of the engineering industries of Calcutta. It added to Calcutta's difficulties by way of absence of new projects, and since viability of an industry essentially consisted of continuous expansion or modernisation, Calcutta's industries suffered a steady erosion of their competitive strength. All these had a cumulative effect, and the older companies which had previously received a measure of protection from a sellers' market, became fully exposed to the recession, resulting in the closure of many units, and transition of many more to the sick list.

While the recession itself was promoted by certain policies of the Government and the Railway Board, which affected Calcutta's engineering industries more than others, a militant trade unionism, caused among others, by an acute consciousness of job security, pushed up industrial wages. The cost structure of Calcutta's industries, based on the one hand on older equipment, and a proportionately large wage force, drew its past viability from a wage level which was relatively low. With a price squeeze following the recession, a disturbance to the cost structure such as that occurred in recent years was something that called for a drastic rationalisation, combining modernisation of equipment, diversification of production, merger of companies in appropriate cases, and as a transitional measure, suitable programmes for re-training as well as shedding of labour. While these steps were warranted even as early as 1967, the prevailing political system in Calcutta was one that aggravated the problem. Local financial institutions which were barely active in the promotional field were helpless, and private industry, seeing the attractions of investment in other regions, began making plans elsewhere in the country.

It is in influencing this background that the IRCI's success will be judged. True, it is not the role of a financial institution to change a particular industrial environment, as even the ability to influence a situation depends much on the political and other background. But it would be a pity if the IRCI were to interpret this limitation as debarring it from promotional work. There is a great deal in the area of industrial promotion that an institution with a national backing can do by working with all-India

institutions, the Central Government and others. Among the large number of sick proposals that the IRCI will receive from Calcutta, only a few if any at all can be saved by conventional loan finance. Other ingredients which must go with a successful financial operation are advice and support for a financial reorganisation, review of the company's existing management and reorganisation plans thereof, assistance for plant modernisation and expansion as well as for product diversification, and in cases, where the project cannot be saved, sponsoring of proposals for leasing, mergers, etc. A wider interpretation of the IRCI's role and provision of these additional services would mean that the financial commitments for the projects concerned would be much larger than would be the case otherwise. With the unemployment problem such as that facing Calcutta today, it would be difficult to consider labour retrenchment as one of the options available in the context of industrial rehabilitation. The indications are, therefore, that in many cases industrial diversification schemes will have to be worked out as an essential step to absorb the surplus labour along with schemes of labour retraining. In the interest of safeguarding its investments in projects assisted by it, the IRCI must provide a package of services even if this would tend to increase the size of its financial commitments in individual projects.

Many of the additional functions being of a specialised nature, the IRCI from the start must learn to procure them from outside instead of building up its own services, as it would take a long time for the IRCI to acquire the expertise. But in a region where failure to act in time had already had a baneful effect, not being able to provide these services should not become a cause for inaction. These services are available, though in a scattered manner, among the various professional and consultant groups, in Calcutta. It is these groups which should be activated by the IRCI as adjuncts to its own activities. There is also one good reason why the IRCI should borrow these services from outside, and this is that decisions on many sensitive issues can be taken without entirely appropriating the responsibility to the IRCI. Finally, there appears to be little prospect of the associated services being developed to some maturity without there being an adequate market for them. The IRCI can thus make a contribution to the development of these important services which will find ready clients in other parts of the country as well.

The Week's Companies

(Rs in lakhs)

	Premier Construction		Phillips Carbon		Madura Mills	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 30-11-70	Last Year 30-11-69	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	205	184	187	187	700	700
Reserves	170	196	141	131	388	341
Borrowings	74	55	—	—	307	363
of which Term borrowings	25	—	—	—	263	250
Gross fixed assets	19	19	299	297	1836	1763
Net fixed assets	11	11	124	139	636	657
Investments	301	309	—	—	48	49
Current liabilities	24	63	95	109	785	417
Current assets	161	178	298	288	767	740
Stocks	—	—	86	71	1073	771
Book debts	160	176	187	95	665	396
Net sales	—	—	356	362	3012	2781
Other income	104	109	8	8	22	14
Raw material costs	—	—	108	99	1891	1514
Wages	20	20	27	28	680	611
Interest	5	2	—	—	62	58
Gross profit(+)/loss(-)	64	73	105	117	298	184
Depreciation provision	1	1	18	20	97	103
Tax provision	17	19	49	47	99	15
Net profit(+)/loss(-)	46	53	38	50	102	66
Development rebate provision	—	—	—	5	11	13
Transfer to reserves	9	10	7	17	35	11
Dividend	—	—	—	—	—	—
Amount	E 33 P 4	E 41 P 4	31	28	56	42
Rate (per cent)	40	26.7	15	15	8	6
Cover (times)	1.28	1.19	1.22	1.60	1.62	1.26
Ratios (per cent)	—	—	—	—	—	—
Gross profit/sales	—	—	29.49	32.32	9.92	6.62
Net profit/capital employed	10.24	12.18	11.58	15.72	7.31	4.70
Inventories/sales	—	—	24.15	19.61	35.62	27.72
Wages/sales	—	—	7.58	7.73	22.54	21.97

NEW DELHI

Planning Commission Devalued

AS had been widely anticipated, C Subramaniam has been sworn in as Minister for Planning. He will simultaneously hold the office of Deputy Chairman of the Planning Commission. This is not the first time that a Union Cabinet Minister will be the country's chief planner at the same time. Gulzari Lal Nanda and later Asoka Mehta held this position. But there is a vital difference. Both Asoka Mehta and Gulzari Lal Nanda were full-time Deputy Chairmen of the Planning Commission to begin with; afterwards, when they were inducted into the Cabinet, they continued to head the Commission for a period of time till the appointment of a new full-time Deputy Chairman. For the first time since the setting up of the Planning Commission, C Subramaniam takes over the office of Deputy Chairman in his capacity as the Planning Minister. This may mark a significant change in the Government's approach to the composition and functioning of the Planning Commission.

Once C Subramaniam is named the new Deputy Chairman of the Planning Commission, appointment of the other Members will follow. Several names have been mentioned in this connection, but it is pointless to indulge in speculation over names. It is, however, certain that the Secretary to the Commission will be elevated to the position of a Member. As a Member of the Commission the Secretary will now enjoy equal status with other Members; as its Secretary he will have powers superior to theirs.

REDUCED STATUS

The Deputy Chairman of the Planning Commission has by convention been invested with the status and rank of a Cabinet Minister and was invited to meetings of the Union Cabinet whenever issues of economic policy or planning were under consideration. In the new arrangement, the Deputy Chairman is a Cabinet Minister first. The Members of the Commission, again by convention, have enjoyed the status of Ministers of State. Even if the formal protocol position is retained in their case, the elevations of the Secretary to the position of full Member will surely result in reducing the status, prestige and authority of the other Members of the Commission. If a parallel may be drawn,

the Planning Commission as it is emerging may become comparable to the Railway Board under a Cabinet Minister. The names of persons who are being mentioned and are likely to be available for serving on the Commission as Members conform to such a pattern.

When the Planning Commission was first constituted in the early fifties, a prime consideration was that it should be insulated from the bureaucracy which constantly tries to bring all organs and institutions of the government under its control. It was thus that the internal organisation of the Commission was conceived of as different from the usual set-up of government departments. Recruitment to the Commission was made from outside the civil service, specially for the research posts. It was laid down that even the designations of personnel in the Commission should be different from those in vogue in government departments and that, even if their salaries might not be higher than those of comparable staff in the government, the personnel of the Commission should enjoy a higher status and prestige. Subsequently, on several occasions during the stewardship of Jawaharlal Nehru when the Commission's organisation was reviewed the main consideration had been to check bureaucratic norms, habits and tendencies in its functioning. During the past few years, along with the slowing down of the tempo of planned development and the launching of an insidious campaign to undermine the authority, influence and prestige of the Planning Commission, the bureaucracy has successfully burrowed its way into the Commission. The civil service has come to occupy commanding positions in the organisation of the Commission and joint secretaries and deputy secretaries have multiplied, pushing the technical personnel from outside the government services into the background. Technical personnel still serving the Commission are today a frustrated lot and have expressed their feelings strongly on several occasions, but without much effect. On the contrary, moves to weaken the technical competence of the Commission have gone on apace.

The proposal, unexceptionable on the surface, to create planning and development cells within the various ministries to strengthen the machinery of planning

and development, which originated in the Planning Commission itself, has actually been perverted in the course of time to erode the technical competence of the Planning Commission. The argument has been that the Planning Commission need not duplicate work which could be done within the executive ministries and other agencies.

In this context it is not surprising to now find the Commission being pushed into a position where it becomes merely a body obliged to assemble together what may be proposed by the various Ministries and call it this or that sectoral programme. The ministries had lately become so cocksure as to suggest that the Commission approve and include in the Plan fresh schemes involving investment of as much as Rs 100 crores within three days of their presentation to the Commission. The ministries often allowed a few days for the Commission to concur with their proposals with the stipulation that if concurrence was not received within the stipulated time, they would assume it and go ahead. In many cases, concurrence was not even sought. This is a far cry from the days when, alarmed at the success of planned development in the country, the Planning Commission's detractors used to denounce it as a super-government and a parallel Cabinet.

In spite of the near decimation of the Commission's general technical competence, one division of the Commission has managed to retain a semblance of its former status and that is the Perspective Planning Division. It is still largely free of the ubiquitous administrative officers. It was revealing of the way things are going that a report prepared on its internal organisation has proposed the disbanding of this division and dispersal of its personnel in other divisions so that every division may be able to do its own perspective planning! The move has been stalled for the time being. However, it cannot be presumed that it will not go through once Pitambar Pant who has headed the work of perspective planning since the Commission inception is eased out.

JUST ANOTHER DEPARTMENT

The move to make the Secretary of the Commission a full time Member too lends itself to a historical review. The Commission was conceived of and constituted as a body with a distinct personality, capable of drawing up plans of economic development and assisting

the Central and State governments in Plan implementation from a national standpoint. It was not to be just one more department of the Government of India. To start with, Jawaharlal Nehru as the Chairman of the Commission and the Prime Minister constituted the only link between the Commission and the Cabinet. In course of time it became the established practice that all important economic proposals and schemes had to be referred to the Commission for advice. At the level of officials, the principal formal link between the government and the Commission was provided by the Cabinet Secretary who also acted as the ex-officio Secretary to the Commission. A full-time Secretary to the Commission was appointed only in early 1964, nearly 12 years after the Commission was set up. The Secretary to the Commission is now to be further elevated. This almost completes the process of making the Commission just another department of the Government of India.

The present reconstitution and reorganisation of the Planning Commission is thus bound to greatly diminish its position and authority as an independent advisory body which, though working in close liaison with the Union Government, was yet not subordinate to it and was of equal service to the State Governments as well in our federal set-up. It was in recognition of this special position of the Commission that shortly after it was set up (by only a resolution of the Union Cabinet with no statutory authority) the National Development Council was formed. The Council consisted of only the Prime Minister, the State Chief Ministers and the full-time Members of the Planning Commission, though other Central and State Ministers and officials were invited to attend its sessions. The NDC has been looked upon as the highest all-India organ for the formulation and co-ordination of the national plan. It is significant that the NDC has functioned relatively satisfactorily only during periods when planned development made progress. During times of setback for planning, the NDC too has not functioned well.

SEARCH FOR SCAPEGOATS

The role of the NDC got further emphasised after the 1967 general elections when several State governments came to be run by parties other than the one in office at the Centre. In a rather difficult period in the adjustment of Centre-State relations after 1967, the NDC and the Planning Commission helped to negotiate many deli-

cate problems such as that of the quantum of Central assistance for State plans and the distribution of Central assistance among the States. The problem of Centre-State relations is no less important now even though the ruling party at the Centre has regained its dominant position after the recent mid-term poll. On the contrary, sentiment for regional autonomy and the problem of regional disparities and uneven rates of development have become more pressing and demanding. The Planning Commission can hardly function effectively if it is reduced to being a mere appendage of the Union Cabinet. Its role must be that of planning economic and social development from a national standpoint and supervising implementation of programmes — processes in which not only the government at the Centre but also the State governments as well as non-government elements are necessarily involved. The Commission must not be turned into one more department of the government to advise the Union Cabinet and that too, as has been the recent practice, only on matters on which its advice may be sought. The appointment of C Subramaniam and the manner of his appointment, as well as the kind of reorganisation to which the Commission is being subjected, do not augur well for the Planning Commission's role as a national agency, with authority and prestige to give the leadership required for planned economic and social development.

ANDHRA

Flowers for the Congress President

WHEN Damodar Sanjivayya, the new Congress(R) President, arrived in the State capital on a week's visit to his home State last week, he was given a rousing reception at Begumpet airport. Among those present were the Andhra Pradesh Chief Minister, Brahmananda Reddi, and his cabinet colleagues, besides the president and members of the Pradesh Congress Committee. Sanjivayya was visiting the State for the first time after his elevation to the party presidency.

Sanjivayya's visits to the State in the past, when he was President of the undivided Congress, Rajya Sabha member and Union Labour Minister, had hardly evoked any enthusiasm among partymen and certainly not among Brahmananda Reddi and his cabinet colleagues. In the 1967 general election Sanjivayya had been defeated from

Meanwhile, the Fourth Plan, approved and accepted by the Union Cabinet and the National Development Council, remains in the doldrums. What exactly will be the outcome of the promised exercise of reappraisal and revision of the Plan it is difficult to say. But it is disconcerting to find inspired insinuations and innuendoes about the work and outlook of the outgoing Commission and its Deputy Chairman, D R Gadgil, being given free currency. The suggestion so insidiously spread that the Planning Commission under Gadgil had become a den of reaction and a stumbling bloc to the much advertised radical policies and programmes of the government is utterly false. At every stage during the past year and a half, the Planning Commission had strained itself to perform its functions in conformity with the frame of reference provided by the political and governmental leadership — even on the issue of follow-up measures to bank nationalisation which was undertaken as a political gambit without reference to the Planning Commission. The Commission has, however, watched with dismay the total absence of any kind of commitment to the Plan or willingness to carry out obligations under the Plan. If in the process of looking for alibis and scapegoats the concept of planning and the chief instrument of planning are now allowed to be undermined, the damage will be permanent and irreparable.

sent visit to the State has political significance and may portend changes in the State politics in the coming months.

It is no secret that this time Indira Gandhi appointed Sanjivayya party President without consulting, or even sounding, Brahmananda Reddi. The Prime Minister also unceremoniously turned down Brahmananda Reddi's proposal to hold elections to the State Assembly in May 1971. In fact she did not even allow the proposal to come up for discussion at the party's central parliamentary board meeting in March. Acting in the same vein, at the time of Central Cabinet formation she refused to grant Brahmananda Reddi an audience to press his request for the inclusion of his lieutenant, M T Raju, a big landlord and former Chief Secretary to the State Government, in the Cabinet as a deputy minister.

With these facts widely known among politicians in the State and with whispering campaigns started by his political adversaries that Indira Gandhi was out to cut Brahmananda Reddi down to size, the enthusiastic reception to Sanjivayya inspired by the Chief Minister himself was not difficult to understand. But Sanjivayya refused to play ball with Brahmananda Reddi. Soon after his arrival he told reporters at the airport that New Delhi was "very much alive to the Telengana problem". He went on to add that the Congress(R) had suffered a debacle in the Telengana region, where the Telengana Praja Samithi had won 10 out of 14 seats, because the people wanted separation from Andhra Pradesh. These observations directly contradicted the position taken by Brahmananda Reddi which has been that the Telengana problem does not exist and that all that is necessary is to spend the so-called 'Telengana surpluses' in the region, remove grievances of the Telengana people in the public services, etc. "There is neither a Telengana problem nor any need to seek Mrs Gandhi's arbitration on the problem", Brahmananda Reddi is reported to have said. At a recent meeting of the State party, the Chief Minister's henchmen vehemently turned down the proposal of the Telengana Regional Committee Chairman, J Chokka Rao (who was mainly responsible for the separate Telengana agitation in 1969), to leave it to Indira Gandhi to suggest a solution to the Telengana problem and questioned the Prime Minister's *locus standi* in relation to a purely State problem.

With Sanjivayya's current visit to Andhra Pradesh, the first shot has been

fired in the campaign to undermine Brahmananda Reddi's position in State politics. What is reported to have annoyed Indira Gandhi most is reportedly Brahmananda Reddi's attempt to form a 'mini-syndicate' at the Centre, with the help of Jagjivan Ram. Indira Gandhi's aim now is to shift Brahmananda Reddi to a Central ministership. This will enable her to put a Telengana politician of her choice in the saddle in Andhra which, she hopes, will solve the Telengana problem and also bring State politics more under her control. Certainly, she does not want to keep the Telengana problem hanging till the 1972 election. She is convinced that with Brahmananda Reddi in office, it will be extremely difficult to hammer out a solution short of geographical division of the State. To the great

embarrassment of Brahmananda Reddi, the Telengana Praja Samithi, which is nothing but a rebel Congress(R), has taken a pro-Indira Gandhi posture. Feelers have been sent out to Indira Gandhi suggesting that the Praja Samithi will rejoin the Congress(R) provided certain political concessions are offered to it.

It is thus certain that a clash between Indira Gandhi and Brahmananda Reddi is becoming unavoidable. The fight might come out into the open at the time of the 1972 State elections when Sanjivayya as Congress President is expected to play a big part on the Prime Minister's behalf. His visit to Andhra Pradesh soon after becoming the party President marked the launching of preparations for playing this role.

'Neocolonialism' and Indian Publishing

Philip G Altbach

INDIA, as one of the critical 'Third World' countries, has received a good deal of attention from the major powers. One of the areas of this attention is its intellectual and academic life. The broader implications of this influence have been discussed elsewhere, (including Philip G Altbach, "Education and Neocolonialism: Some Facts", *United Asia*, May-June 1970). The publishing of books and the support of journals plays an important role in the impact of wealthy nations on poorer areas and this aspect deserves special attention. These notes, however, are far from comprehensive and are intended mainly to stimulate thought on this key aspect of Indian scholarly and intellectual life. For a general overview of Indian publishing see Samuel Israel's recent article in *Quest* (January-February 1971).

A number of journals published in India receive direct or indirect support from foreign governments or interests which may have some role in shaping their policies. The journals supported until recently by the Congress for Cultural Freedom, *China Report* and *Quest*, are examples of non-Indian financial subsidies to Indian publications. Of a different nature and somewhat beyond the scope of this article are magazines like *Time* and *Newsweek* which have a wide circulation in India and clearly represent, rather broadly, a particular political stance. It has often been said that some Indian-run magazines receive subsidies,

either directly or through such means as advertisements. *Link*, which is generally associated with pro-Soviet views, has been rumoured to receive outside financial support and its pages contain large advertisements from Eastern European and Arab governments and semi-official agencies.

While there is probably no way to eliminate foreign subsidised journals within the limitations of a commitment to freedom of the Press, the impact of this fact should be understood. Not only are the views of foreign governments often expressed in Indian journals without attribution, but such magazines as *Time* and *Newsweek* may hinder the establishment of more comprehensive Indian publications in this general area.

Of more importance to Indian academic and intellectual life are the various publishing programmes of foreign governments in India, primarily the American programmes which are the most pervasive. Other countries also are involved in the publication and distribution of books in India. Soviet books, usually of a technical nature but on political themes as well, are available at greatly reduced rates. In addition, the Peoples' Publishing House, which is controlled by the CPI, publishes books by Soviet authors. The British Council distributes books in India and also sponsors cheap editions of standard texts and classics which are available to students. Few of these books are on political themes.

There are basically two US programmes which affect publishing, the joint Indo-US textbook programme and the general book subsidy efforts of the US Information Service in India. The textbook programme is better known. Hundreds of book titles have been published under the textbook programme by various Indian publishers in most academic disciplines, although with an emphasis on the sciences. The basic idea is that Indian students should have available inexpensive editions of textbooks originally published in the United States. The actual selection is done by an Indo-US Board, made up mostly of officials of the US Government and of the Indian Ministry of Education. The programme is financed through American PL 480 funds and the books issued are sold at a fraction of their US cost and at a lower cost than unsubsidised Indian textbooks.

Laudable as some of the aims of this programme are, a number of negative implications result from it. Of perhaps most importance, the programme inhibits the writing and publication of books in areas in which an American subsidised book exists. Indian publishers may find it difficult to compete with a subsidised book priced at eight or ten rupees when their own volume would cost double this amount. Indian scholars might also be inhibited for much the same reason.

In the sciences, where the relevance of the material differs little according to national setting, there might be relatively fewer objections to the Indo-US textbook programme, but even in this area American books might not be suited to the syllabus of Indian universities, to local laboratories or to the specific needs of Indian students. The problem is rather more serious in the social sciences, where national situations do matter and in which the bias or approaches of the authors are quite important. The difficulty for an Indian-written text in sociology, for example, in competition with an American book in the Indian market is a serious problem. It means that Indian students will learn American sociology with the ideological and geographical emphases of most US sociology textbooks. The same situation applies to other fields such as political science and education.

Thus, the Indo-US textbook programme has the result of inhibiting Indian textbook writing and publishing and also tends to limit some kinds of research. The programme creates an

orientation in Indian universities toward US curricular and other models and it infuses US ideological assumptions into Indian academic life. Furthermore, many of the texts selected are out of date and no longer in use in the US. This means that Indian students get outmoded knowledge which is also at times of limited relevance to their situation.

The second aspect of American participation is even more serious. This is the subsidy of individual books of a general nature which are published in India and neighbouring countries. In the Near East and South Asia alone, a total of 2,000,000 copies of 511 books were published in the year ending June 30, 1969. The books selected are simply given to various Indian publishers by the US Information Service, with no screening by any Indian agency, and are subsidised by as much as 80 per cent of the cost of publication. The Indian publisher is free to sell the books as he sees fit, or even to throw them away. There is no indication in these books that they are subsidised by the United States Government. The choice of the books is significant. Many of the books are authorised (and uncritical) biographies of American leaders, from Abraham Lincoln to Richard Nixon. Others are scholarly studies or commentaries on various subjects which reflect a generally pro-American or at least an anti-communist viewpoint. Titles such as Douglas Pike's book on the Vietcong, Max Lerner's "American Civilisation" and others are typical of this programme.

This USIS publishing effort has many negative aspects. Material financed by the US Government and deemed to be favourable to it is published in India without any indication of the source of the subsidy or the origin of the material. Thus, propaganda and educational

material of the US Government appears in fairly substantial quantities on the Indian market without attribution or label. The low prices of these books may give them an added circulation although it seems that the irrelevance of many of the US sponsored books and the indifference of the publishers limits the sales. There is no doubt that the printing of these books uses up a share of scarce publishing resources and perhaps foreign exchange as well.

The implications of foreign neocolonialism in Indian publishing are not of direct importance in any major way. Yet, those in India concerned with higher education, with intellectual life generally, and with a growing but still fairly unstable publishing industry should give some thought to this matter. Is it advisable to have an important aspect of higher education — textbooks — influenced to a substantial degree from outside the country? Do the advantages of having inexpensive books available to Indian students outweigh the foreign orientation and other disadvantages involved? Should not foreign propaganda distributed or sold in India be clearly labelled as such?

This note raises more questions than it answers, since decisions concerning textbooks and publishing involve complex issues of freedom of publishing and intellectual inquiry as well as of the allocation of resources. Yet, it seems that steps should be taken to raise the intellectual level and the commercial viability of Indian textbook and other scholarly publishing, and to provide some clear guidelines in this area. Without development of the infrastructures of intellectual life, including an independent and efficient publishing industry, improvement of education and of intellectual thought generally will prove difficult.

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

SINGAPORE

Asian Development Bank Meeting:

Harish Chandola

THERE is really less to write about the fourth annual conference of the Board of Governors of the Asian Development Bank (ADB), which concluded here on April 18, than about the poor performance of the Indian delegation to it, headed by the Finance Minister, Yeshwantrao Chavan. India is not a borrower at the Bank but is, on the other hand, the second largest subscriber to its funds. The Bank's funds from 21 Asian countries amount to US \$624 million of which \$93 million are subscribed by India. This was the first Indian delegation headed by a minister that visited South-East Asia after the elections, which have certainly brightened India's image abroad and raised hopes that the country will now be able to play a confident role in international affairs because it now has a stable government. Bangla Desh developments have also made people abroad look up to India with the hope that it might play a role that would help the East Bengali people in their hour of suffering. Singapore reporters therefore had gone to the airport to meet the Finance Minister with enthusiastic questions: What was India going to do to help the people of Bangla Desh? Could it help in stopping the carnage there? What were India's own plans to remove poverty and unemployment? Chavan is well known abroad. People have read stories about his ability, political support and the likelihood of his becoming the next Prime Minister of India. But at the Singapore airport press conference he failed to answer questions. To some he mumbled answers and to others he did not reply at all. Whenever a question on an economic subject was asked, he looked to I G Patel, Secretary in his Ministry, who was accompanying him, for a reply.

INSULAR CONVERSATIONS

He remained shy (or was he sullen?) throughout the three-day ADB conference. The conference had provided him with an occasion to meet Asian leaders. There were 14 Finance Ministers attending it and a number of top financial experts and prominent bankers of the world. Except of what he saw of them during the three morning sessions of the conference, Chavan did not meet them informally either at their hotel suites or over meals that leaders usually offer

to each other at such conferences in order to get acquainted.

Some Indian businessmen were, however, in Singapore at the time of the ADB conference. These businessmen had nothing to do with the conference. But one found Chavan being invited by them for meals. There was the proprietor of a famous hotel chain in India, now establishing connections with a hotel here, who was in Singapore when Chavan was here. And Chavan was his guest at a meal. Another businessman from western India was also here and he too had Chavan over for a meal. Then there was the agent of an Indian shipping line with whom the Finance Minister spent an evening. And there was the inevitable reception by the Indian High Commission where he spent another of his three evenings here surrounded by Indians. Other Asian leaders were meanwhile meeting each other informally over lunches and dinners. One wondered why our Finance Minister was not with them?

Economic diplomacy, one would have thought, was as vital as political diplomacy. But at Singapore this time, India took absolutely no initiative, either to know what other countries were thinking on issues besides those brought before the conference or to share India's thoughts with them or even to project a new image of India of dynamism generated by the elections.

BORROWING TO LEND

Not a word of Chavan's statement before the Board of Governors of the Bank was printed in the local newspapers. He was one of the early speakers on the second day. But copies of his statement were only available seven hours after he had made it. Copies of statements of other leaders were available the moment they got up to speak. The main points that Chavan made were covered by other leaders in statements made after him, but since those statements were available earlier, they were reported in the press. Why could the rather large Indian High Commission here not put out our Finance Minister's statement in time? Their answer was that I G Patel was making changes in Chavan's statement until the last minute and so they did not have the time to prepare copies of it. When one recalls the performance of

the Indian delegation at the Commonwealth Conference here in December last and the efforts it made to establish contacts with other delegations, the performance of the delegation headed by Chavan really appears most inadequate.

The big question before the Singapore meeting was how to increase the Bank's funds so that it could increase its lending to its Asian and Pacific member countries? There were only two answers: either the member countries increased their contributions to the Bank or the Bank borrowed in world capital markets. The Bank did start borrowing in world capital markets, by issuing bonds of the value of US \$16.4 million in West Germany, \$5 million in Australia, \$16.7 million in Japan, \$50 million in the United States and \$9.1 million in Switzerland.

But all these loans bear high rates of interest and when the ADB lends this money to its member countries it has to charge a still higher rate of interest. The Bank therefore has raised its rate of interest to 7½ per cent. Only those countries which have a relatively high growth rate and per capita income can afford to borrow from the ADB at this high interest rate. Most Asian countries are not in that category. Therefore much of the Bank's lending is to South Korea, Taiwan, Singapore, Thailand, the Philippines and Malaysia.

Since the Bank has been established not merely as an ordinary lending institution, but also to help the developing nations, 10 per cent of its capital of US \$1.1 billion has been earmarked as 'soft funds' for lending at low interest rates of below three per cent to needy countries. The Bank's lendings from its soft funds amount to US \$64.1 million, while the lendings from its ordinary funds, which carry the 7½ per cent interest rate, come to US \$342.5 million.

EXPENSIVE EXPERTISE

The Bank has in its control yet another fund, the Technical Assistance Fund, to which contributions are made by member countries. But these contributions are tied to export of expertise from the country which made them. Expertise from the 14 non-regional members of the Bank (all of them European, except the US) is expensive. If the funds they contributed towards technical assistance could be untied, the Asian countries would be able to buy more expertise from their fellow Asian countries for the same amount.

Efforts were therefore made at the Singapore conference to untie the Technical Assistance Fund, but not enough support could be rallied to commit all the donors to untie their contributions.

There was some support for the proposal that the Bank should start a scheme to refinance exports from its member nations to increase regional trade. Asian countries were mostly poor and not capable of providing long-term credits for their exports. The Bank, could, according to proposals for the scheme, make payments to the exporting country

for the goods it exported and collect the price of the goods from the importing country after the number of years it needed to make the payments.

India also wanted the wealthy, non-regional members of the Bank to announce their contributions to the soft funds for the whole development decade of the 1970s, but no one seemed ready to do that. The US Alternate Governor of the Bank, John Petty, said his country was suffering from "aid fatigue" and would be in no position to make long-term commitments.

PERSPECTIVES—I

Towards a Vietnam in the Ganges Delta

(From a Special Correspondent).

VIETNAMISATION of eastern India — including West Bengal, what was until recently East Pakistan, parts of Assam and Nagaland, and parts of Bihar, Orissa and Andhra Pradesh — is a political perspective that has been discernible to the expert eye ever since 1966. The possibility has been dramatically brought into the realm of high probability now by a historical conjunction of events of which the most important are: the triumph of Naxalism on the plane of actions, the polarisation of the masses between the Congress and the CPI(M) on the plane of legislative politics and, finally, the liberation struggle in Bangla Desh. Objectively, conditions have never been more favourable from a revolutionary point of view. Of course, even the best revolutionary conditions may fail to produce a revolution if political leadership is either lacking or is set against a revolution. From the point of view of such subjective factors, conditions however are not at all good. As a matter of fact, they are dismal.

The assertion that Naxalism has been triumphant may come as a surprise to many. Members, supporters and sympathisers of other Left parties have a vested interest in belittling the achievements of Naxalism. The typical CPI(M) stance is to pretend that the political elements among the Naxalites have by now got exterminated or eliminated and those that are left are just anti-social elements pure and simple, hirelings of the police or the CIA. The typical CPI stance is to exude a great deal of sympathy for the idealistic but misguided boys who, the CPI says, are soon going to take to the CPI line. The CPI

can afford to adopt such big brotherly postures as the Naxalites do not treat the CPI as worth fighting. The official stand of both the CPI and the CPI(M) is that the Naxalites do not constitute a major political force. That, however, has not been the view of the police or the administration, who have repeatedly admitted over a period of one whole year their failure to contain the Naxalites. Indira Gandhi knows that if a single party has to be named that has shaken the establishment in W Bengal to its very foundations it is the CPI(ML).

The fact of the matter is that despite unprecedented police repression and despite the systematic manhunt that has been carried on by the police and the army, the Naxalites have steadily grown in strength and have spread their influence far and wide in different parts of the eastern States of the country. The question is very often asked, "What after all is the Naxalites' hold over the peasant masses? They have not been able to liberate a single village, have they? Have they not been hounded out of even Debra and Gopiballavpur?" True, there are probably no liberated villages in the proper sense of the word: there cannot be, given the nature of the terrain in the region. But the undeniable fact that hundreds of Naxalites are getting shelter in hundreds of villages does indicate something about the type of relationship they have been able to establish with the rural masses.

The latest line of action that is being followed by the CPI(ML) is that of rifle snatching. Rifles are being snatched every day all over the State — from members of the ordinary constabulary,

the armed police, as well as the various security services in civil employment. By any conservative estimate a few hundred rifles have now gone to the secret arsenal of the guerillas. Not one has been used in action anywhere by the guerillas up till now. This means that the guerillas are waiting for a critical minimum to be reached before starting action on a plane higher than the knifing of individual police officers — on the plane of active combat with the armed forces. Rifle-snatching as an action is much less conspicuous than the killing of important personages. As such, the current phase of activity is giving rise to a false air of lull, if not of a setback in Naxalite activities. As a matter of fact, struggle at a much higher level is in the offing.

While *vis-a-vis* CPI(ML) Indira Gandhi is doing whatever a determined and clear-headed leader of the establishment would do, her dealings with the CPI(M) suggests that even a genius in politicking can fumble and make errors that can prove fatal. The Lady Machiavelli that she is, it was expected that Indira Gandhi would invite and help the CPI(M) to form the government in West Bengal. This she could have achieved without any difficulty, since the CPI(M) was all too ready to enter the trap by assuming power under any conditions. Indira Gandhi could have given the CPI(M) the same poisonous embrace of *visha-kanya* as she gave to the CPI in Kerala and could have reduced it to the same impotence. Once in power, the CPI(M) would have rapidly lost credibility *vis-a-vis* its mass supporters by failing to do anything about the catastrophic economic problems of the State, in particular its unemployment problem. It would have lost all claim to being a revolutionary party after setting the police to exterminate the Naxalites. Holding on to power for its own sake, the CPI(M) would have been sliced, buttered and swallowed by the Congress in the same way as the CPI has already been dealt with. But by keeping CPI(M) out of power, Indira Gandhi has revalidated the party's revolutionary claims. The CPI(M) can now rightly boast of being the only party of which every other bourgeois or revisionist party is afraid, the only party of opposition to Indira Gandhi not only in West Bengal but in the whole of India.

It is not just a matter of image. True, the CPI(M) leadership is completely at a loss as to what to do now that it has not been able to come to power. True, the CPI(M) leadership, while it talks of

mass actions, has not the inclination to do anything outside the legislative assembly. But the rank and file of the party and its mass supporters are not going to wait patiently for yet another election. They are going to become restive. The disillusioned will fall off — some to the Right, to join the Congress, some to the Left, to become Naxalites — and this falling off is not going to be of a marginal character. Simultaneously, those who will remain with the party will increasingly resort to disruptionist agitations. All in all, the net result would be to strengthen the guerilla forces that are getting organised. Disruptionist agitations are not new in the State, but surely they will become qualitatively different when the hordes of CPI(M) supporters lose faith in the impotent parliamentarianism of their leaders and take to direct actions. There is nothing Indira Gandhi would be able to do to curb these increasingly violent demonstrations since her boys are not in a position to do anything more about poverty and unemployment in the State than the CPI(M) would have been. She has also not served her interests best by using the Chief Minister's post to bribe the one person in West Bengal who is increasingly being regarded by the people of the State as a buffoon who, like a child stretching out his arm for the largest piece of sweet, is forever eager and ready to become the Chief Minister, even when his party manages to get only two or three seats in the Assembly.

BOON TO REVOLUTIONARIES

The post-election situation in West Bengal is thus excellent: the CPI having finally committed suicide by throwing to the winds all class analysis and supporting a Congress government as being more progressive than a CPI(M)-led government would have been and other similarly placed nuisance-value parties like the Forward Bloc having been forced into a corner to avow their true class character, the field is now left open for a confrontation between the forces of monopoly capitalism represented by Indira Gandhi on one side and the people at large on the other, circumstances forcing the rank and file of the CPI(M) to join the struggle on the side of the Naxalite guerillas.

When things are so clearly poised, the war of secession of East Bengal arrives as a boon to revolutionaries on either side of the border. No doubt the movement across the border is of national liberation, but that is exactly

what makes it so important for providing the soundest and broadest possible basis for a communist guerilla warfare. What is of supreme importance about Bangla Desh is that there the entire state apparatus has cracked up under the pressure of a mass revolt of an entire people who have taken up arms. This indeed is a people's war even if the leadership at present being provided by the Awami League is national bourgeoisie. It is upto the extreme Left to seize the leadership of the insurrection and turn it into a communist one. Whether the extreme Leftists can capture the leadership or not, there can be no doubt that conditions are going to be increasingly favourable for guerilla operations; and not only for those of East Bengal but also for those of West Bengal. As a matter of fact, from now on the border is going to prove of great advantage to all guerillas. Even under the conditions prevailing before, the two Bengals had to be taken together for any revolutionary strategy: there was no particular reason to fight one state power rather than the other, the people in West Bengal and in East Bengal being the same people. But the identity of interest and the common goal apart, could any guerilla on either side of the border have wished to have any better shelter zones than the whole of East Bengal for West Bengal guerillas and the whole of West Bengal for those of East Bengal? The fact of the occupation army in Bangla Desh being on hostile terms with the Indian army would prevent the two armies from collaborating to the fullest extent in hunting their respective guerillas; but there is every reason for the guerillas to fully co-operate among themselves. That is, the border will exist as a hindrance for the hunting armies, but will disappear whenever a guerilla wants to cross it.

Can there be any doubt that it is this political perspective of West Bengal guerillas getting a huge hinterland in East Bengal to take shelter as well as to collect arms from, which is one of the main political reasons for Indira Gandhi to drag her feet on the recognition of Bangla Desh? Of course, there are other international complications to worry her. She has not been too keen to give a handle to Pakistani propaganda that the Bangla Desh revolt is something of India's engineering. Also, she cannot help anticipating and worrying about an independent and recognised Bangla Desh exercising a great attraction over a large section of Bengalis of West Bengal to take the latter also out of the Indian Union to form some sort

of a union with Bangla Desh. But she knows that the tendency of West Bengal to pull out of the Indian Union and towards Bangla Desh will not be just a nationalistic one; it will inevitably be associated with a strengthening of extreme Left forces. She knows that whatever be the ideological colour of the Awami League now, it is a dangerous thing for an entire peasant people to get armed and get actively involved in a liberation struggle. She knows from the lessons in history she got from the letters her father wrote to her when she was a child that the leadership of peasant masses armed with rifles inevitably goes to those who know how to use rifles, against whom to use rifles and for what purpose to use rifles. She knows that every single rifle being used by Bangla Desh forces now against the Pakistani army might any day cross the border and get used against the Indian army. Therefore, she must think several times before supplying arms to the Bangla Desh army; for the same reason she is not too keen to recognise Bangla Desh.

THROUGH BLOOD AND FIRE

By Vietnamisation of a region we mean an indefinitely extended period of non-defeat of both the armed forces of the state and the guerillas. Unless there is very strong pressure by America and the Soviet Union on Pakistan to withdraw its army, it is unlikely that the Bangla Desh forces can militarily defeat the superior armed forces of West Pakistan. On the other hand, all the jet planes and tanks of the West Pakistani army cannot win a war in which the enemy forces include practically every single citizen of East Bengal. There have been very rare instances in history when an entire people have been so roused by nationalistic feelings against a common enemy. It may be recalled that the non-co-operation movement prior to the beginning of the destruction, atrocities and mass killings by the Pakistani army was more successful than any such movement launched at any time anywhere in the world. It was certainly more successful than the movements launched by Gandhi in India ever were. True, the masses of East Bengal are not used to fighting modern armies, but the present trial itself is going to impart that education through blood and fire. The soft clay of the Ganga-Padma-Meghna-Sunderbans delta is going to be burnt into the same hard metal of which have been made the soldiers of Algeria and Vietnam.

Rage, Rage against the Dying of the Light!

G P Deshpande

A LEGEND has it that when the news of the French revolution reached the Maratha Court in Poona, the Peshwa asked of his chief minister what it was all about. The chief minister promptly replied that some barbarians from across the sea had killed their monarch but the Peshwa need not worry. It would seem that the reaction of the establishment in this country to the war in East Bengal is not qualitatively different. The Bengal Mukti Foj is, of course, not described as a bunch of barbarians. Their bravery, tenacity, courage and will to fight are all appreciated in full measure. Unlike the Poona Court, the Delhi Court in fact passed a solemn resolution of sympathy and support. However, the accent has all along been on caution, circumspection, reluctance to commit — as though the war were going on somewhere in Latin America or Africa. The entire approach to this problem has been one of looking for precedents, anxiously awaiting super-power postures. In short, it is as if the war in East Bengal has been just one more case of a civil war where the Government of India has been called upon by circumstances to take a position.

Indeed the indifference which is euphemistically called caution and care has been remarkable. It seems to have escaped everybody's attention that we as a nation are on test. Even the events of 1962 and 1965 had not raised such fundamental issues intimately connected with our very existence as the war in Bangla Desh has. And yet the Indians are playing it real cool. While in 1962 Jawaharlal Nehru was rethinking about the entire gamut of his foreign policy, lamenting over "the unreal world" in which "we lived", in 1971 Indira Gandhi has left for a holiday in Simla!

The Prime Minister was probably right when she told the agitated Lok Sabha that strong words do not always help. Indeed, very often they do not. But she has yet to demonstrate that moderate words do. However, the issue is not one of strong or moderate words. It seems doubtful whether we have grasped what the Bangla Desh phenomenon means to us.

I

The situation in Bangla Desh is taking a predictable course. A party like the Awami League which never believed that it would need the barrel of a gun to establish its right to come to power has been forced to fight a war. A painful, long process has begun. No early end to this war is in sight. Soon the fighting will take on all the features of guerilla warfare. At the moment the picture is not very clear, but certain elements in the situation have become quite obvious.

On the one hand, there is the military side composed of the East Pakistan Regiment, the East Pakistan Rifles, Police, Mujahids and Ansars. On the other hand there are the Sangram Samitis who look after the political work. There is little evidence of any co-ordination between the two. So far, one gathers, the fighting men have been rather apolitical in the sense that apart from the ideology of sovereign, free Bangla Desh, they do not seem to profess any ideology. The situation in the Sangram Samitis seems to be different. Their slant is evidently leftist. Once a full-scale guerilla war is on, politics has to take command. A likely result of this is going to be (if it has not already happened) the decimation of the Awami League leadership so that over a period of time we may find that the people whom everybody here has been describing as Mujib's supporters may be somebody else's supporters.

But this process is going to be a long and bloody one, with India watching with folded hands. I am not arguing against a particular kind of leadership. The point at issue is whether it is in the interests of our society that this change should occur only after a long ordeal of violence and bloodshed. It is certainly not in the interests of Indira Gandhi's Government. What is infinitely worse is that while such changes occur and take root in the Bangla Desh soil the Government in New Delhi may find itself on the wrong side of history. In other words commitment is not enough (and even that is lacking), it has to be at

PERSPECTIVES—II

the right time with the right objectives. One would not have probably thought of these possibilities, had it not been for the role, however small, we are playing in Ceylon. This must be the first time that India has given military assistance to a counter-insurgency operation. We are joining an esteemed company! Without going into the details of our Ceylonese involvement, it is quite clear what kind of operations we have promptly assisted; that, too, when Ceylon is letting Pakistani equipment pass through Colombo. It might sound far-fetched today but it certainly can't be ruled out that in the event of a "wrong" leadership taking over the Bangla Desh movement we may suddenly find ourselves in the opposite camp. There are many countries, some of them our patrons, who have had this not-very-enviable experience.

II

This kind of error is likely to be made because an important aspect of the Bangla Desh movement has been ignored. The movement is not exclusively based on Jai Bangla sentimentalism. Whatever be the character of the present leadership of the movement, it is basically a radical movement with an economic content. The very admirable slogan of Sonar Bangla might have obscured the issue for a while (and our middle class intellectuals have contributed to that); but it cannot remain so for long. The Bangla Desh movement has radicalised the politics of the subcontinent.

It does not seem that in our 'circumspection' in looking at the civil war in Pakistan this aspect so vital to the political health of this country has been grasped. Bangla Desh is still a foreign policy problem. Pakistan and this country are like Siamese twins. Therefore developments in Pakistan are linked up with our very existence. In any case, the 1971 elections and the mandate for 'Garibi Hatao' and things of that sort have put a responsibility on this Government to throw in its lot with this radical movement. The day of reckoning of this Government may not be far off. It is necessary to avoid a very narrow view of the Bangla Desh movement as a movement only of autonomy and Bengali nationalism. In fact, some hesitation on New Delhi's part springs from the fact that it does, in fact, take such a view.

This is unfortunate for this is one

occasion when we can make Bangla Desh a focal point of the new directions we have been wanting to introduce in our politics. Again the only people who have really attempted to do this seem to be the 'Naxalites' who have thrown themselves into the struggle. As for the rest it has meant very little more than singing Sonar Bangla and talking about the "epic struggle" that is going on there. Our tradition of supporting other peoples' struggles is very long! From Vietnam to Bangla Desh we have applauded revolutions everywhere (and done nothing more). Revolutions should begin in other people's homes!

The tragedy of the complacent ones is that Bangla Desh is not exactly "other people's homes". Some people have cited the Soviet Union's role in Algeria and commended it to us. Some others have appealed to our weakness for stability and security. In other words the news media in this country have almost succeeded in making the Bangla Desh problem, as I have said above, essentially a foreign policy problem (with the liberty to sing Sonar Bangla and Nazrul Geeti to most of us). One example of this is the controversy over recognition of the provisional government.

DOMESTIC POLITICAL COMMITMENTS

Our legal experts have gone into all the necessary prerequisites of 'recognition' like state, territory, government and what have you. Their European (more specifically, Anglo-Saxon) training has taught them all these criteria. What the Anglo-Saxons (and therefore our experts have omitted from their consideration is a very blatantly political fact of post-war history — that the issue of recognition is inseparably linked up with domestic political commitments. It is domestic political commitments, among other considerations, which make North Vietnam recognise the South Vietnamese Provisional Revolutionary Government. The same is true of China's recognition of Prince Sihanouk and his Government. In other words, you grant recognition not on the consideration whether the future course of events will sustain your act but because you want to sustain a particular movement. The act of recognition, therefore, is an act of commitment. In recognising Bangla Desh you would recognise your own commitments and resolve to stand by them. Presumably the Anglo-Saxon text-books do not provide for such prerequisites and that settles the issue!

III

Then there is our weakness for the postures of the super power. Our patrons in Moscow and Washington may have their own views and we cannot afford to put ourselves in a position at variance with theirs! After a very long time it looked as if this country had got an opportunity to take the initiative in its own hands. Once again the voice of India could have become a voice of freedom and equality. But we do not seem to be sure of the voice of America! It was not long ago that our Prime Minister spoke of 'neo-colonialism'. It could not have been more ably demonstrated than by our efforts to keep on the right side of the Soviet Union and the United States. It is almost taken for granted that we must state our position on this issue only after Moscow and Washington make up their minds. It would be difficult to find another example of a country so pathetically dependent upon the super powers in making up its mind on a liberation war right in its midst.

The favourite argument, of course, is that if we become more vocal (let alone active) it would be embarrassing to the Bangla Desh leaders. It is really an irrefutable argument! By the same token the Chinese and the Russians should not have been involved in Vietnam on such a large scale as they have been! For it would be embarrassing to Lao Dong Dang (the Vietnamese Communist Party). The same would be true of the Vietnamese in Laos and Cambodia. Fortunately, they do not have the all-knowing intellectuals to advise them. All this sophistry really boils down to rationalisation of our timidity, weakness, directionlessness and almost incurable dependence on the super powers. We have lost all initiative. The Bangla Desh movement has given us one more opportunity to get out of this despair. All that one can say is, in Dylan Thomas's words,

Do not go gentle into that dark night

Rage, rage against the dying of the light!

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Liberating the Press

Nireekshak

HOW many times have we not heard all this before? The Press is 'divorced from the people'; the Press is an urban monster; it is a 'jute press', etc, etc. While repeating all these familiar charges the other day, the new Minister of State for Information, Nandini Satpathy, added one or two highly 'professional' observations of her own. Journalism was languishing under outmoded concepts and 'the tyranny of old journalistic techniques', she said. One of the concepts that needed to be 'liberated' was the concept of objectivity which 'elevated the influence of fools to that of wise men, the ignorant to the level of the learned, the evil to the level of the good'. And how does one go about it? "Journalism", the Minister urged, "must be freed from the so-called scoops, from deadlines and from startling narrative forms."

Well, for anyone so obviously skating on very thin ice, that is a very tall order indeed to give. Whatever the official view of the nature of good and evil may be, and however bureaucracy may determine who may be a fool or who a wise man (the Minister's speech-writer has provided no clue to official thinking), it is probably best to leave fools and wise men to their own various devices. About journalistic techniques, no newspaperman with a nose for news can, or should, be persuaded against trying to be first with the news — which is what a scoop means to the journalist, however politicians who find themselves on the wrong side of a scoop may interpret it. Doing away with deadlines may be a highly desirable thing, philosophically speaking, but in a fast moving world when newspapers have to be made available to readers by a particular time of day, everyday in the case of dailies, deadlines are unavoidable. Press times, unfortunately, are not as flexible as the time targets of the Five-Year Plans. As for the 'startling narrative', whatever that may be, its impact on the reader must necessarily depend on how pleasantly or unpleasantly he is startled.

In any case, these are matters which fall within the exclusive professional jurisdiction of newspapermen and, while ministers and readers are certainly entitled to make suggestions for change and improvement, they are best left to journalists themselves to change and

adapt as circumstances warrant. Even a cursory look at newspaper files of the last two decades will show that styles and techniques and, yes, even deadlines, have changed and without any official prodding. They are bound to change again. In the ultimate analysis, the press only reflects the state of the society it serves and it is worse than useless to seek a change in the nature of the press without simultaneously seeking a change in the nature of society. What is more, when Ministers talk of the 'Press' in this fashion they are usually thinking of the English language press which, by force of history and circumstances, has come to be regarded as the national press. It is ignored, however, that in a country where English is spoken and understood by less than three per cent of the population, and where this three per cent again tends to be concentrated in the urban areas, the English language press is bound to become, what I have described before as, an 'elitist press' — though this does not necessarily mean that it is 'divorced' from the people. The shortcomings, professional and other, of the press are many and this column, certainly, has not sought to hide them, but it is doubtful if they can be removed by ministerial fiat.

There seems to have been little comment so far on the Minister's startling observations. Only *Indian Express* has sought to rebut what it has called "a bogus charge". And it is not professional aspects of the Minister's criticism that have weighed with the *Express* editorial writer. He was more concerned to show that if the press had failed correctly to anticipate the extent of the Congress(R)'s victory in the elections, everybody else including "Mrs Gandhi and her party managers" had done so, too. It was therefore "arrant nonsense" to say that the press was "divorced from the people". The Congress(R) after all got less than 50 per cent of total votes cast. "Mrs Satpathy's real complaint", the paper suggested, "seems to be that the bigger newspapers, with a few exceptions, refused to put out biased reports slanted in favour of her party."

When politicians presume to lecture the press on "impartial and objective coverage" of news, as Karunanidhi did

not so long ago, they are usually showing little more than their impatience with, or intolerance of, newspaper criticism of themselves, their parties or their governments. However, as *Hindu* pointed out (February 24) in answer to the Tamil Nadu Chief Minister's charge of unfair reporting, "a free press can hardly be expected to be a committed press, blindly singing praise of a government that has been put in power only to serve the people". A "responsible press", *Hindu* went on to comment, "has the perpetual role of a constructive critic" and those "whose business is politics" should realise it. "That role gets extinguished only in one-party dictatorships with their committed mouthpieces." A similar sentiment had been expressed by Searchlight (February 13) when it condemned the attack on the Gujarati daily, *Pratap*, of Surat by certain supporters of the Congress(O) for its having "published a factual account of the goondaism resorted to by the supporters of the Congress(O) at the time of the arrival of Gordhandas Chokhwal..." Referring also to the attack on the *Assam Tribune* and the PTI office in Gauhati at about the same time, *Searchlight* said it was a "criminal action" to attack newspapers for doing nothing more than "faithfully serving the public purpose of reporting..."

If all this gives the impression that the press and the Government are always at loggerheads, the press reaction to the latest newsprint policy may help to correct the impression. "The new newsprint policy", wrote *Indian Express*, "is certainly an improvement on the old one." Newspapers would no longer be compelled to use white printing paper and this was "a distinct gain from every point of view". However, the paper added, this policy of "liberalisation deserved to be carried further" by removing the existing restrictions on "circulation growth". The "arbitrary formula" of "permissible growth" announced by the Government "makes little sense". According to the paper, the larger newspapers "are able to give their readers better value for their money than the smaller newspapers" and so there was no point in adopting a formula which "hampers the normal growth of the press without in any way helping the smaller newspapers to give their readers a better product". *Hindu* noted likewise that "the press has cause for some gratification that this year's newsprint baby is somewhat healthier than those of previous years".

Traditionalism—A Panacea for Marital Adjustment?

Neera Desai

Marriage and the Working Woman in India by Promilla Kapur; Vikas Publications, Delhi, 1970; pp 444; Rs 75.

THE status of Indian women has drawn the attention of many social workers and scholars during the last 150 years. The British rulers, through their economy, polity and educational experiments and new value systems affected the position of Indian women fundamentally. Social reformers and political thinkers of the 19th century sensitised India about the inferior status of women. Gandhi's political programme for women and their participation thereafter, led to a new approach among scholars on the problems of women. Some pre-independence scholars struggled to locate the periods in Indian history when women were esteemed. They discovered an ideal Vedic period when intellectual brilliance was achieved by women like Gargi, Atreyi, Ghosha and a few others.

There were also scholarly works which tried to describe women's status as it prevailed during the British period and also projected some interesting material which emphasised the need for improving their status. However, scholars at this stage were rarely concerned with the implications of the new role which women were expected to perform as a consequence of their emergence in public life. These scholars were essentially examining the institutional hurdles like purdah, age of marriage, lack of educational opportunities, absence of property rights or of divorce, which were looked upon as constraints on the lives of women. This is understandable because vocal sections among women belonging to the upper and middle classes were still not much involved in economic activities. This can be described as the first phase of studies on Indian women. After Independence, as a consequence of the new opportunities given by the economic plans of the Government and various other factors, the number of educated women taking various jobs outside the home has markedly grown. In fact, D R Gadgil has rightly indicated the trend by stating that "The main recent change is the widening of the scope of employment of women in Government services, business and the professions".

All these fields require education as a major qualification. When middle-class educated women started going out to earn it was a new experience for the community.

NEW FOCAL POINT

The traditional norms with regard to the duties of husband and wife had to be viewed in a new context. The impact of employment of women on marriage, children and family stirred up new speculations. The new role of women undoubtedly affected the pattern of family life as well as the inter-personal relationship among members of the family. This new feature of women's lives slowly began to be the focal point of some scholars, thus ushering in the second phase of studies on the Indian woman and her problems. The attention of scholars slowly shifted from descriptions of women's status through history and the institutional hurdles preventing their wider participation, to examining the various consequences of a woman's new multiple roles. This sensitive area has evoked a lot of impressionistic, sensational and journalistically juicy material. However, it should be noted that the subject is gradually inspiring serious studies also. A few unpublished dissertations and published works on attitudes and opinions of educated women, their new role, their role perception and their role-conflict are available (e.g. Rama Mehta, "The Western Educated Hindu Women"; C A Hate, "Changing Status of Woman"; Ranade and Ramachandran, "Woman and Employment"). But it must be acknowledged that studies on these aspects are still extremely limited.

Promilla Kapur's work therefore stands out as a very laudable contribution in this comparatively uncharted field, tackling the issue in a serious scientific manner. Her work falls in the second category of studies which are gradually being developed in India. It attempts to examine the situation of working women in three dimensions, viz, education, marriage and work. The author deserves to be congratulated fully for

entering this relatively unexplored area of study and unfolding the complexities involved in this role performance. The reviewer shares the appreciation which the author has received for highlighting the problem of marital adjustment required by educated working women.

The problem of marital adjustment has acquired new urgency because the number of educated middle-class married women going in for employment is likely to increase in the near future. These women have to continue suffering the strains of the tensions arising out of new responsibilities which conflict with the still prevailing middle-class normative pattern concerning a woman's role.

The author attempts to examine major questions confronting this category of women. What is the impact of women's employment on marital adjustment? How far does the type of job and income of both the partners influence marital relationships? How do circumstantial factors like hours of work, duration of service and facilities in house work determine marital adjustment or maladjustment? How features like family composition, number and age of children, attitude of the husband towards wife's employment, degree of new role perceptions by husband and wife, make or mar married life? The author thus examines a very wide field. From her findings she attempts to provide clues as well as policy for action to grapple with these problems.

The author has divided her study into four parts. The first part is devoted to exposition of the conceptual framework, approach and method of study. The second part deals with the description of the sample and analysis of quantitative data. The third part, which is the major contribution of the author, is a narration of case studies. The final part presents the conclusions emerging out of both quantitative and qualitative analyses.

The aim of the study has been clearly stated as "discovering and analysing factors that contribute to maladjustment or adjustment in marriage of educated working women and seeks indirectly to find out ways of harmonising the increasing need of educated Indian women for achievement and self-expression on the one hand, and their pressing economic need, on the other, with the call of their duties towards their husbands, homes and children".

Since the author is primarily interested in the marital adjustment aspect,

she initially defines marital adjustment as "an overall feeling in the husband and wife of happiness and satisfaction with their marriage and with each other". At the end of the study, however, she redefines marital adjustment as "that state of husband-wife relationship which is characterised by compatibility of their attitude and personality traits, spirit of accommodation with a tendency to resolve conflicts, fulfilment of their marital expectations, and a feeling of happiness and satisfaction with marriage and with each other". Promilla Kapur who has training in both sociology and psychology, tries to understand the problem from both angles. She uses two techniques, the structural interview and the case study, to gauge the quantitative as well as qualitative dimensions of the educated earning woman and her marriage.

Unlike some other authors on a similar theme, Promilla Kapur explains her methodology in all its intricate details. For purposes of her sample, an earning married woman is defined as one who is educated at least up to matriculation or SSC level, is engaged in jobs such as teaching, office work or medical work, earns more than 100 rupees per month as salary and is between 20 to 50 years of age. The author was successful in selecting 300 educated working women to fit the above mentioned criteria. Having located the sample she then examined their marital relationships. The author herself recognises the limitations of her sampling method and also acknowledges that it is not a representative sample. She makes good use of the 'marriage adjustment form' constructed by Burgess, Cottrell and Wallin, which is modified by her to suit Indian conditions. Apart from her skill in using this sophisticated method to measure marital adjustment or maladjustment, the author has unfolded the bizarre aspects of overtly happy marriages with penetrating insight. Her case studies of 72 women, both well-adjusted and maladjusted in marriage, provide an immense wealth of data with regard to this delicate human relationship. The case studies further point out how deep seated prejudices affect marital relationships. As this study is focused on the employed married woman, one of the major interests of the reader would be to get an idea about the motivating factor for employment. This study indicates that married women take up jobs for a variety of reasons, economic necessity and the need for pursuing a career being significant factors. Her study shows that 37

per cent take up jobs out of economic necessity or for supplementing the family income while 32 per cent take up employment because they want to fulfil an ambition, or they wish to make use of their education, or they want to have a status of their own.

The study very clearly points out the fact that a married woman's employment by itself may not lead to marital maladjustment. The personality factor plays a very significant role in creating happiness or unhappiness in marriage. The author remarks, "It is not merely the fact of wife's being employed that affects marital relationship, but the overall change in the attitudes of educated urban women brought about by a variety of factors which are operating almost simultaneously in contemporary Indian society". In this situation, when women have to play multiple roles leading to complexities in expected and actual behaviour, the author feels that it is largely on the wife's efforts at adjustment and compromise that the success of a marriage depends. Her sample reveals that 55 per cent of working women were well-adjusted, 19 per cent indifferently adjusted and 26 per cent maladjusted in their marital relationships. Among the majority of those whose marriages were well-adjusted, this adjustment was due to their husbands being co-operative and the wives themselves accepting a traditional role. (There is an interesting parallel to this finding in a study in which the reviewer collaborated. It was on the "Socio-economic conditions of married woman students and their educational problems". There also it was found that role conflict was minimum where the husband's attitude was co-operative and the wife was least demanding). This finding leads to some very crucial sociological and practical issues with regard to the woman's role as an earner. In this connection, Promilla Kapur's observations with regard to preserving marital harmony are quite enlightening: "But in the Indian context, in cases of differences in attitudes, interaction of wife's traditional and husband's equalitarian or 'modern' attitude proves beneficial for marital harmony, whereas interaction of wife's modern and husband's traditional attitude towards the same proves deleterious for marital accord". Her finding, that 85 per cent of those who were well-adjusted did not expect or demand any help from the husband in carrying out household duties, indicates that marital adjustment requires that married working women should fulfil the domestic role regardless of the

demands of work outside home. She should be prepared not to expect any equality in the sharing of domestic work by her husband.

The study, therefore, reveals the significant fact that if a married woman wants to take up any new role requiring time to be spent outside the home, whether as an earner or as a social worker or even as a student, she can do so without creating marital problems only if her husband is co-operative and if she conforms to the norms of the traditional role of a wife as far as expected by the husband. Under these existing circumstances, the wife's acceptance of a traditional role becomes a psychological mechanism whereby discrepancies between culturally non-accepted attainments and socially necessary outdoor activities are made tolerable. This raises a very significant point which somehow Promilla Kapur has not probed. Her case studies have suggested that the wife's not expecting or demanding assistance in carrying out household duties and responsibilities, helps in establishing marital adjustment. Her study is more revealing in the fact that of those working women who always disagreed with their husbands on sharing of household tasks not one was maritally well-adjusted. It is understandable that there should be compatibility between husband and wife with regard to each other's roles and statuses and that if this sort of compatibility is absent, the result may be maladjustment. However, there are several questions involved in this situation. Is behavioural conformity of the working wife in accordance with her attitudinal and doctrinal conformity? If it is not, then is it a defence mechanism? An over-conformist wife may be able to avoid clashes with her husband and may be considered to be an ideal wife combining both the skills of working outside as well as looking after the home.

Is this not, however, a precarious tight-rope walk, with the danger of a sudden fall? It is believed that a large part of the tension of a person performing these two roles is due to an exacting time schedule and even if the double role demands are not onerous, they are required at a particular time and place, thus causing stresses. Is not the apparent adjustment at the cost of suppressing the necessary development of egalitarian consciousness of the married woman? Promilla Kapur should have discussed whether the so-called marital adjustment itself is not intrinsically deviant behaviour by the wife who is aspiring for equality with her husband

and participation as a citizen in a wider social life, but due to the constraints of the pattern of family relationship is forced to accept a traditional role? It is surprising that Promilla Kapur, who as a sociologist should have elaborated upon the sociological implications of this phenomenon somehow ignores even asking these questions. How long can such conformity last? In spite of compliance on the part of wives, are there not many situations which will compel them to violate this norm? Will not the present institutional framework of the family become a growing irritant to women who are struggling to become equal partners? Instead of asking these questions, Promilla Kapur directs her gaze in a totally different direction. She says, "An attitudinal lag occurs, when the attitudes of one of the spouses forming the unit of marital relationship change earlier or in greater degree than those of the other spouse and thus cause lack of fit between their attitudes".

Her own study does not bear out this proposition. The very fact that even among the well-adjusted cases, 85 per cent did not expect or demand any help from the husband reveal the fragile character of the adjustment. It is too presumptuous to expect that an educated woman will not slowly develop egalitarian consciousness and so change her expectations about her husband's role.

One is further surprised at the conclusion drawn by the author, while suggesting remedies for marital discord: "What is of supreme importance for marital adjustment is the realisation on the part of the wife that whatever be her level of education, her occupational prestige and position, and her economic status, she is essentially a woman and her wife and mother role is her primary and essential role, and that she has to maintain her essential feminine virtues of tolerance, sacrifice and humility, and has to take keen interest and pride in her wife-and-mother role and has to carry it out satisfactorily and happily if she wants to make a success of her marriage".

Such a deduction stems from Promilla Kapur's shift from sociology to psychological counselling. This is her major limitation. Throughout the book the author has adopted a queer eclectic approach of both social scientist and counsellor. The interpretation of the data and the conclusions drawn by her clearly reveal that the author instead of adopting the rigorous canons of logic expected in a sociological treatise, transforms herself into a keen marriage counsellor, attempt-

ing to advise educated working women about their marital problems. The author thus loses focus. Instead of developing sociological deductions from her extremely exciting material she proposes pragmatic psychological therapy of a traditional nature. This lands her in a very anomalous position. The case histories which provide interesting and original reading material fail to identify the structural problems arising from educated married women playing multiple roles.

One wishes the author had used her skill to penetrate in great depth the psychological states of married working

women in order to bring out the sociological implications. One hopes that she will try in other studies to locate the causes of the contradictions prevailing in the cultural and social structure within which the married woman operates rather than try to locate the causes merely in the personality structure of the married woman. In spite of this limitation in analysis, Promilla Kapur's work deserves full praise as a pioneering work and should be a reading 'must' not only for educated working women but for all men and women who feel interested in this most intimate aspect of human life.

Surface View

L C Gupta

Institutional Financing of Economic Development in India by T V Sethuraman; Vikas Publications, Delhi, 1970; pp 166; Rs 26.

THE book in question represents a quick survey of the growth of institutional finance for industry in India but does not present any new data nor does it go deep enough. Since the book arose out of a PhD thesis, one would have expected to find in it a critical discussion of at least some of the issues relating to institutional financing. The author, however, fails to come to grips with any of the issues and has relied on giving a purely descriptive account.

The main chapters cover the managing agency system, State-sponsored finance corporations, mixed banking, Life Insurance Corporation, the central bank, and external capital.

HISTORICAL AND CONVENTIONAL

The treatment of the managing agency system in particular needs comment. The treatment is historical and conventional, relying almost wholly on citing the data and views contained in other official and non-official studies on the subject but somehow omits altogether a reference to the Report of the Managing Agency Inquiry Committee (Patel Committee), which is undoubtedly the most important document on the subject.

Most writers fall into a logical trap by talking of the managing agency system and the managing agency firms in the same breath and erroneously conclude as Sethuraman has also done: "If the managing agents were not there, it is certain that India's industrial development in the early part of this century and before would have been rendered difficult, if not impossible" (p

13). Such an assertion is erroneous because industrial development depends, not on the existence of the managing agency system (and managing agents) but on the existence of entrepreneurs who may work either under managing agency system or some other system. The managing agency system should be viewed not as synonymous with entrepreneurship but as one of the forms of entrepreneurial organisation. The real point to inquire into is: Was there anything inherent in the managing agency system which specifically helped or hindered the performance of the functions of promotion, financing and management of industrial enterprise? The issue has not been discussed.

The remaining chapters are more or less a compilation of already available data.

The chapter on mixed banking starts with a discussion of commercial banks' participation in the long-term financing of industry but stops abruptly with an enumeration of the main recommendations of the Shroff Committee (1954) without any discussion of subsequent developments.

The book abounds in questionable assertions. For instance, look at the following statement about the managing agency system having outlived its utility: "This view gets added assertion by the fact that the investing public at present have considerably increased; *pari passu* opportunities for new investment have not increased, which means that there is less scope for pioneering efforts" (p 27).

The post-script (chapter IX), hangs rather loosely from the rest of the book.

Pursuit of Industrial Self-Sufficiency

A Critique of the First Three Plans

V V Desai

Self-sufficiency was one of the major objectives of the first three Plans. Yet the economic rationale of this objective was never spelt out. Further, the policies adopted for the attainment of self-sufficiency were faulty and their implementation was unsatisfactory. As a result, the extent of self-sufficiency achieved during the first three Plans was insignificant.

This paper examines the changes in the structure of manufacturing output during the period 1951-64 with a view to ascertaining the degree of self-sufficiency achieved in the first three Plans. To measure the changes in the structure of output, the various items of manufacturing output are divided into three broad groups according to the stage of production: finished goods, intermediate goods and primary or basic goods.

There would be a certain relationship between goods at different stages of production and, depending upon the composition of finished goods, the production of intermediate and basic goods of a certain quantity and composition would be necessary. Thus movement towards self-sufficiency would narrow the distance between the first two groups of products and the third one, viz, final goods. To the extent this does not happen, production of final goods has to be sustained by import of goods belonging to the earlier stages of production.

Data presented in this paper show that the relative importance of products in groups 1 and 2 supporting production of group 3 products remained more or less unchanged during the period studied. The share of final goods continued to be over 70 per cent during the period, indicating that the reliance of manufacturing output on imports remained unaltered.

This conclusion remains unchanged even when traditional industries like cotton and jute textiles and food and tobacco are excluded so as to give greater importance to the engineering and chemical industries. These are the industries on the development of which special emphasis had been laid in the Plans for building up an integrated and more self-reliant structure of production.

It would seem, therefore, that the goal of building up a more self-reliant economy did not come any nearer during the first three Plans. Confirmation of this conclusion is to be seen in the size and importance of maintenance imports of the industrial sector of the economy.

ATTAINMENT of self-sufficiency has been an important objective of planned development in the country. An attempt is made here to examine the rationale of this objective, the approach adopted for its achievement and the extent of fulfilment achieved in the first three Plans.

I

The Rationale

Self-sufficiency, as an objective of planned economic development, could be justified on economic grounds when the country's export possibilities are inadequate and are undependable for financing the import requirements of the intended growth. In all the three Plans, emphasis on this objective was unmistakable although its rationale remained undisclosed. The first Plan envisaged replacement of imports of items like aluminium, fertilisers, man-made fibres, etc, by their indigenous production. The need for taking up this programme of import substitution was, however, not explained in the dis-

cussion on "Foreign Trade and Commercial Policy" in the Plan. Nor was there at that time, or since, any comprehensive official study of export possibilities that would justify such a programme. It was maintained at the time of the Second Plan that "one important aim is to make India independent as quickly as possible of foreign imports of producer goods so that the accumulation of capital is not hampered by difficulties in securing supplies of essential producer goods from the other countries. The heavy industries must, therefore, be expanded with all possible speed"¹ (italics added). Similarly, it was noted in the Third Plan that "it is essential to pursue... a broad strategy of economic development which will ensure that the economy expands rapidly and becomes self-relying and self-generating within the shortest possible period"² (italics added).

In the first case, the assumption seems to be that external dependence would hamper capital formation. In the absence of any specific possibility

in the nature of adverse export prospects, such an assumption appears untenable and the recommendation of counter-measures with all possible speed must indicate an over-cautious attitude. In the second case, the insistence on import substitution in the given context appears to be a *non-sequitur*. It is not clear how, in an open economy, the necessity of rapid development automatically suggests self-reliance... within the shortest possible period. It would, therefore, appear that there was no attempt to justify the emphasis on self-sufficiency on economic considerations.

The goal of self-sufficiency need not be objected to even if it is based on non-economic grounds. For, in the process of democratic planning, self-sufficiency could be regarded as a matter of social preference. However, an explicit statement of such an objective, and of its detailed implications in terms of its impact on growth, would have made it more understandable though less acceptable at the same time. In the absence of this, the costs

or such a programme have remained undisclosed. Since export possibilities were not carefully examined, certain fields in which exports could have been successfully promoted might have remained untapped. This has been confirmed by the Planning Commission itself when it observed in the context of the Third Plan that "one of the main drawbacks in the past has been that the programme for exports has not been regarded as integral part of the country's development efforts under the Five-Year Plans".³

It is doubtful if the loss from the neglect of exports has been replenished by using the resources in the import substituting industries. It is, on the other hand, more likely that the foreign exchange saving by such industries has been insubstantial, apart from the suspicion that many of them might have been inefficient in comparison with at least some of the export industries. Probably, even greater damage than this has been done by the neglect of export possibilities inasmuch as it prompted an over-emphasis on the strategy of import substitution. Import substitution may become inevitable given a certain export prospect and given the compulsions of development at a particular point of time. But, whether import substitution should be pursued in all lines of production for all time would need to be ascertained afresh at frequent intervals. It is likely that, as the structure of production changes, the scale of comparative advantage may change as well. That is, in comparison with the production of the next (costly) import substitute, additional exports may be more advantageous. As a matter of fact, it is necessary that at each stage of development a choice is made between consolidating and enlarging capacity for import substitution in existing lines on the one hand, developing new lines for a similar purpose and developing new export opportunities and/or enlarging the existing ones on the other. The policy of neglecting export possibilities and over-emphasising import substitution for self-sufficiency is, therefore, likely to have resulted in sub-optimal utilisation of resources.

II

The Approach

Sometimes it is maintained that, notwithstanding the above argument, because of the necessity of exporting more, the actual implementation of

the Plans has steered clear of excessive preoccupation with self-sufficiency. But it can be argued that, precisely for the same reason, the neglect of export possibilities in the Plans has been unreasonable and unscientific and must be regarded as flowing from the over-emphasis on self-sufficiency. It is also argued that the consideration of self-sufficiency apart, the prospective comparative advantage for India would anyway lie in a production structure developed on the lines of import substitution. This would make the economy better able to compete and export at a later date. Therefore, the process of import substitution would reveal a new scale of comparative advantages as the production structure becomes more diversified. Thus, while the Indian economy would export/import growing amounts of a large variety of goods, the general drift of the economy would be towards a well diversified structure of production. For instance, the Third Plan notes: "India's potential capacity to produce steel and other basic materials relatively cheaply and the large and expanding domestic market place her in a favourable position to produce machinery and a large range of engineering, chemical and electrical goods needed for development. In turn, these will stimulate the growth of medium and small industries and expand employment both in urban and rural areas. Thus, on foundations which have already been laid, it should be possible to build up an integrated industrial structure and expand industrial production efficiently along the lines of real comparative advantage".⁴

This reasoning could be considered as sound provided the import substitute industries developed indicate any actual or potential comparative advantage. Most of the industries mentioned above have yet to indicate such a possibility. Further, granting that at some future date the production structure developed along the lines of import substitution is likely to reveal a new scale of real comparative advantage, the foreign exchange required in the intermediate period to sustain such a programme of import substitution must be available. If it is not available, a change in the programme with a greater emphasis on exports is necessary. This would postpone the day when the new scale of real comparative advantage would emerge, but the programme has a greater chance of being implemented, unhaunted by the

frequent foreign exchange shortages. This fallacy is inherent in the entire Mahalanobis approach as illustrated in the famous 'Fertiliser Factory' example.

It is not surprising, therefore, to find that the Plans suffered from a stifling shortage of foreign exchange from time to time and the very existence of further progress often depended on the quantum of aid immediately forthcoming. This plight is due, apart from the shortcomings in methodology used for estimating foreign exchange needs, mainly to the over-emphasis on the attainment of self-sufficiency in the *shortest possible time*. The more balanced approach would have, in all probability, made things easier though it would also have postponed the attainment of self-sufficiency a little further. This does not mean that the pattern along which development has taken place has brought the goal of self-sufficiency nearer to any significant extent. In quantitative terms, the dependence of the economy on external sources of supplies did not decline substantially, particularly for the chemicals and base metals group.

This brings out the importance of the pattern of development planned for attainment of self-sufficiency. Undoubtedly, economic independence is not achieved unless a sizeable capital goods producing sector is indigenously developed. But, the development of such a sector requiring continuing maintenance imports and the consequential increases in the import of raw materials for the industries using these capital goods is likely to lessen any such independence that the economy may have achieved. The neglect of agriculture — supplying food and industrial raw materials — made the Indian economy more vulnerable by making the day-to-day functioning of men and machines considerably dependent on imports. In fact, it can be argued that, in times of emergency, dependence on imports of capital goods is likely to be less obstructive than that on food and raw materials. The former can allow production to continue more or less unaffected for a period of a few years at least. But the latter must affect the economy within a period of just a few months.

Coupled with these shortcomings in the overall approach, there have also been shortcomings in implementation. The single most important shortcoming has been the unco-ordinated and unbalanced growth of the individual

TABLE 1: CHANGES IN THE RELATIVE POSITION OF THE THREE GROUPS OF GOODS, 1951-64

Group	(Percentages)			
	1951	1956	1961	1964
I Basic stage goods	12	11	14	14
II Intermediate stage goods	15	16	16	14
III Final stage goods	73	73	70	72
Total	100	100	100	100

sectors or industries. Examples like the growth of yarn and automobile production without corresponding expansion of output of pulp and ancillary industries are not isolated phenomena. By and large, it appears that targets of capacity and production of consumer goods or goods at the final stage of production were attained while progress in the field of necessary intermediates and basic materials was very slow. Many a project for the production of basic materials like basic and heavy chemicals, heavy forgings and castings, non-aluminium non-ferrous metals, special steels and alloys were either delayed or were not taken up. As against this, most of the user industries like chemicals and pharmaceuticals, locomotives, wagons, cars and other engineering products substantially expanded their capacity. This resulted in inevitable pressure on balance of payments through an ever-increasing requirement of maintenance imports.

The critical foreign exchange shortages, therefore, could not be blamed on the shortfall in anticipated exports and/or in aid, loans, etc, but must be ascribed mainly to the inadequate assessment of the foreign exchange needs and unco-ordinated and unbalanced development of individual industries. A partial admission of inadequate assessment of foreign exchange needs of the planned programme is found in the Third Plan which says that "the adverse foreign exchange situation that developed during the Second Plan was due partly to the underestimation of the direct foreign exchange requirements of the Plan and partly to the failure to take into account sufficiently the growing import needs of a developing economy".⁵

III

The Results

For ascertaining the degree of self-sufficiency attained by the Indian economy during the three Plans, changes in the structure of manufacturing output during 1951-1964 are examined

here. These changes could disclose the extent to which the pattern of production has moved in the direction of self-sufficiency. Since the Plans emphasised self-sufficiency in the manufacturing sector, this approach becomes more relevant.

To measure these changes, the various items of manufacturing output are divided into three broad groups according to the stage of production at which they stand: Finished stage goods, intermediate stage goods and primary or basic stage goods. Generally, the degree of processing undergone by the product and also the degree of further processing required before it is used, has been a guiding consideration in this classification. Therefore, the finished goods — capital or consumer — are in the nature of final stage goods as they are used in such a manner that they do not become physically incorporated in the production of other goods. For this reason, machinery belongs to the finished stage goods along with a number of other goods of a very different nature. The products at intermediate stage of production serve essentially as inputs for other outputs and include goods like spun yarn, forgings and castings, etc. Further, the production of iron and steel, heavy chemicals, etc, is included in the basic stage goods.

This classification is somewhat arbitrary and open to revision. But it appears that the structural changes brought about by expansion of output of products belonging to different stages of production is meaningful especially in an economy attempting to achieve self-reliance in production structure. The usual classification, viz, producer goods and consumer goods, etc, conceals important gaps in the production structure. For example, the producer goods sector may be large inasmuch as a large volume of machinery is produced. But if the production of machinery is very much based on imported components, then the production structure cannot be regarded as a significantly self-reliant one. On the other hand, if along with the expansion of

output of finished stage goods there is also sufficient expansion of goods at intermediate and basic stages of the production structure, the production structure can be said to be a more self-supporting one. The general hypothesis is that there must be a certain relationship between goods at different stages of production and, depending upon the composition of finished goods, this would require the production of intermediate and basic stage goods to be of a certain size. This would require that a movement towards self-sufficiency must narrow down the distance between the first two groups and the third one, viz, final stage goods. To the extent this does not happen the expanded production of final stage goods needs to be sustained by imports of the goods belonging to the earlier stages of production. The approach indicated above aims at finding out whether and to what extent the initial inter-relationship between the three product groups has changed during the three Plans.

The stage-of-product-wise classification of the goods considered is given in the Appendix. The data on value added for 1956 in respect of these various goods is taken and an index of their growth (1956=100) is used for other years. Two factors influencing the data need to be mentioned. The use of 1956 weights is itself likely to conceal some change in the relative position of various goods. Secondly, the comparison over the period assumes an unchanged degree of integration in the production process. Table 1 shows the change in the relative position of the three groups over the period 1951-1964 during the three Plans. It will be seen from the Table that the relative importance of products in groups 1 and 2 supporting the production of group 3 products remained more or less unchanged during this period. The share of final stage goods continued to be over 70 per cent for all the years during this period. This would indicate that the reliance of manufacturing output on imports remained unaltered during this period. This conclusion remains unchanged when traditional industries like cotton and jute textiles and food and tobacco are excluded so as to give greater importance to the products of engineering and chemical industries. These are the industries on the development of which special emphasis had been laid in the Plans for building up an integrated and more self-reliant structure of production. It would, therefore, seem that the goal of build-

Appendix: Value Added by Various Industries Classified according to the Stage of Production

ISIC No and Product	1951	1956	1961	1964
(Rs lakhs)				
<i>Gr I Basic Stage Goods</i>				
3111 Heavy org chem	95	133	147	230
3112 Heavy inorg chem	244	448	505	930
34 Basic metals (excl 344, 3492, 3494)	5443	6519	11838	16989
Total for Gr I	5782	7100	12490	18149
<i>Gr II Intermediate Stage Goods</i>				
2321 Cotton spinning	5416	6565	7852	8896
2331 Woollen yarn	281	398	427	510
2341 Art silk yarn	170	262	380	554
29 Leather products	139	127	147	176
3113 Synthetic resins/plastics	2	10	31	60
32 Petroleum products	89	1396	2225	3032
3314 Refractories	131	177	348	370
3334 Insulators	26	52	157	158
3395 Grinding wheels	15	24	43	52
344 Brass mfr	220	265	489	506
3492 } Alloys, basic forms, etc	26	31	56	81
3493 }				
3540 Small and hand tools	41	62	132	327
1659 M tools	22	52	125	236
3667 Ball bearings	10	23	55	105
3731 } Conductors, winding wires	173	551	998	1766
3732 }				
3790 Mfr of electricals N E S	124	285	522	805
Total Gr II	6885	10280	13987	17634
Total excl 2321	1469	3715	6135	8738
<i>Gr III Final Stage Goods</i>				
20-21 Food mfr	8204	10306	13326	13975
22 Bev and tobacco	892	1094	1641	19222
2322 Weaving of cotton textiles	13625	17075	17809	20251
2332 Woollen fabrics	292	412	442	528
2342 Rayon fabrics	1231	1900	2753	4015
235 Jute mfr	3263	4141	3710	5011
24 Foot-wear mfr	192	210	349	445
25 Wood and cork mfr	97	176	264	357
27 Paper mfr	679	1021	1857	2428
30 Rubber mfr	1688	2239	3524	4435
3117 Dyestuff	—	124	200	212
312 Fertilisers	95	441	783	1107
314 Paints, etc	319	396	563	713
3151 Drugs and pharmaceuticals	28	39	61	77
3171 Soaps	441	582	774	863
318 Matches	398	424	538	483
319 Misc chem mfr	57	78	133	174
32 Petroleum products	89	1396	2225	3032
332 Glass products	204	313	481	564
333 Mfr of pottery, etc	63	125	378	381
334 Cement	126	195	321	377
3391 Asbestos sheet	124	192	347	415
3530 Nuts, screws, etc	4	31	47	52
359 Metal mfrs, NES	358	639	937	1341
36 Machinery, excl 3659, 3667	333	736	1978	3026
37 Elec machinery, excl (3731, 3732, 3790)	507	970	1850	2490
38 Transport equip	970	2104	2572	4050
Total Gr III	34279	47359	59863	90024
Total excl 20-21, 22, 2322 and 235	8295	14743	23377	31565
Grand total for the three groups	46946	64739	86340	125807
Grand total excl 2321, 20-21, 22, 2322 and 235	15547	25558	42002	58452

ing up a more self-reliant economy did not come any nearer during this period. The confirmation of this fact can be had from the size and the importance of the maintenance imports in the industrial sector of the economy at that time.

IV

Conclusion

In conclusion, it would appear that the acceptance of the objective of self-sufficiency during the three Plans was not adequately justified on economic grounds. The approach to the attainment of this objective was faulty and its implementation unsatisfactory. As a result of this, the degree of self-sufficiency attained during the period 1951-1964 remained insignificant.

Notes

- 1 P C Mahalanobis, 'Recommendation for the Formation of Second Five-Year Plan' in "Talks on Planning".
- 2 Third Five-Year Plan, p 23.
- 3 *Ibid*, p 137.
- 4 *Ibid*, p 24.
- 5 *Ibid*, p 104.

India's First Marine Diesel Engine

THE first marine diesel engine to be manufactured in India is expected to come out of the Garden Reach Workshops factory at Ranchi before the end of this year. Garden Reach workshops will commence production with assembling of components, about 50 per cent of which are imported. The import content will be progressively reduced depending upon the availability of raw materials.

The factory at Ranchi, established with the technical collaboration of MAN of West Germany, is designed to produce three types of marine diesels: low speed engines with 110 to 120 rpm developing a total of 9,000 to 12,000 BHP for ocean-going vessels and defence purposes; medium speed 420-430 rpm engines developing 1,000 to 1,200 BHP for dredgers, trucks, etc; and high speed 1,200 to 1,800 rpm with 300 BHP for use in stationary installations like power generation, drilling rigs, etc. All the machinery has been installed and the trial beds are ready to take up the tests. Currently there are six German experts at the site. After the test runs, however, only one German engineer with specified job assignments is expected to remain in Ranchi for about two years.

Semi-Urban Pockets in Kanpur Region

Harshad R Trivedi

Regional planning presupposes introduction into the rural areas of two major variables, viz, industrialisation and urbanisation, leading to the creation of new growth centres.

This paper attempts to describe and interpret the pattern of change in selected small and medium size towns in the Kanpur region in the context of regional development.

WHILE evaluating developmental programmes, it is important to get an integrated picture of the region's natural and human resources together with the demographic characteristics of the people. But that is not all. We also need to know the extent to which the facilities of communication, light, and power, are developed and maintained over a period of time. Regional planning presupposes introduction into the rural areas of two major variables, viz, industrialisation and urbanisation, leading to the creation of new growth centres. This paper attempts to describe and interpret the pattern of change in select small and medium size towns, also called semi-urban pockets, in the context of regional development.

In two previous studies of a few towns conducted by the author, respectively, in districts of Gujarat and Uttar Pradesh, there was a marked trend towards urbanisation of the rural areas.¹ Economists and geographers prefer to emphasise the concept of hierarchy of growth-points based on size and functions of human habitations — leaving the further task of studying institutional relationships, attitudes, and behaviour of the people etc, to sociologists and anthropologists. Such studies are indeed important. And the developmental programme, geared to the needs of the people of flourishing villages, small and medium size towns, including traditional or new administrative headquarters and market towns called *mandies*, should receive special attention.²

METHODS AND SOURCES OF DATA COLLECTION

The author and the members of the research team visited most of the towns in Kanpur region in groups. The visits involved depth interviews with local leaders and groups of people. Also information was collected from available records and personnel of government departments, and from officers of local bodies.

The criteria used in the selection of the towns were that the towns:

- (a) should represent all class groups indicated by the Census;
- (b) should have shown a higher rate of population growth in the last decade; and

- (c) should be representative of all the districts of the region.
- Table 1, gives information on the towns studied.

CENSUS DEFINITION OF TOWNS

It should be mentioned that the Census of 1961 excluded more than 50 per cent of the towns in the process of reassessment. About 28 towns are declassified in the manner in which Attarra with its steep population rise in Banda district has been. One of the factors responsible for declassification of so many towns in the region is that, to qualify as a town, it had to have according to the new Census definition 75 per cent of its population following non-agricultural professions. Here the economic criteria have been overweighted against the demographic and sociological criteria.³ The Census definition of 1961 for identification of towns in the rural areas therefore calls for review and special field studies. It emerges from the studies of some of the declassified towns of the region that urbanisation in the rural areas is declining; but this is very difficult to support by concrete evidence. For instance, the town of Attarra, declassified in 1961, began to flourish quickly from 1962 onwards when, because of government controls of the time of the Chinese aggression, the town functioned as an outlet for smuggled goods from Madhya Pradesh. The other factor that has boosted the development of the town is the inflow of refugees after Independence. Moreover, the Town Area Committee continues to be active in spite of its being declassified by the Census. The annual income of the Committee is increasing due to the development of industries and trade. It has already submitted an application to the higher authorities at the district level claiming the status of a 'Municipal Board'. A master plan for the future development has been prepared by the Committee in which some of the contiguous villages are also included.

The towns considered for the study are administered by either Municipal Boards or Town Area Committees. The main functions of these bodies are to look after public services and utilities.

The annual reports of the Municipal Board of Unnao give the impression that this is the most progressive of all local bodies. Next in importance are Auraiya and Farrukhabad-Fatehgarh. The Municipal Boards in most cases have been doing very useful work in providing several essential facilities to businessmen and villagers. The relationships of the Municipal Boards and the Town Areas *vis-a-vis* Zilla Parishads need to be studied in the context of development of industries. The income through taxation of most of the Town Area Committees or Municipal Boards has increased over the years, and this has made it possible for them to ask for better treatment from the State in terms of grants-in-aid. This is either for economic benefit or for raising the status of the local body — from that of Town Area to Municipal Board, or from a lower class of Municipal Board to a higher one.

TRADITION-BOUND

One of the striking features — amidst the growing facilities of road communications and location of electricity grid sub-stations at different spots in the rural areas — is the decline in the number of hitherto established tehsil headquarters. The importance of these old administrative habitations has passed to the new flourishing towns. Illustrations are provided by Orai, which has pushed aside in importance the town Jalaun which was the district headquarters, as also by Pokhrayan, which overshadows the tehsil headquarters of Bhognipur. The leaders and the original inhabitants of the older towns appear to be very tradition-bound, reluctant to change, and resistant to new ideas and outside elements.

The present-day Municipal Boards and Town Area Committees have been operating under two systems of social organisation, viz, traditional and modern. While the statutory bodies try to induce citizens to upgrade their level of participation in discharging secular civic duties, most people continue to abide by customary and traditional laws which urge them instead to pay in cash or kind to sustain religious endowments often sponsored by the

TABLE 1

Name of Town	Distance from Kanpur (km)	District	Division	Population ('000)		1961 Census Class
				1951	1961	
Farrukhabad-Fatehgarh	140	Farrukhabad	Allahabad	80	95	II
Banda	144	Banda	Jhansi	30	38	III
Unnao	17	Jalaun	Lucknow	25	30	III
Orai	100	Jalaun	Jhansi	21	30	III
Fatehpur	44	Fatehpur	Allahabad	24	28	III
Auraiya	100	Etawah	Allahabad	13	17	IV
Attarra	144	Banda	Jhansi	10	11	IV
Hamirpur	62	Hamirpur	Jhansi	8	11	IV
Chhibramau	103	Farrukhabad	Allahabad	8	11	IV
Pokhrayan	58	Kanpur	Allahabad	4	5	V

grain merchants' associations or businessmen.

EDUCATION AND MIGRATION OF TEACHERS

Education is a priority need of which people have begun to show special awareness. Reviewing the situation in the sub-regions, it was found that the Unnao sub-region is not well developed in educational facilities though Unnao town itself has a number of degree and intermediate colleges. For instance, in Abbaspura, a village of 300 people which is two miles away from Unnao, there is only one young man with a post-graduate degree and hardly any who have studied upto the tenth standard. Kanpur district seems better off with regard to education. Boys and girls in the age-group of 10 to 15 walk 3 to 4 furlongs, or more, to the neighbouring primary and secondary schools. There are some towns with colleges and other institutions for higher learning, where more than 30 per cent of the students come from places as much as 10 miles away. The villagers have begun to spare their children from domestic duties in order to let them get an education. The same conditions prevail in the sub-region of Etawah, Farrukhabad-Fatehgarh, and Fatehpur; but not so much in the districts on the other side of the Jamna.

A section of rural society which has started to undertake rapid migration is the teacher community. Village teachers periodically commute to towns for higher studies; also, when they get the opportunity, they settle down in the towns in better schools. In one of the intermediate colleges in a town, about 50 per cent of the teachers came from nearby villages. The rest came from even more distant places but not from the town itself. This physical mobility of teachers, from the villages to towns, is indicative of poor pay-scales and inferior service and working conditions in the village schools.

The common villagers depend for

many things on the towns which fall within the range of anywhere between 3 to 15 miles. They get in the towns petty jobs as labourers or they earn daily wages in the weekly bazaars. The common villagers' contacts with the educational institutions of the towns are limited, because they cannot afford to send their children to higher schools. The entertainment programmes in the towns do attract people from the villages but they do not stay there longer. Those who come for business and have to stay overnight, spend their time with relations who have settled down in the towns or with businessmen with whom they have dealings. The towns in the rich agricultural zones have begun to feel the impact of immigrants over the past 10 years or so. The price of land for housing rises every few years in the towns because well-to-do villagers settle down in the towns or want to run an establishment for their children who are being educated or want to maintain a second place of residence. These tendencies have, in some towns, led to inflationary trends in land prices, and ribbon development on road-sides. In the past 10 years, the land prices in some towns have increased fourfold.

A few towns have shown a remarkably high tendency for occupational mobility in the recent past. One of the towns is reported to have 50 per cent of its retail shops owned by villagers from nearby villages. In another town, 30 per cent of the people come daily from nearby villages and return to their villages after finishing their work. The emerging businessmen range from Thakurs to Brahmins, Baniyas, Muslims, and so on. The Scheduled Castes, however, are significantly much behind in trade and business. Some scheduled caste people have undertaken small contracts in road-building and keep contact with the towns; and they are possibly on the way to changing the occupations of their children. More-

over, in the past several years, this caste-cum-occupation pattern has begun to change in many ways. Retail business in particular has been diversified. There have been two further developments. First, people of different social status have begun to take up new vocations; and secondly, the occupational pattern itself has become further diversified, ranging from the ownership of trucks and cars, to petrol-pumps, and vegetable selling, milk selling, etc.

There are a number of white-collar professions which have also begun to enter the fabric of rural society. For instance, in Farrukhabad-Fatehgarh, there are about 200 lawyers, two chartered accountants, four private cold storages, two photographers, five to six printing presses, two factory-made shoe shops of Bata and Flex, etc. There are also three cinema houses in the town. Besides, there are 20 to 25 law graduates working with practising lawyers in the town as apprentices in law and chartered accountancy. There are a few important banking institutions in the town, such as a branch each of the District Co-operative Bank, the Punjab National Bank, the State Bank of India, and the Central Bank of India — and this happened before the nationalisation of banks. The town has also an internal bus service and tap-water supply. An Income-Tax Office in the town is indicative of the rising economic status of businessmen. There are two maternity homes, a public hospital, and a large number of allopathic and indigenous private medical practitioners. Among higher educational institutions, there are two degree colleges, including one for girls. The existence of a few professional lodging and boarding houses reflects the new sophistication in the inter-personal relationships among people.

BUSINESS AND INDUSTRY

The Deputy Commissioner of Allahabad division started a special drive in 1964 to promote agro-industries in the rural areas. The Assistant Development Officers of Industries were asked to select prospective entrepreneurs from the villages. The selected entrepreneurs were then asked to fill in prescribed forms for obtaining subsidies. This was followed by the meetings of Kshetar Samities in which the Additional District Magistrate, the Chairman of Zilla Parishad, the District Industries Officer, and the BDO participated. Significantly, nobody was invited from the Municipal Boards or

TABLE 2

Industry	Location	Loan Advanced	Social Status of the Person
Cement jali etc	Town	2,000	Muslim
Acid Batteries	Town	5,000	Scheduled caste
Lathe	Town	5,000	Thakur
Agricultural implements etc	Town	2,000	Blacksmith
Cultivator plough etc	Town	2,000	Scheduled caste
Steel furniture	Town	4,000	Brahmin
Wooden furniture	Town	5,000	Carpenter
Dari	Village	2,000	Muslim
Soap	Village	2,000	Brahmin
Holdall	Village	2,000	Scheduled caste

Town Area Committees in the Block to attend the meetings.

The account of the actual implementation of the scheme in one of the Block headquarters is as follows. Ten villagers, interested in starting agro-industries, etc, were given loans in December 1964. The entrepreneurs were expected to start their industries in March 1965. The actual operations of starting these industries were supervised by a Special Officer operating at the district level through the BDO and the ADO. The outstanding feature of the implementation was that most of the entrepreneurs established their industries in the headquarters of the Block rather than in the villages from which they were selected. Table 2 gives a picture of the type of industries for which loans were given by the State Government, as also of the social status of entrepreneurs.

SOCIETY AND POWER

Society in the small and medium size towns reflects to a great extent the power structure operating at the village level. The local power politics is confined to traditional interest-groups and to political parties having an organisational network at the State or national level. The lack of initiative, or probably the lack of potential public workers, from among the new growing professionals in the towns, is responsible for the continuance of traditional power politics. In this context, it was important to find that some of the towns had developed new types of institutions under the leadership of outside elements. The power structure in a town, however, needs to be understood in the context of caste representation in the Municipal Boards and on the Town Area Committees. In one town, it was found that the power

structure was based on the economic status of a caste group which had a majority of the elected members in the local body. The towns in which outsiders did not capture positions of power, remained more or less tradition-bound. This indicates that the power structure follows the contours of the economic and caste status of the people. However, there are some towns, such as Unnao and Orai, where the Presidents of the Municipal Boards were not the high caste Hindus and did not belong to economically dominant sections of the town community; they had acquired their positions on account of their educational status and leadership qualities.

It may be noted that, generally speaking, small businessmen, teachers, etc, dominate as members in the Town Area Committees. But in the case of larger local bodies, i.e., the Municipal Boards, the power-seekers are big businessmen, lawyers, doctors, etc. Also the Jan Sangh seems more influential among the former type of power-seekers, while the Congress holds sway over the second kind of elite.

The idea of institution-building with the village level as the pyramidal base is good in itself, but how much of its aims could be achieved is difficult to say. It sounds futile to talk of diversifying the institutional pattern at the village level, since the same is not available even in the small and medium size towns. It may well happen that the present-day, tradition-oriented, particularistic rural institutions, with their ideological background of bygone ages, may assume dangerous proportions in village life and function as barriers to progress. The village society in the past was, no doubt, a fairly viable socio-economic unit. People developed social norms and mores on the basis

of values particularistic to a specific religion or creed. But now it is time for us to talk more precisely in terms of a *modern viability* to match the strength of the *traditional viability* of rural society. In the meanwhile it is too optimistic, despite the developmental programmes of rural India, to talk of India's 'changing villages' when there exist innumerable barriers in the way of changing even the small and medium size towns.⁴

SOCIAL ORGANISATION OF TOWNS

The existing social organisations and the traditional modern aspects of *mandi* towns attract special attention. This is illustrated by the community entertainment programmes every year — particularly the Dussera festivals and the Ram Lila shows which are held in every town and for which funds are collected during the year. The villagers who come to sell their produce in the town have to pay contributions to the *Dharmada*, i.e., the religious endowments, divided under two main heads. One is meant to maintain cow-shelters (*gaushala*), while the other is meant to meet expenses to organise Ramila, the folk-drama woven around the story of Rama, the hero of the Ramayana. A man who sells goods worth Rs 100 in a *mandi* is asked to pay 6 paise, each, for Gaushala and Ram Lila funds. This is collected by the local association of businessmen called Galla Vyapari Sangh. The local Municipal Board or the Town Area Committee is not necessarily consulted in the matter although some of the members of these statutory local bodies are also members of such associations.⁵

On the one side, therefore, we see that with the new statutory bodies coming up in the towns, people recognising and accepting the importance of public administration run by the elected representatives, and on the other, that they allow the operation of traditional associations controlled by a small group of people. One needs to go more into the details of *mandi* towns to find out the extent to which the two systems of social organisation — the traditional and the modern — impinge on each other.

As is evident from the preceeding account, part of the *Dharmada* funds are used for maintaining Gaushalas in Hindu dominated *mandi* towns. With the cultural, religious and ideological attachment to the sacredness of the cow, it was not surprising that a few of the towns in this area organised volunteer-groups to go to Delhi for

king part in the most explosive agitation that took place on November 1966. In fact from some towns 'gau Raksha' (cow protection) volunteers were sent to Delhi in special buses!

NOTES

1 Harshad Trivedi, 'Emergence of Semi-Urban Pockets in Rural Areas — An Exploratory Study in the Sabrakantha District of Gujarat', *Voluntary Action*, Vol VIII, Numbers 4 and 5, 1966. Award, New Delhi, and 'Emergence of Semi-Urban Pockets in Rural Areas — An Exploratory Study in the Bulandshar District of UP', *The Indian Journal of Social Work*, January 1967, Tata Institute of Social Sciences, Bombay.

2 NCAER, "Market Towns and Spatial Development in India", New Delhi, 1965, p 154.

3 In the entire region, there is no town of class VI, because all such towns covered by that population-range in 1951 have now been de-classified. Even Attarra, having the population range of Class V town in 1951, is de-classified by the 1961 Census. It is learnt that there are quite a few Town Area Committees recognised for specific types of habitations which do not fall within the category of towns according to the Census of either 1951 or 1961. It may be important to look into these, as they are considered distinct entities, on the basis of income of the local municipal committees.

4 NCAER, *op cit*, p 154, and S C

Dube, "India's Changing Villages", Routledge and Kegan Paul, London, 1958.

5 Richard G Fox, 'From Zamindar to Ballot Box', "Community Change in a North Indian Market Town", Cornell University Press, New York, 1969. The author here refers to caste-ascriptive voluntary associations and committees and says that, in this once feudal town, community cohesion among the Hindus is lacking at important festivals, while among the Muslims due to their minority status, unity is much greater. This is a highly commendable study by an anthropologist probing into a relatively complex urbanising town which appears to shift its position from a 'feudal headquarters' to a 'market town'.

tion of the role of futures trading in commodities subjected to such controls. It would not be inappropriate to ask the question in reverse. Given the utility of futures markets in these commodities, which can be empirically demonstrated, it may be wise to examine the need of elaborate controls.

There are two principal theories — the Keynesian theory of normal 'backwardation'⁶ and the Hicks-Houthakker 'forecasting' theory⁷ — which seek to explain the returns to speculators and other traders in futures markets. The main implication of the Keynesian theory is that speculators make a profit in the futures market in the long run by maintaining a long position and they receive this return for risk-bearing. Normal backwardation is present in the futures markets when futures prices are downward-biased estimates of expected spot prices, and there is a tendency for futures prices to rise as the contract approaches maturity. According to the Hicks-Houthakker theory, speculators can receive, in addition to the 'risk bearing' return which they obtain in the long run by maintaining a long position, an additional 'forecasting return' by predicting changes in prices. If we concede that speculators have some forecasting ability, then the return they receive is a joint payment for the risk-bearing and forecasting ability.

No attempt has been made in this paper to separate the joint return received by speculators in the different futures markets. It is presumed that they have a measure of forecasting ability which contributes to their receiving a larger return and stabilising price. The estimating procedure adopted in this paper is basically similar to that adopted by Houthakker⁸ and Rockwell.⁹

The estimates have been derived by using the data on futures prices and trading commitments of large and small traders published in the *Forward Markets Bulletin*. The data on trading commitments, reported in the *Forward Markets Bulletin*, suffers from a serious limitation compared with similar data reported by the Commodity Exchange Authority of the United States in their *Grain Futures Statistics* and *Commodity Futures Statistics*. The United States data classifies the commitments into three groups: large traders hedging, large traders speculative, and small traders, in addition to classifying them as long and short within each group. The large traders in the United States have to report their entire commit-

ments to the Commodity Exchange Authority, which classifies them into hedging or speculative. The remaining commitments are of small traders and they are commonly considered to be predominantly speculative. The chief limitation of the trading data reported in the *Forward Markets Bulletin* is that it does not classify the trading commitments of large or small traders as hedging and speculative. The classification is only in terms of commitments above (large) and below (small) a given level and as long or short.

The returns to large and small traders have been estimated in this study for the following commodities and market centres: hessian cloth (Calcutta), packing B twills (Calcutta), groundnut kernels (Bombay), groundnut kernels (Jamnagar), groundnut oil (Rajkot), groundnut oil (Delhi), black pepper (Cochin) and turmeric (Sangli). The futures price and open position data, used in estimating returns in all the above markets, cover the period January/February 1959 to August 1966. The *Forward Markets Bulletin* reported weekly open contract positions of traders up to the end of October 1962 and monthly open contract positions thereafter. For estimating returns reported in this paper, weekly data on futures prices and corresponding open positions have been used for the period ending October 1962, and monthly data on futures prices and open positions have been used for the remaining period up to August 1966. A specific data advantage of this study, compared to the data used by Houthakker and Rockwell, was the availability of weekly observations on futures prices and open contracts for at least the period January 1959 to October 1962. — Houthakker used monthly and Rockwell semi-monthly observations. Another data advantage over the United States studies, has been the possibility of estimating returns to traders separately for each market centre, e.g. returns to traders in groundnut kernels have been separately estimated for the Bombay and Jamnagar markets.

To repeat: it is unfortunate that the open position data reported in the *Forward Markets Bulletin* does not classify the positions as 'hedging' or 'speculative', and we know only the long and short open positions of large and small traders. In the circumstances, it is not possible to estimate precisely the returns to long and short speculators and to long and short hedgers in the markets we have studied. However, it is still possible to draw

reliable conclusions regarding speculators' returns and their price stabilising influence for the futures markets which we have studied.

In any futures market, the total short and the total long position must be equal. A characteristic feature of most futures markets is that short hedging predominates over long hedging and long speculation predominates over short speculation. For sufficient volume of futures trading to take place in a commodity, it is necessary that the futures contract is standardised with provision for the tendering of alternative grades, etc. The broad nature of the futures contract explains why, in all futures markets for agricultural commodities characterised by periodic production, short hedging, which is risk-reducing, predominates over long hedging, which is risk-increasing. Typical long hedgers are processing firms who have made forward sale of the processed commodity, who do not have the requisite inventory of the raw material and who prefer to buy the raw material needed in futures rather than purchase it in spot. Such long hedging is low at the beginning of the crop year when spot prices are low and tends to increase towards the end of the crop year, but it is always below the short hedging position. Since hedging is always net short and speculation is net long, the long position is largely speculative and the short position is largely hedging.

On the basis of the above arguments relating to typical futures markets, we can consider the return on the long position of large and small traders to be largely long speculative returns and the returns on the short position of large and small traders to be largely short hedging returns from futures commitments.

The returns to large and small traders have been estimated by assuming that the commitments of the traders were opened at the futures price during a period and closed out at the futures price during the following period; weekly futures prices and open position data were used to estimate returns for January/February 1959 to October 1962, and monthly data were used for the remaining period up to August 1966. (See the Table on returns to large and small traders on their long and short positions.)

The Table shows that, in almost all markets, the large and small traders received profits on their long positions and incurred losses on their short positions. This implies that large and small

Speculation, Profitability and Price Stability in Commodity Futures Markets

L S Venkataramanan

Speculation and futures trading have been blamed for accentuating short-term price fluctuations, for aggravating the rising trend of prices in many commodities, and for contributing to market instability. Government and the Forward Markets Commission have, therefore, favoured serious restrictions on some futures markets and have banned the functioning of others.

Yet it can be empirically shown that since speculators make profits by buying when prices are low and selling when prices are high, they reduce price variations through advance anticipatory actions as well as earn profits.

This study of various futures commodity markets found that profits were made by both big and small traders on their long positions, invariably over each futures contract, in most commodities. Thus, the tendency for the futures price to rise over the period of the contract and for profits to accrue to those who maintain the long position is empirically demonstrated. The study, therefore, questions the restrictive role Government has been playing in these markets.

THE subject of returns to speculators and the effect of their activity on price stability has engaged the attention of several outstanding economists. Friedman,¹ Telser,² Houthakker³ have maintained that speculators' profits imply that they have stabilised the price. Speculators make profits by buying when prices are low and selling when prices are high. Professional speculators, who have the ability to forecast price changes, are likely to purchase in anticipation of the price reaching the minimum value and sell in anticipation of the price reaching the maximum value. These professional speculators, therefore, reduce price variations through advance anticipatory actions and also earn profits. The contrary, and popular, view that speculators destabilise prices would imply that speculators generally incur losses by selling when prices are low and buying when prices are high. Empirical estimation of speculators' returns can therefore serve as a strong, though

not unequivocal, measure of support in drawing inferences about the effect of speculation on price stability. Highly particular counter-examples have been produced⁴ to demonstrate that destabilising speculative activity can be profitable, but they do not undermine the proposition that most often speculation if profitable must also be price stabilising.

Speculation and futures trading have been blamed for accentuating short-run price fluctuations, for aggravating the rising trend of prices in many commodities, and as price factors in contributing to market instability. Strangely enough organised manufacturers of jute goods, cotton textiles and sugar, who can benefit in their purchase and sales activities through recourse to futures trading, have complained that futures markets have aggravated price rises. Government and the Forward Markets Commission have shared these misgivings and found fault with the function-

ing of the futures markets. They have, therefore, imposed serious restrictions on the functioning of some futures markets and have banned the functioning of others. Futures trading in jute was banned in 1963, in major oilseeds and their products in 1965, in cotton in 1967. There has been no futures trading in raw jute for many years, and recent years have witnessed restriction on futures trading in jute goods, black pepper and turmeric.

Pavaskar in a series of useful articles⁵ has provided both theoretical justification and empirical evidence in support of futures markets. He has argued that empirical evidence alone must form the basis of judging the influence of speculation and of futures markets on prices. His empirical studies support the usefulness of futures markets. According to the Forward Markets Review Committee Report, controls on pricing and distribution in many commodities has necessitated a re-examina-

TABLE: RETURNS TO LARGE AND SMALL TRADERS ON THEIR LONG AND SHORT POSITIONS IN DIFFERENT FUTURES MARKETS, 1959-1966
(Thousand Rupees)

Commodity Future	Large Traders			Small Traders			Total Returns on Long Position
	Long	Short	Net Profit or Loss	Long	Short	Net Profit or Loss	
Hessian Cloth (Calcutta)							
February	1188.4	-1249.8	- 61.4	-1186.2	1247.6	+ 61.4	2.2
May	1705.0	-1723.1	- 18.1	2105.5	-2087.4	+ 18.1	3810.5
August	560.1	69.6	+ 629.7	2061.9	-2691.6	- 629.7	2622.0
November	1629.1	-2159.1	- 530.0	7134.3	-6604.3	+ 530.0	8763
Total	5082.6	-5062.5	+ 20.2	10,115.5	-10,135.7	- 120.2	15,198.1
Sacking B Twills (Calcutta)							
February	132.4	- 651.5	- 519.1	795.8	- 276.7	+ 519.1	928.2
May	1603.7	-1726.6	- 122.9	4473.2	-4350.3	+ 122.9	6076.9
August	1441.8	- 867.1	+ 574.7	4934.2	-5508.9	- 574.7	6376.0
November	743.7	323.6	+1067.3	1669.5	-2736.8	-1067.3	2413.2
Total	3921.6	-2921.6	+1000.0	11,872.7	-12,872.7	-1000.0	15,794.3
Groundnut Kernel (Bombay)							
Jan-Feb-March	5127.4	-3679.6	+1447.8	3035.9	-4533.7	-1447.8	8213.3
April-May	490.1	- 705.5	- 215.4	5654.1	-5438.7	+ 215.4	6144.2
July-August	131.2	1051.7	+1182.9	907.9	-2090.8	-1182.9	1039.1
September	5059.6	-4044.6	+1015.0	3094.0	-4109.0	-1015.0	8153.6
Total	10,808.3	-7378.0	+3430.3	12,741.9	-16,172.2	-3430.3	23,550.2
Groundnut Kernel (Jamnagar)							
January	- 7.0	185.7	+ 178.7	271.6	- 450.3	- 178.7	264.6
Mar-April-May	-1254.7	1068.8	- 185.9	355.9	- 170.0	+ 185.9	- 898.8
July	39.9	18.3	+ 58.2	113.6	- 171.8	- 58.2	153.5
September	269.3	- 356.2	- 86.9	- 4.6	91.5	+ 86.9	264.7
Total	- 952.5	916.4	- 35.9	736.5	- 700.6	+ 35.9	- 215.8
Groundnut Oil (Rajkot)							
January	3245.9	-3175.4	+ 70.5	873.3	- 943.8	- 70.5	4119.2
Mar-April-May	68.8	354.8	+ 423.6	191.6	- 615.2	- 423.6	260.4
July	69.2	108.9	+ 39.7	1055.5	-1095.2	- 39.7	986.3
September	- 633.3	433.1	- 200.2	115.1	85.1	+ 200.2	- 518.2
Total	2612.2	-2278.6	+ 333.6	2235.5	-2569.1	- 333.6	4847.7
Groundnut Oil (Delhi)							
January	394.5	- 369.1	+ 25.4	1605.5	-1630.9	- 25.4	1900.0
Feb-March-April	390.1	- 475.4	- 85.3	302.8	- 217.5	+ 85.3	692.9
May	- 331.0	474.0	+ 143.0	- 0.2	- 142.8	- 143.0	- 331.2
Total	+ 454.5	- 370.5	+ 83.1	+1908.1	-1991.2	- 83.1	+2362.6
Black Pepper (Cochin)							
January	322.4	- 273.6	+ 48.8	- 79.4	30.6	- 48.8	243.0
February	114.4	- 115.0	- 0.6	- 65.2	65.8	+ 0.6	49.2
May	1032.4	-1031.1	+ 1.3	207.8	- 209.1	- 1.3	1240.2
July	- 214.8	245.6	+ 30.8	- 47.2	16.4	- 30.8	- 262.0
August	- 486.8	752.6	+ 265.8	- 203.2	- 62.6	- 265.8	- 690.0
October	- 219.7	231.1	+ 11.4	- 53.3	41.9	- 11.4	- 273.0
December	21.9	- 32.9	- 11.0	1159.3	170.3	+ 11.0	- 137.4
Total	+ 569.8	- 223.3	+ 346.5	- 399.8	+ 53.3	- 346.5	+ 170.0
Turmeric (Sangli)							
May	- 398.9	410.9	+ 12.0	- 103.9	91.9	- 12.0	- 502.8
October	787.1	- 796.7	- 9.6	196.4	- 186.8	+ 9.6	983.5
December	- 250.5	108.9	- 141.6	259.4	- 117.8	+ 141.6	8.5
Total	+ 137.7	- 176.9	- 139.2	+ 351.9	- 212.7	+ 139.2	+ 489.4

speculators invariably received profits, and large and small hedgers incurred losses. The only exceptions appear to be the groundnut kernels market of Jamnagar where the large traders lost on their long position and gained on their short position, and the black pepper market at Cochin where the small traders lost on their long position.

The relative consistency in the pattern of results presented in the Table on returns to large and small traders, enables us to draw the following conclusions. If large traders on their long position are taken to represent professional speculators and small traders long as non-professional small speculators, the results indicate that the non-professional small speculators — who are presumed to have no forecasting ability — received profits by maintaining the long position in all the futures markets except black pepper. The large professional speculators reaped profits in all markets except at the groundnut kernels market at Jamnagar. The results of the study thus show that profits were made by both large and small traders on their long positions, invariably over each futures contract, in all commodities except those referred to

above. Thus the tendency for the futures price to rise over the period of the contract, as suggested by the Keynesian theory of normal backwardation, and the profits following therefrom to those who maintain the long position, has been empirically demonstrated. The consistent profits made by speculators also suggests that they had some forecasting skill in addition to the general skill of being long, and that by their actions they stabilise or narrowed price variations.

The role of Government and the Forward Markets Commission in curbing or banning futures markets then does not appear to be justified. Futures markets are useful even under conditions of short supply.

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Kenya Asians: Apportioning the Blame

Pradip Nayak

The British Immigration Act of 1968 left the British Asians in Kenya virtually stateless. India could, if it wished, have made it impossible for the British to implement their Immigration Act by simply and firmly refusing entry to British Asians. For a number of reasons, including pressing compassionate ones, the Government of India allowed the British Asians in.

Although the British Asians were not entirely blameless, the British and Kenyan Governments acted in a high-handed manner due to internal political compulsions, many of them dubious. These internal currents as well as the international dealings of the Indian, Kenyan and British Governments on this issue are critically examined and some of the spurious manoeuvres exposed.

THE only government that seems not to totally ignore the human aspects of the Kenya Asians' problems is the Indian Government. Whether this is by deliberate design or accident or even a vague, fatalistic acceptance of the return of many of these people 'home' as inevitable, is an open question. The passing of the 1968 Immigration Act by the United Kingdom Government certainly resulted in adding a new dimension to Indian attitudes. Before the Act, the relationship of India with the 'Indians' in Kenya and elsewhere was more ambiguous.

The Independence and the partition of India in 1947 had no permanent effect on the behaviour and attitudes of the Asians in Kenya except, perhaps, a

further division of the community into smaller communal camps. It has been pointed out that unlike the Indians in Guyana or Mauritius, not many in Kenya had taken up the cause of an independent Kenya to be ruled according to the wish of the majority. However, the numerical strength of the community has been quite small. The total Asian number never exceeded 250,000 in a population of over 9 million. The few known Indian activists were promptly rounded up or otherwise silenced in the early fifties by the colonial government under the arbitrary powers that the Governor had acquired by declaring an emergency after the massacre of loyal Kikuyus at Lari. The efforts of those who believed in peace-

ful, non-violent methods for attaining majority rule (e.g. the Indian Congress) were frustrated by the violent nature of the Mau Mau movement. It is interesting to note today that the independent Kenya Government is actively suppressing material that shows the contribution of the Asians to the nationalist cause. However, it is true to say that a large number of Asians—being traders, artisans and clerical workers—were not overenthusiastic about majority rule mainly because the type of stability they desired was already given to them by the colonial government. There never was a mass movement for independence. Such a movement might have drawn the progressive Asian youth into the nationalist fold. But that is

only speculation. When the present ruling Party—the Kenya African National Union—was formed, it refused to enroll non-African members.

At no time has India behaved improperly towards Kenya. There have been instances of India overlooking the interests of her subjects and expatriates for the sake of propriety. It has neither been eager nor able to use the financially strong Asian minority to exert political pressure on Kenya or even pursue purely commercial interests. This propriety, in its extreme form, has been interpreted as weakness by the Kenya Government. When India gave strong support to Kenya at the time the latter attained independence, it offered training facilities, urged the Asians to take out local citizenship, and to show its good faith, refused to offer the Indian-born Asian the kind of security that the UK Government gave the British-born by the 1964 British Nationality Act. This Act enabled the British-born residents of Kenya to acquire Kenya citizenship but made it possible for them to renounce it at any time of their choosing and revert to being British if they wished to return home to Britain. No such security was given to the Indian-born. The Indian Government could have passed comparable legislation applicable to the Indian-born Asians in Kenya but did not.

Although the legislative and administrative decisions that led to many Asians remaining British subjects in Kenya are not complicated, they are often not understood by many in India and England—particularly by the strong anti-immigration lobby in Westminster. Before 1962, every person who was resident in Kenya and who did not hold a foreign passport was a "Citizen of the United Kingdom and Colonies". He obtained his British passport quite freely from the territorial government. After the Conservatives passed the 1962 Commonwealth Immigration Act, although the colonial passport holders were technically citizens, they no longer had an unfettered right to enter Britain. When Kenya became independent in 1963, British passports were no longer issued by the Kenya authorities but the Kenya Independence Act (UK) created a new kind of British citizen: non-Indians and non-Kenyans who remained British by default. These British citizens—Asians and others—were not subject to the restrictions of the 1962 Act if they simply applied to the UK Government (i.e., the British High Commission in Nairobi) for new passport. An administrative decision laid down that

these British passport holders did not fall under the 1962 Act. The significant point often overlooked is that these people—who were mainly Asians—had never been offered or acquired British citizenship after Kenya became independent. Their national status had been and remained "British Subject: Citizen of the UK and Colonies" because they had been born or naturalised in the colony of Kenya. They continued to be British because the Kenya Independence Act did not actually remove British citizenship from them.

Duncan Sandys wrote in the *Spectator* (London) in March 1968 that it was never intended to admit the Kenya Asians freely into Britain. The only intention was to provide an escape clause for those who were British and who wished to opt out of taking Kenya citizenship. It can only be assumed that the contradiction involved in the statement eluded the ex-Colonial Secretary. He implied that the purpose was to provide a formal structure which would enable European settlers to remain British and later return to Britain but that, because of the hypocrite that he is, he was not able to introduce an openly racial clause. The measure designed to enable a few thousand Europeans to opt out of Kenya when the going became rough resulted in approximately 120,000 Asians finding themselves continuing as British citizens. The British-born had been provided with another route to safety by the 1964 British Nationality Act if they took out Kenya citizenship and later changed their minds.

BREACH OF PROMISE

Iain Macleod, Sandys' Cabinet colleague in 1963, wrote in the same journal a week later that the implications of the Kenya Independence Act were fully understood in 1963 and that the right to entry into Britain was given to anyone, Asian or European, who retained British citizenship.

The main objection to the 1968 Immigration Act (UK) was that it left the British Asians in Kenya virtually stateless. Kenya is not willing to let British Asians stay on indefinitely. But, officially, they are not acceptable anywhere else either, unless Britain accepts ultimate responsibility for them, which is denied by the Act. However, the ill-informed ex-Home Secretary, James Callaghan, who seemed to think at the time of the Parliamentary debate (1968) that the option of Kenya citizenship was still open to the British Asians,

gave a pledge that any expellees from Kenya will be admitted to Britain—as if the British Government has an alternative.

It is established that the British had implicitly made a promise in the 1963 Kenya Independence Act and the Kenya Asians had taken it at face value. Whether the promise was for the Asians' benefit, or only for that of the settlers, or was the result of sheer carelessness is now unimportant. It is ironic that British racial exigencies led to breach of promise despite the fact that Britain had signed the Universal Declaration of Human Rights, the UN Convention on Civil and Political Rights, and the Fourth Protocol to the European Convention of Human Rights which says that "no one should be deprived of the right to enter the state of which he is a national". It must be pointed out that the first two have failed to become a part of international law because of the lack of ratifications. But Britain had also ratified UN Convention on the Reduction of Statelessness which says that a "state shall not deprive a person of his nationality if such deprivation would render him stateless". Britain has created *de facto* statelessness. The British Asians in Kenya owe allegiance to Britain but their right to enter the country is no longer embodied in the law.

The effect of the 1968 Immigration Act on public opinion in Britain has been described as disastrous. The Government and the Opposition had made an unfortunate attempt at appeasement of racial feeling by passing the Act. This was the climax of what was often called a "Dutch auction of illiberalism" in which the two major political parties were the most important bidders. A country that preaches morality in international relations did not hesitate to introduce a hastily drafted bill that curtailed the fundamental rights of some British citizens. The Government created two categories of British citizens by introducing the notorious "grandfather clause". When such openly discriminatory conditions are given legal sanction they may quieten the anxiety created in the general public by the irresponsible section of the mass media but they certainly demoralise the coloured community in Britain. They would also encourage the extremist whites to press further for more severe measures. This is proved by the tabling of yet another restrictive immigration bill and the increasing frequency and respectability with which discussions on repatriation now take place.

Even the new Home Secretary, Reginald Maudling, talked about it in his first speech in the new Parliament. The continual and often highly coloured coverage of the "colour problem" by most of the papers and other mass media has produced an increasing and compensatory tendency for immigrants to organise themselves in defensive associations. The emergence of the violent, white 'Skinheads'—the working class guardians of the British heritage—is a sad but not unforeseen phenomenon. Edward Heath, the Conservative Prime Minister has conveyed, while partially disowning Powell, that he has no intention of drifting too far away from his more extreme supporters. The painful occasion when a junior minister in the previous Government said that he would "get rid of" an Indian youth caught up in a not unusual bureaucratic muddle may give some idea of the type of thinking that goes on in the higher Labour echelons.

India could, if it wanted, have made it impossible to implement the British Immigration Act by simply and firmly refusing entry to British Asians. The problem would then have been Britain's alone. There was indignation here at the overt racial discrimination. Despite strong feeling that there should be no Indian assistance, for moral rather than political reasons, the Government eventually accepted the compassionate argument and went to the aid, though indirectly, of its kith and kin by allowing them to enter India. There were some who declared that the predicament of the people involved was of their own making. In Delhi, there is a strange mixture of distant paternal responsibility and active dislike for British Asians. The Government helped the Indians in Burma when they were in trouble and felt that the Kenya Asians could not be let down despite the fact that there were no special facilities for coping with them. Some among the more sensitive circles, however, resent the materialism, the arrogance, the wealth and the political fence-sitting of the Kenya Asians. This is mainly because precious little is known about their past and the circumstances that led to the community adopting a defensive posture.

Immediately after the 1968 Act, India refused to recognise the British passports of the Kenya Asians for entry purposes. This action applied to tourists as well and many, who would have come to India anyway, were excluded. A few months later, however, the Indian Government decided to stop

playing politics over these unfortunate people and allowed many to enter India for permanent settlement. Whether the change of attitude was in response to the recognition of a grave human problem or diplomatic pressure from Britain is not known. Probably both reasons influenced the decision. A face-saving solution has been found by the Indian and UK Governments by which Britain formally accepts the right of the British Kenya Asians to enter the United Kingdom for those going to India, but then the individuals concerned have to declare that they will not exercise the right. Such are the strange workings of diplomacy. India acted very charitably towards the UK Government and certainly helped to avoid a potentially explosive situation in Kenya.

It is interesting to speculate why so many Asians did not take out Kenya citizenship. Citizenship had been offered to those resident in the country on quite generous terms. It has been estimated that about 60,000 automatically became citizens because they were born in Kenya and one of their parents was born there as well. For other residents, a two-year limit was set for applying to take out Kenya citizenship. Only about 20,000, it is claimed, applied. Proportionally, the European response was supposed to be even poorer. Whitehall pressures ensure that discussing the European figures is considered to be in bad form in Nairobi.

ABUSE OF POWER

The Kenya Government took the view that the choice of citizenship within two years was a good test of the individual's commitment, or otherwise, to the country. At face value, this test seems very reasonable. But the Government played an active role behind the scenes in discouraging Asians from applying by exploiting their conservatism and insecurity. There were other events and beliefs that also played not an unimportant role. The Zanzibar massacres, the Army mutiny, the vague general doubt in the ability of the African to be an impartial administrator, Kenya's reputation as well as record for racial and tribal strife, and the supposed certainty of the protection resulting from holding a British passport were matters that influenced the Asian decision-making process. Although some of the events were beyond the control of the Kenya Government, there is enough evidence of

the abuse of power by the latter and the lack of an honest intention to treat Kenya citizens of all colours equally. For example, the Government was not committed to the full protection of citizens—as opposed to black citizens—in the civil service. The Government had reserved the right to discriminate on racial grounds, theoretically, to correct the "historic imbalance". It is not disputed that in pre-independence Kenya there was discrimination against the Africans. But this discrimination had affected the Asians as well. Was it necessary for the post-independence Government to lay down different criteria for the treatment of black Kenyans and brown Kenyans in the civil service? This kind of official recognition of discrimination, based only on colour, between citizens was treated with considerable apprehension by many Asian civil servants. It was regarded by others as an example of the type of things to come in the future. Under the circumstances the apposite question was: "When the option of staying British is open, why should the Asians become Kenya citizens and, most probably, lose their jobs as well as the right to leave the country when they were discriminated against and became jobless?"

Some of the worst examples of racialism have been the periodic radio broadcasts of the government-controlled Voice of Kenya. Vitriolic attacks on the Asian community and extremely offensive racial diatribes have been transmitted without an apology, explanation or a single adverse remark from successive Ministers of Information. Under the circumstances, the belief that these broadcasts have official sanction can hardly be regarded as presumptuous. The anti-Asian feeling during the two-year period for citizenship applications was given wide publicity by the Voice of Kenya when dutifully reporting in detail the rather extreme views of some native MPs, trade unionists, ill-educated minor party officials and others. Added to this unsubtle but effective propaganda, the deportation of Kenya citizens of Asian origin convinced many undecided Asians that their future even as Kenya citizens was by no means secure under a government that formally talked about "Kenyanisation" but actually meant "blackeningisation" of various jobs.

The racial hostility was initially aroused in the pre-independence days by the marked difference in wealth and opportunities, the identification of a majority of Asians with the

colonial system and the lack of active association with African nationalism. After independence, the hesitancy in taking out citizenship and the political fence-sitting are supposed to have added to the already strong anti-Asian feeling. One cannot but question the *bona fides* of the Kenya Government due to its whipping up of racial feeling to cover up strong tribal differences which resulted in confrontation, riots, deaths, and the banning of Odinga's Kenya Peoples Union (which was the only effective opposition party). It is not difficult to imagine how public opinion could have been developed on other lines by a different, more responsible, use of the mass media. It was not really essential for the ministers to reveal with monotonous regularity that not many Asians had applied for citizenship. For instance, how many of us know the number of people who formally took out Indian citizenship, say, in 1968? Another proof of Kenya Government *mala fides* is the fact that last year the Vice-President declared without any expression of regret or shame that as many as 3,000 citizenship applications had still not been processed — the closing date for applications was December 1965.

It has often been asserted by African politicians and others that Asians could never become true citizens of the country because of their apparent unwillingness to break down the communal barriers. It is unfortunate that the deep-rooted African tribal rivalry and mutual distrust are conveniently overlooked. For example, are any of the Kikuyu Cabinet ministers in Kenya married to a non-Kikuyu, or any Luo to a non-Luo? That argument is very much a case of the pot calling the kettle black, or, in Indian political terms, the Jan Sangh calling the Muslim League communal.

There is no dispute as far as Kenyanisation is concerned. The replacement of non-Kenyans by Kenyans is a matter of economics and timing. The Government has to decide the extent to which Kenyanisation, with its resulting loss of skills, is compatible with a rapid rate of economic growth, which is the avowed aim of the administration. It is possible that as Kenyanisation covers the professionals and the managers, the economic loss to the country may be greater. An article in the *East African Journal* (March 1968) argued that given reasonable projections of economic growth and of

the supply of trained Kenyans for the increasing number of skilled jobs, there is likely to be plenty of scope for most non-Kenyans to continue and that drastic Kenyanisation could be damaging. It is an ironic commentary on Kenyanisation that in 1968 when a large number of skilled Asians were leaving Kenya, the Government was recruiting skilled workers — mainly for the building trade — on contract from India.

Of the three governments chiefly involved in the forcible movement of human beings from one continent to another, only the Indian Government had acted in a manner that took any notice of the ideals of the Human Rights Year. The obviously racial, politically devious, intellectually dishonest and morally unjustifiable legislative and administrative acts of the United Kingdom and Kenya Governments clearly showed the difference in what they claim to believe in and what they actually do. The best that we can now hope for is that the remaining Asians — citizens and non-citizens — in Kenya may be able to lead a peaceful life after Kenyanisation takes its toll and reduces some of the hostility towards them.

Indian Aluminium Company Limited

Address of the Chairman, Mr H V R Iengar

THE following is the Address of Mr H V R Iengar, Chairman, Indian Aluminium Company Limited, at the Thirty-third Annual General Meeting of the Company held on April 26, 1971:

I welcome you to the thirty-third Annual General Meeting of the Company.

I am sorry to say that for reasons of health I am unable to be present at this annual shareholders' meeting which I had the pleasure of attending every year since I became Chairman of this Company.

A highlight of our year in 1970 was the formal opening of the Belgaum plant on 7 November by the President of India. Shri V V Giri was good enough to refer in his address to Indal as a progressive employer with an enlightened approach to labour problems. His kind remarks were much appreciated and Indal will endeavour to continue to live up to them.

Let me concentrate my remarks on our Company's performance over the past year and dwell a little on some of the problems which are outstanding.

Sales increased substantially in line with increased production. Our new alumina and smelter facilities reached planned capacity levels in a commendably short space of time. All of our older plants also performed well, and after allowing for the effects of the strike at Hirakud, record levels of output were attained in 1970. This is particularly gratifying as plants become subject to wear and tear as they grow older and need more intensive maintenance and attention.

Whilst our sales volume and sales revenues increased very substantially last year, income showed hardly any change. Whilst this was largely due to the absorption of start-up expenses at the new smelter at Belgaum the Company's costs continued to be affected by price increases in its raw material and other inputs. It is disquieting that in the face of these continued additions to prices of raw materials our own selling prices are frozen by Government at levels which are, on average, Rs 250 per tonne lower than the prices we were receiving at the end of 1966. Such a situation was difficult to envisage when the Belgaum project was launched.

Our forecast of metal demand indicates a continuing shortfall in indigen-

ous supply for the next few years, in spite of the rapid rate of expansion of the industry. During this period metal will have to continue to be imported and it is interesting to note that during the past month it has been reported that imported metal was being offered for sale about Rs 1,600 per tonne higher than Indal's price. It seems that this is additional proof of the need for urgent further expansion of domestic production and evidence also that there is scope to encourage our industry in India without being unfair to customers.

It should be observed that Indal's record over the past decade is one of continuous expansion and our 1970 production and sales show a fourfold increase over 1961. About fifty crores of capital expenditure has been made over these ten years, and we are providing full-time employment for almost two thousand additional people.

So far as Indal is concerned our intention is to endeavour to continue to expand although it should be appreciated that major expansion projects take three or four years under construction and that to forecast the viability of a proposed expansion is difficult over a lengthy period when one sees rising costs and frozen prices. We hope that Government will provide some measure of relief upon hearing the findings of the Working Group appointed to study our industry.

Our Talaja project is going ahead steadily although it has been subject to some delays caused by the steel shortage and procedural difficulties in obtaining import licences. It is hoped that the sheet mill will be in operation by the end of the year, although all the proposed facilities will not be completed until next year. The sheet mill will be a most important addition to our facilities and will materially contribute to developing new uses for aluminium. As shareholders will know, aluminium producers are restricted in the amount of semi-fabricating capacity they can install, limiting such capacity to about half of smelter production. Whilst the purpose of this policy is to ensure that adequate supplies of ingot are available for conductors for the electrification programme, it does leave producers in an awkward posi-

tion if demand from the electrical sector falls off for any reason, the demand for products in ingot form, outside the cable industry, being relatively small.

In the long run the quantity of metal required by the conductor industry will fall substantially below half of smelter production. It seems that this is additional proof of the need for urgent further expansion of domestic production and evidence also that there is scope to encourage our industry in India without being unfair to customers.

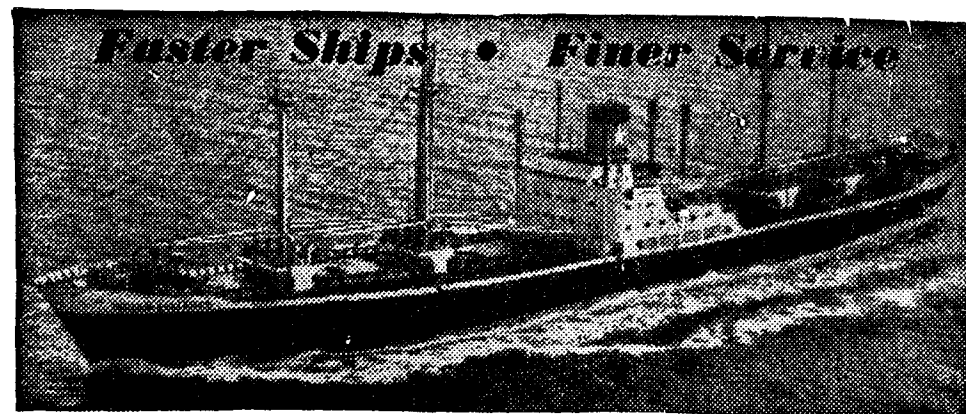
We believe this transition in the market would be more easily catered for if producers were allowed to install facilities, now, for a rather larger percentage of their smelter production.

Our new mill will bring our semi-fabricating facilities into line with the increased smelter production and provide our customers with sheet products as good as any available in the world today.

The addition of the fourth potroom of 10,000 tonnes per annum capacity should be completed this year at Belgaum and it is anticipated metal production from this will start by 1 January next.

Application has been made to the Controller of Capital Issues for permission to make a bonus issue in the ratio of one new share for each two shares held. This is intended to bring our issued capital more in line with the true picture of the Company's assets.

Sales for the first quarter of the current year continue to absorb all metal produced and our plants continue to operate at high level of efficiency. This level is proving quite difficult to maintain as shortages are apparent and delays occur in the supply of vital raw materials such as pitch, cryolite and fluoride. However, with a full year's production to be anticipated from both Belgaum and Hirakud, we look forward to an increase in production in 1971, of twenty-five per cent



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over 1970. We have current collective labour agreements at all our locations covering all of 1971 and hope for a satisfactory year so far as industrial relations are concerned.

In February, Dr C L Katial resigned from our Board after eleven years of distinguished service to the Company as a Director, our good wishes go with him in his retirement.

I regret to say that Mr Dana T Bartholomew who retires from the Board in accordance with Article 117 of the Company's Articles of Association has informed us that he does not wish to

seek re-election. Mr Bartholomew has been a member of Indal's Board since 27 April 1966 and has given us valuable help and guidance particularly in financial matters. He was a staunch supporter of Indal and we will miss very much his presence on our Board.

I am glad to inform you that Mr John H Hale who has succeeded Mr Dana T Bartholomew as Executive Vice-President, Finance and Treasurer of Alcan Aluminium Limited, has expressed his willingness to serve on our Board. A resolution concerning his appointment will be moved later.

Meeting construction deadlines and improving on existing efficiencies in our plants demands hard and constant work from our employees. Great credit should be given to all our management staff and to our work people for the keenness and enthusiasm shown by them. Growth of the Company creates new challenges and it is good to record the excellent attitude towards change and a willing response from all our people.

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

The Vijaya Bank Limited

Regd. Office : MANGALORE



Admn Office : BANGALORE

Statement by the Chairman, Shri Mulki Sunder Ram Shetty

THE following is the Statement of Shri Mulki Sunder Ram Shetty, Chairman, The Vijaya Bank Limited, at the Thirty-ninth Annual General Meeting of the Shareholders of the Bank held at Mangalore on April 30, 1971:

FRIENDS,

It is a pleasure and privilege for me today to welcome you to the 39th Annual General Meeting of the Bank. We have added pleasure in meeting in the wake of our successful performance in the last year marked by an unprecedented growth in deposits and profits.

Although it is beyond me to prophesy the shape of things to come, we have every hope of keeping up the momentum of progress that we have now achieved. I take it that you have already read the Balance Sheet and Profit and Loss Account.

GENERAL ECONOMY IN 1970

Yet another year has been left behind, a year marked by uncertain conditions in the political and economic fields.

True, there was some economic revival consequent on increased agricultural production, but industrial production suffered. Shortage of raw materials like cotton and steel led to under-utilisation of the industrial capacity. Rise in the price level due to continued inflation kept up the cost of living. Political, economic and

social unrest checked industrial activities in more than one State.

Although the year left behind was such, the banking industry continued to attract considerable public attention throughout the period, the role of bankers having assumed a larger dimension in recent years.

BANKING SYSTEM

In current thinking banking has been assigned a major responsibility for economic development. The mobilising of the community's savings is the traditional function of a bank. The channelling of such savings into selected priority sectors seeking development has now become the compelling function of banks in society.

Banks, both in the public as well as the private sector, have generally done well in the year 1970. The total deposits for all banks have reached Rs 5,675 crores and the total advances Rs 4,428 crores as on the last Friday of December 1970. The average growth of deposits of the year was 16.4 per cent as against 15.02 per cent in 1969. The credit expansion was higher at 22.5 per cent against 19 per cent in 1969.

Branches of commercial banks crossed the 10,000 mark in 1970. At the end of the year, the number of offices of commercial banks was 11,184. Branch expansion touched a new high. Over 2,000 branches were opened by

all the banks in 1970 as against 1,369 in the previous year. The average population served by a branch office in the country has declined to 52,000 in 1970 from 70,000 in 1968.

Demand for credit was on the increase. Deposit mobilisation being the only check against excessive demand for credit, banks were faced with the challenging task of mobilising further deposits. In banking, as a service industry, the marketing concept has come to stay. Based on psychological approaches to the needs of the community, new techniques are being developed for accelerating deposit growth. Financing of the neglected sectors in the economy has come to be accepted by banks as an obligation and challenge.

The Reserve Bank kept up its helpful attitude and keen interest in the supervision and control of all banks.

OUR BANK'S PROGRESS

We may take pride in our achievement when we see that notwithstanding unsettled conditions in the country the progress of our Bank has been phenomenal in 1970, our deposit growth being 47 per cent as against the average increase of 16.4 per cent for all the banks in the country. The increase in our deposits in the year 1969 was 42 per cent. Deposits which stood at Rs 18.71 crores at the end of the year 1969 increased to Rs

27.52 crores as on 31-12-1970. Our advances rose from Rs 13.01 crores in 1969 to Rs 17.54 crores in 1970.

The credit deposit ratio of the Bank was on an average, 70.71 per cent throughout the year. The advances to priority sectors like agriculture and small-scale industries were well maintained. At the close of the year, our advance to agriculture was 12 per cent and to small-scale industries 19 per cent of the total advances.

Our gross earnings for 1970 were Rs 201.97 lakhs as against Rs 142.52 lakhs in 1969. In spite of the payment of an additional wage bill of Rs 6.14 lakhs to our staff consequent on the bipartite settlement, our net profit increased to Rs 8.49 lakhs for 1970 from Rs 4.60 lakhs for 1969. As a result, we have been able to step up our rate of dividend to 10 per cent (subject to tax), for the year 1970 with the consent of the Reserve Bank of India.

We shifted our Administrative Office to Bangalore in November 1969. Behind that simple statement lies a great achievement. In May last, we gave you the assurance that with our changed set-up and shifting to Bangalore, we might forge ahead in a big way. We are happy, that we have kept up our promise.

In 1970 we opened 12 branches at Ardi, Belgaum, Kalladka, Kukundoor, Mandarthi, Jeppu-Mangalore, Mani, Moodabettu, Nada, Poona, Sanoor and New Delhi. More branches were opened in the rural areas. The total number of branches stood at 126 on December 31, 1970.

INCREASE OF CAPITAL

To strengthen the capital base in line with the growth in deposits, we released in 1970 further shares of Rs 20 lakhs for public subscription. Our shares were highly oversubscribed. We are thankful for the immense support we have had from you in this direction. Almost the entire Authorised Capital of Rs 50 lakhs has been subscribed and our Paid-up Capital now stands at Rs 43.84 lakhs.

OUTLOOK IN THE CURRENT YEAR

The Banking Commission has not yet submitted its report. Changes both structural and functional may follow the publication of the long awaited report of the Commission. The situation has yet to settle down to a pattern.

The big banks after nationalisation offer greater competition to the private sector banks. A branch of a public sector bank is found in most parts of the

country. With larger resources they are in a better position than the smaller banks to serve the public. In such circumstances the progress that our Bank has made in 1970 is remarkable. To keep it up is our problem. We have an uphill task.

The structure of interest rates has an important bearing on the gross income. Since January 1971, the bank rate has been increased to 6 per cent with consequential rise in the deposit rates. A larger portion of our total deposits is being held in interest bearing deposit accounts and so higher interest will have to be paid in 1971. Just as gross income is influenced considerably by the level of interest rates, the gross expenditure is mainly dependent on the trend of the wage bill. The continuing wage price spiral may increase our outgoings and be a constant threat of erosion into our profits for 1971.

STAFF AND TRAINING

The number of employees has increased from 1160 in December 1969 to about 1462 in December 1970. We had given out in our previous statements that the training of our staff has been engaging our attention. The shortage of trained personnel is a problem common to all banks. Most banks have their own training establishments. We have also started a Staff Training Institute from October 1970, with an ambitious programme of making this Institute an organisation not only for staff training but also for management studies and research in due course. In addition, as in the previous years, we are deputing our officers to the Reserve Bank Training College for the various courses.

We have also made provision towards staff gratuity liability on a scientific basis. The present actuarial value of such liability has been determined and it has been decided to spread it over a period of five years. As a first step, the existing provision has been increased from Rs 2 lakhs to Rs 3,63,646 for the year 1970.

BOARD OF DIRECTORS

At the last meeting of the Shareholders held on 23rd May, 1970, Shri K P Madhavan Nair ceased to be a Director. Shri D Veerendra Heggade resigned from the Board on 20-7-1970. We have at present 10 Directors on the Board.

I must mention here the unfailing goodwill and co-operation that I have had from my colleagues on the Board.

To every one of them and to the members of the Local Advisory Committees, I am thankful for their valuable guidance.

OUR THANKS

On my behalf and on behalf of the Directors, I record here my thanks to every member of the staff for his hard work and devotion to duty in the cause of the Bank's progress. I urge upon them to continue to do their best in the years ahead. The loyalty of our staff is our real strength.

My thanks are due to the Secretary, the Special Officer, the Deputy Secretaries and other senior officers of the Bank for the understanding and co-operation with which they have carried on the work throughout the year.

Finally, let me offer my sincere thanks to you as shareholders, to our depositors and other esteemed customers for the confidence reposed in me and my colleagues on the Board and for the continued goodwill and co-operation.

Your support is our strength.

Thank you.

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

Hindustan Breweries

THE nation faces a beer gap! The demand for beer is estimated at 3.60 lakh bottles a day, the supply at 3.25 lakh bottles, leaving a daily gap of 35,000 bottles. Though production is expected to rise to 6 lakh bottles a day by 1975, the gap is estimated to widen to 1.5 lakh bottles a day. These data have been put out by Hindustan Breweries and Bottles Ltd, a company which is in a hurry to take advantage of the beer gap. It has acquired the land, buildings and bottling plant of Bisleri India at Thana, off Bombay, where the first earth was spudded this week to erect the company's brewery which is slated to commence production by the end of 1971. HBBL's beer unit will be Maharashtra's first. There are two breweries in Goa providing 20,000 bottles a day mainly to western India and three units (other than HBBL) are expected to commence production of 55,000 bottles a day in Maharashtra by 1973. But, claims HBBL, the company would sell Rs 1.55 crores worth of beer in 1972-73, earning a profit after tax of Rs 11.41 lakhs, sufficient to justify a maiden equity dividend of 12 per cent. HBBL has been promoted by the G C Narang group which produces beer in UP.

Saurashtra Millowners' Association

Presidential Address of Shri Mahendra Shantilal Shah

THE following is the Presidential Address of Shri Mahendra Shantilal Shah, at the Twenty-ninth Annual Session of Saurashtra Millowners' Association held at Bhavnagar on April 10, 1971:

FRIENDS,

I have great pleasure in cordially welcoming you all to the 29th Annual Session of the Saurashtra Millowners' Association in Bhavnagar, a city which has received country-wide fame recently due to the discovery of natural oil in Aliabet.

I take this opportunity to congratulate on behalf of our Association and myself Smt Indira Gandhi and the Congress Party led by her for their splendid success in the mid-term poll for Parliament.

I have tried to evaluate certain official policies and give our viewpoints to the Government in my speech. This does not mean that we do not recognise shortcomings on our part. However, as the President of our Association, I am trying to perform my duty by placing before the authorities our problems and difficulties which have driven our units to their present sad plight. At the very outset I wish to request the Central and State Governments not to judge the condition of our entire industry from the huge profits made by some prosperous mills.

Friends, I am re-establishing my association with the textile industry in Saurashtra after a lapse of about 20 years. I find that during this period the conditions in Saurashtra have completely changed. Formerly, Saurashtra was a separate State. Today it is a part of the larger State of Gujarat. However, as with different States in the country, even different regions in our State are bound to have their own aspirations and individual problems. In order to maintain unity of a State as part of the larger national unity, these regional aspirations and problems have to be looked after carefully by any State Government.

Though our industry is to a large extent dependent on the policy of the Central Government, we have our own individual problems where the State Government can be very much helpful to us. It can also represent our difficulties before the Central authorities. I hope that we shall always receive careful attention from our State Government whenever we approach them.

Before I come to the matters concerning our industry, I cannot but refer to the exciting events our country has just passed through. We have witnessed a landslide victory for Smt Indira Gandhi and her party then presided over by Shri Jagjivan Ram. Opinions may differ on these extraordinary results of the mid-term poll for Parliament. But I am sure that every one will agree on one point that this overwhelming majority in the Parliament for Smt Indira Gandhi and her party has at least helped to end the uncertainty prevailing at the Centre when she did not have a clear cut majority in the Parliament.

We, as businessmen, realise fully the need of political stability for uninterrupted economic progress. The result of the mid-term poll for Parliament has generated hopes that now that a stable Government has been installed at the Centre, we will be able to get a steady and long-term economic and industrial policy.

Voting pattern in this election has been very different from the earlier ones. People of Saurashtra have followed the same pattern as elsewhere in the country. Whether we like it or not, we cannot but draw an important lesson from the present temper of the people. This voting clearly indicates that the common man is no longer prepared to accept his present lot. He is impatient to improve it. That is why people have voted wholesale for "Remove Poverty" slogan. We, the business people must comprehend this popular urge. We are called upon to manage our affairs in such a way that we receive maximum co-operation from our employees and also the community at large. While we may not be directly concerned with party politics, we cannot afford to ignore the significance of the manner in which common people are thinking as shown by the election results. After all the policies of any democratic and responsible Government have got to be ultimately based on the popular will.

Now that the new Government at the Centre will have a complete backing of the majority in the Parliament, it will start formulating its economic policy on a long-term basis. As is evident from its party's programme, this policy is bound to be decided on the basis of increasing the number of jobs, preventing the spiralling of prices, re-

ducing inequality between different strata of society and reducing if not eliminating the influence of large monopoly groups. All these four goals are laudable. But the Government can achieve these goals only by increasing production and productivity through technological advancement at all levels.

This task of industrial and technological progress and capital formation for it is so enormous in a poor and agricultural country like ours, that it requires the active participation of the entire nation. Only legislative and monetary measures cannot complete this transformation. Unfortunately our Government had so completely detached itself from the concrete problems of our economy that frustration had overpowered our nation. Corruption and nepotism, luxury and red-tapism, revivalism and communal spirit have thrived in recent years. They have to be eliminated. Unless this is done, it is not possible to bring about a basic change in the social outlook of our people. Popular support is essential for this process. It can be won only by officially and socially recognising real talent in all spheres. Let us hope that the Government of Smt Indira Gandhi moves steadily in this direction.

We are meeting today in the midst of a most difficult period for the textile industry, more so in our region where most of the units are old and uneconomic being not sufficiently modernised. A critical situation has arisen today where the price of raw material has gone up steeply as never before and shows no sign of downward trend because of acute shortage, while the prices of finished products are nowhere near a level sufficient to compensate the tremendous increase in the cost of production. In fact, cloth is not moving at all in the market. Many mills are consequently incurring huge losses and I wonder how long they can stand this kind of strain. On the top of this, the Reserve Bank of India, at the instance of the Government has given directions to Banks to restrict credits and increase the margins on the advances to textile mills with an idea to arrest a steep rise in cloth prices. As a result of this, the mills are being called upon to repay large amounts of money which they just do not have, particularly at this juncture. I am unable to understand the present policy of the Government, which hits the ma-

jority of the mills barring a few at the top, so much at a moment when they are hard pressed for money on account of circumstances beyond their control.

The textile industry is composed of a large number of units spread all over the country. There is a wide disparity in the financial resources and earning capacity of these units. These units can be classified in three groups. In the first group at the top level there is a small section of the industry which is fully modernised and is equipped with the latest machinery. These units are broadly speaking part of big industrial groups. They have sufficiently large earning capacity and also the necessary financial resources of their own as also of the industrial groups to which they belong. In the second group at the middle level, there is an overwhelmingly large number of individual middle sized units which by frugal management of their affairs and with the necessary help from the banks and financial institutions are able to make a small profit which though not sufficient to enable them to modernise fully, is just enough to keep them going by judicious and limited programmes of modernisation and renovation. These units are managed mostly by individual entrepreneurs. In the third group at the bottom level, there are a number of units which are struggling for existence and somehow manage to survive with some profit or loss.

In the face of this situation obtaining in the textile industry, it should be clear to anyone that the effects of the present disparity in the cost of production and sales realisation as also of the present policy of the Reserve Bank of India will be different on the different sections of the industry just referred to by me. The first group will be able to survive, though perhaps with a little cut in its profits. It can mobilise public deposits without much effort. The second group will be pushed into the danger zone because of its limited capacity for profits and limited resources. The third group will be unable to withstand the losses and financial strains and will probably go out of business. The net result will be an indirect gain for the affluent units of the first category belonging mostly to powerful industrial groups.

I am sure the Government can have no such intentions while introducing any restrictive measures such as those recently imposed by the Reserve Bank of India. Any restrictive measure either fiscal or otherwise which applies flatly to all units of the industry is

bound to be ultimately in the interest of bigger groups because such groups alone can withstand the effect of such a measure. For them competition decreases if a number of units suffer heavily or close down. It is understandable that big industries or large groups may not be given large credit facilities to avoid concentration of economic power into the hands of the few. We can also understand that it is necessary to financially accommodate small-scale sector or weak and sick units to enable them to remain in production. But the textile units in Saurashtra do not belong to any monopoly group. We, therefore, urge the Government to take into consideration this aspect of its restrictive measures and formulate such measures in a manner which will not jeopardise the existence of the middle sector of the industry. The Government has got to look after the needs of the middle sector of the industry as it looks after the interest of the middle class in the society. Unless measures are separately conceived for the middle sector of the industry from those for the few units at the top, the production will decrease, the influence of the large industrial groups over the market and the industry will increase and the number of jobs available directly and indirectly in the textile industry will go down. All this will be contrary to the declared policy of the Government and I therefore express the hope that the Government will seriously look into this matter and take necessary remedial measures removing the present credit squeeze for ordinary units in the interest of national economy and national well-being.

The cotton crop this year has left a wide gap between indigenous production and the requirement of the industry. This gap must be covered up immediately by a sufficiently large import of cotton. If this is not done in time, I am afraid of haphazard closure of mills with serious consequences for such units as are forced to shut down for want of raw material. For moderate textile units, the situation is very grave. There is a great disparity between the prices of cloth and cotton. It is going to be difficult for the Government to have enough imports to cover the cotton shortage. Whatever imports are possible, they cannot be done in time to bring down the price of cotton. Let us hope that the Government is aware of the gravity of this situation to take realistic and timely steps to avoid a catastrophe, as it did take in 1966-67 when there was an

acute shortage of cotton.

The seriousness of the problem of the shortage of cotton this year should provoke us to find out a permanent solution. The only lasting solution to this problem which has become more or less perennial and is largely responsible for the present unhappy state of the industry is increased production per acre through application of modern technique. It is true that this problem has drawn the attention of both the Government and the industry over the last few years and some efforts have been made in this direction by both. However, the results have been insignificant in the context of the magnitude of the problem because the attempts made to date have been very feeble. It is, therefore, necessary to take up the Cotton Development Project on a very large scale as a joint crash programme. There must be a plan to spend an amount of the order of Rs 50 crores over the next two or three years. Small amounts spent from year to year have brought no perceptible results and cotton crop has remained stagnant for the last three years. Our Association has been actively considering the possibility of extending the Cotton Development Project on a fairly large scale. I hope the State Government and the Banking Sector will lend their full support to our efforts to increase cotton production in our region.

I now come to our regional problems.

It is a fact that except a few prosperous units which have vast financial resources together with upto-date machinery, the majority of the units of the industry are passing through permanent crisis. It is well known that our industry is very old and is equipped with out-of-date machinery. The financial resources of majority of the units are not sufficient even to provide working capital. Similarly, the resources of most of the Saurashtra Mills are practically nil and renovation and modernisation with upto-date machinery in their case is rather difficult. For this reason, we, who are in the charge of the management of this industry in Saurashtra have to find ways and means of improving and increasing the earning capacity of our units with the minimum of capital expenditure. We can do this by installing second-hand machinery of later technique which is in fairly good condition and secondly by plugging small loopholes in the process of manufacture. It has been our experience that by suitable modification in the existing machinery at a relatively cheap cost we can improve its productivity considerably. This is of course a temporary expedient but it is absolutely ne-

cessary side by side with the inevitably slow process of modernisation. It provides us with valuable breathing time.

Our second problem special to Saurashtra is that of shortage of skilled labour. This problem is very different from that existing in Ahmedabad. Since in every centre in Saurashtra, there are hardly one or two textile mills, there is always a shortage of skilled and efficient workers. In this respect, I wish to appeal to our trade union leaders to help us achieve quick rationalisation, because that will offset at least to a certain extent the shortage of skilled labour. Again whatever skilled labour is available is relatively less efficient and also mentally more lethargic as compared to that in Ahmedabad or Bombay. The only solution to this problem of the industry is to intensively train all the workers in an organised way while they are working on their machines. Such a training programme will break their inertia and make them mentally more active.

We have implemented the recommendations of the second wage board. May we now expect to receive a similar help from the trade unions in implementing agreements pertaining to rationalisation. May I request our trade union leaders in Saurashtra to be as broadminded and responsive as their counterparts in Ahmedabad. May I also suggest to my colleagues in industry to treat the problems of labour as important as those of modernisation. We should not forget that even most efficient and modern machinery cannot give satisfactory results if the workers remain discontented.

Similar is our next problem of obtaining adequate technical staff. Technically qualified people do not want to leave the centre of Ahmedabad and come to far away centres in Saurashtra. On this question, I can say only one thing that if we satisfy them from all angles, they would not leave us. We will have to satisfy them with regard to salary, housing, educational facilities for their children and last but not the least the security of their jobs and treatment meted out to them. Let us give them opportunities to show their worth and they will prefer to be with us.

Most of our units in Saurashtra suffer from insufficient financial resources. This is the case not only in Saurashtra but in most of the up-country units. If these financially weak moribund units have to be modernised, there is only one way out for the Government. Large and sufficient loans should be given to these units for renovation from Spinning to Packing. Small loans cannot give full results because textile process is a continuous process and the modernisation has also to

be from head to foot. There should be a holiday for first 5 years as a breathing period and thereafter it should be payable in 15 annual instalments. Thus the total period of loan should extend to 20 years. If an underdeveloped nation can expect to receive large loans from another developed country at a low rate of interests such as 3 to 4 per cent to be repaid in 20 to 30 years, we can surely expect similar consideration from our own Government for our crisis-ridden industry. I believe there is no other method available to us for modernisation. I hope our new Government will be bold enough to come to our assistance in this manner and receive grateful thanks from marginal units like ours in Saurashtra.

On the question of getting enough working capital to enable us to continue to remain in production, I would like to request the Government to direct the Banks to provide us with sufficient credit with less margins and lower rate of interest. This is a must for moribund units like ours which barely make two ends meet.

Since our mills are away from the main centres and are less modernised than those in Ahmedabad and Bombay, I would like to make a few suggestions:

Economy in all spheres is the only salvation for us. Obviously this economy should not be at the expense of quality and efficiency.

Our efforts should always be to have complete utilisation of the installed machinery which would be the only way to reduce overheads.

The programme of production should be in consonance with the quality of the equipment on hand.

Since the main wholesale centres are far away from our manufacturing centres, it would not be very easy for us to go in for fancy sorts in which case constant contact with our merchants is required. We should, therefore, as far as possible stick to standard sorts. Being away from sales centres, changes in production programme should not be abrupt and too often.

We should initiate a sales policy by which merchants concerned feel secured. This is very essential because day to day contact between the merchants and the mills is very little. We have to ensure that sales continuity is maintained.

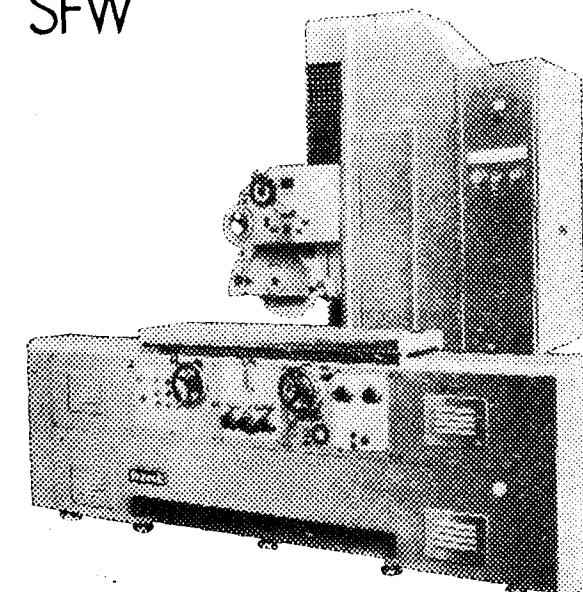
In spite of all that I have said earlier, I am an optimist. I believe that the future of this industry is not bleak as envisaged by some people. With a large domestic market, with a reasonable growth in population and with the improvement in the purchasing power of the people, there would be more and more demand for cloth. From this broad

point of view, I do not see any reason why we cannot take calculated risk in running this industry. However, we learn from our past experience that in spite of this scope for expansion, there does appear at regular intervals crisis in our industry. During such a period of crisis, the authorities hardly come to our help. On the contrary, off and on we are harassed and maligned. Hence, I wish to emphasise that the main job of the managements of our type of units is to somehow survive such a crisis. But, I regret to say that during this very period of crisis, the Government and the Banks take a very stiff attitude. Instead of coming to our assistance, they place many hurdles in our path. I, therefore, wish to urge the authorities to note that in spite of all our sincere efforts, it is not possible for the majority of our textile units to survive without their full support.

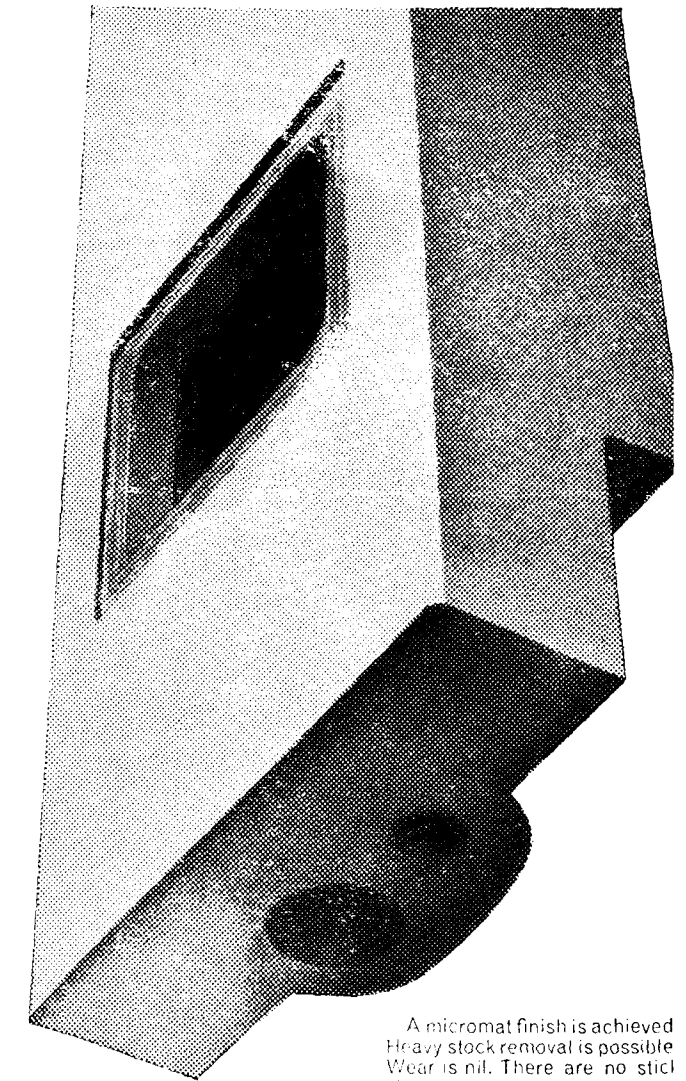
I have to make a fervent appeal to Government that this industry may not be subjected to further burdens at least for some time, so that, it can improve its health and expand to the advantage of the society at large. You all know that certain measures are in the offing which if implemented, would impose additional burdens on this vital industry. There is a talk of increasing the rate of provident fund from 8 per cent to 10 per cent. There is also a move to increase the rate of minimum bonus from 4 per cent to 8 per cent even for loss making mills. There is also a proposal to increase the rate of Additional Excise duty on cloth to meet the demands of States. Recently a plea has been made by some labour unions to curtail working hours in a week. All these would substantially increase the burden on the industry and put up price-level of this essential commodity. Can we not request the Government in all humility to postpone such measures to a future date when our industry has regained its health to bear such additional burdens.

In the end I have great pleasure to put on record my sense of gratitude to our Vice-President, Shri Kantilal K Sheth for his active co-operation extended to me in the discharge of my duties as the President of the Association. I also take this opportunity to express my gratefulness to all my esteemed colleagues on the Committee for the guidance and assistance given to me during my tenure of office. I also put on record the appreciation of the services given by our Secretary, Shri A P Shah. He has handled the problems with tact and initiative. I also thank the Assistant Secretary and the staff for the good and hard work that they have put in during the year.

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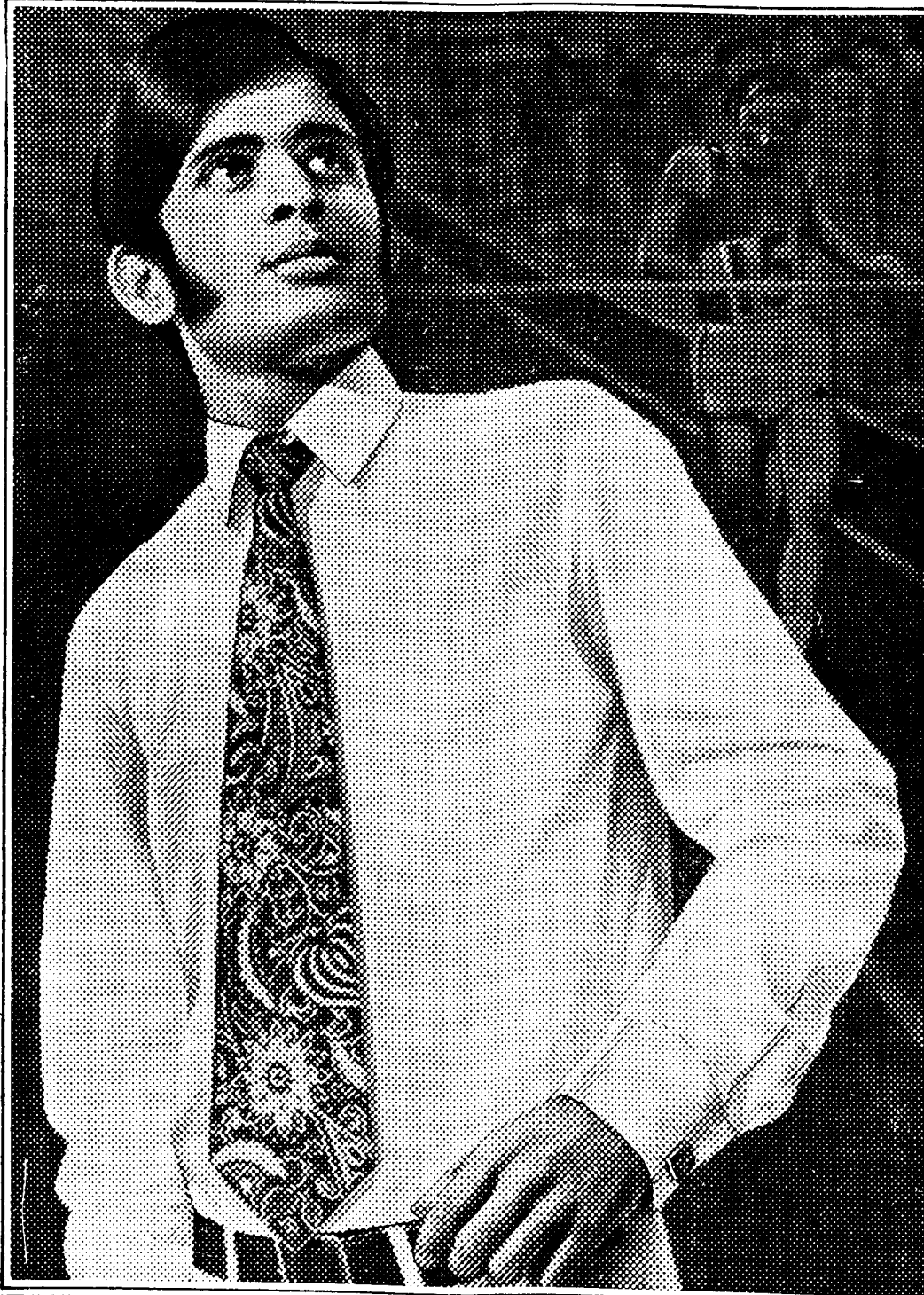
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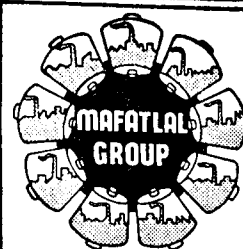


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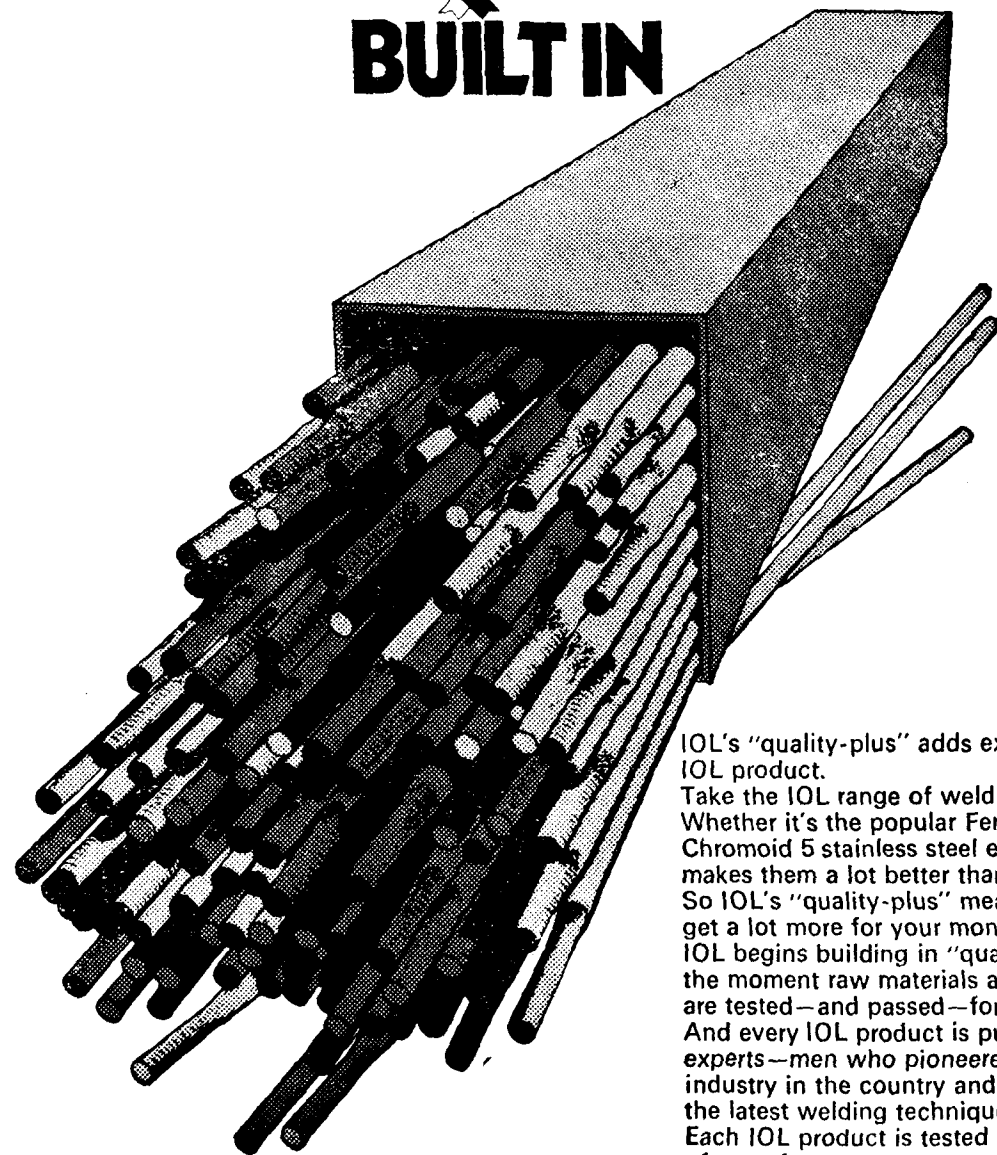
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End of a Myth?

WHILE the second instalment of changes in the Central Council of Ministers has been largely a matter of shuffling tweedledums and tweedledees, the same cannot be said about the decision to appoint a Cabinet Minister in charge of Planning. This portends a major change in the planning set-up — the first formal change of consequence since the appointment of the Commission two decades back (the much talked of reorganisation in 1967 having amounted to nothing more than a change of members).

When the Planning Commission was set up, the sole link between it and the Central Government was provided by Prime Minister Nehru who was also its nominal Chairman. While the Central Government remained fully responsible to Parliament in respect of all matters connected with the formulation and implementation of the plans, the responsibility for preparing the plans and for other matters spelt out in its terms of appointment was made over to the Planning Commission which was conceived of as an entity apart from and autonomous of the Central Government. The Prime Minister's chairmanship of the Commission was intended as much to provide a formal link between it and the Government as to secure political acceptance of the Commission and of the very idea of centrally-planned development. Over the years, however, more and more Ministers of the Central Government acquired membership of the Commission, till at one point in 1966 (when, incidentally, planning was in the process of being temporarily abandoned) Central Ministers constituted 7 of the Commission's 12 members.

Yet all through these changes the functions originally assigned to the Commission remained its and there was no other agency of Government specifically charged with the undertaking of these tasks. Now, for the first time, the tasks which were given to the Planning Commission have been formally assigned to the new Ministry of Planning. The Ministry of Planning under C Subramaniam is charged with, among other things, assessment of the country's material, capital and human resources, formulation of plans for the utilisation of these resources, determination of priorities and allocation of resources, deciding on the nature of the machinery necessary for implementing the plans and appraisal of their progress. The assigning of what have been the Planning Commission's functions to the Ministry of Planning understandably led to speculation that it was proposed to disband the Commission altogether and the Prime Minister felt called upon to deny that such was the intention of Government. The Prime Minister did not say what role was envisaged for the Planning Commission in the new set-up but it seems to have been assumed — perhaps correctly since it is difficult to conceive of two parallel agencies with exactly the same set of functions — that the Commission will henceforth have a considerably reduced status.

The question of the Planning Commission's status is relevant insofar as a change in it is likely to affect the quality of planning. Despite all evidence to the contrary, the theory of the Commission as an independent, non-political, expert body has evidently struck deep root. In fact, as mentioned above, what had happened was that, on the one hand, the shadow of the Government on the Commission lengthened through the influx of Ministers into its membership and of civil service bureaucrats into its secretariat and, on the other, the Commission itself began to function as a wing of the Government, taking part in the Government's day-to-day decision-making process, its representatives securing seats on Government committees, calling for files on administrative decisions and so on. The question to consider is whether this development was a perversion of the role and functioning of the Commission or whether it was not inevitable given the functions assigned to it. Were not the tasks allotted to the Commission so central to the functioning of the Government and so much a matter of political decision-making that the theory of an independent, non-political, expert body was bound to prove unworkable?

It has been suggested that while the basic decisions in regard to development are political, the Commission, once it gets political guidelines on these matters from the Government, ought to be able to go ahead and formulate a viable plan. But what would the political guidelines consist of? Will they refer only to the desired rate of growth of the economy and its various sectors, the rate of investment sought to be achieved, the relative emphasis to be placed on objectives like distribution of income and expansion of employment, or are not the very policies and measures by which these various objectives are achieved as much a matter of political decision-making and, therefore, part of the political guidelines to be provided by the Government to the Planning Commission? If this is conceded, then what remains is largely a technical exercise which can be quite plausibly performed by a competent technical body even

if it be part of the Government.

The myth of an independent Planning Commission has obscured the fact, which should have been obvious all along, that the real, and in fact only, underpinning that planning can have is the commitment to it of the political leadership which means, in effect, the Government of the day. The Government's commitment, or lack of it, may be the product of a complex of pressures from within the ruling party and from the wider political processes and interest groups in society. However, that it is this commitment which makes all the difference could be seen in the virtual demise of planning towards the end of the Third Plan when the Central Government under the late Lal Bahadur Shastri just simply lost interest in the whole business. Proof of a different kind may be seen in the sterility of the Planning Commission under the late D R Gadgil when it sought to assume independent postures *vis-a-vis* the Government on matters which belonged to the realm of political decision-making (e.g., nationalisation of banks, industrial licensing policy).

Of course, political authority in our federal set-up consists as much of the Governments in the States as of the one in New Delhi, though it needs to be realistically recognised that the kind of planning that has been envisaged in our Plans (if not what has been actually translated into action) assume a considerable degree of centralisation of economic decision-making. Thus, for instance, it is clearly incompatible with the handing over of powers of industrial licensing to State Governments. At the same time, the federal structure of the Constitution and the political system cannot be wished away either. But, here again, it is an oversimplification to assume that the difficult decisions that planning involves will be more readily accepted by the States if they can be seen to emerge from a supposedly independent body. The making and implementing of these decisions are basically a function of the ability of the political leadership, at the Centre and in the States, to arrive at a consensus through political processes. The experience with expert commissions on a variety of inter-State disputes, ranging from demarcation of boundaries to sharing out of river waters, has shown that this is how ultimately issues are decided. It is true that sometimes the verdict of an expert commission or committee may help political decision-making, but the disappearance of the myth of an in-

dependent Planning Commission does not preclude the appointment of such commissions to sort out specific issues of Centre-State or inter-State dispute.

The recognition that the functions which were originally assigned to the Planning Commission belong in fact to the Government does not render the Planning Commission obsolete for the simple reason that within the Government there do not exist the skills capable of translating the Government's planning decisions into a detailed development plan capable of implementation. True, the character and composition of the Commission will have to be somewhat different. There will be less need for 'public men', but the need for 'technical expertise' will be, if anything, greater. The Commission could then work as the instrument of the Planning Ministry which would have to be given the authority necessary to win acceptance for Plan programmes from the Central ministries, the State Governments as well as other agencies, in the private and public sectors, whose actions impinge on the implementation of the Plan.

It is far from clear that all the implications of the creation of the Ministry of Planning have been fully thought out. The worst of all possibilities, of course, is that this is just another piece of political manoeuvring directed against this or that leader or faction in the ruling party. There has been so much of politicking of this sort recently that on this score we need evidence of the Central political leadership's *bona fides*.

Industrial Finance

Keeping Everybody Happy

IS it just possible that the Ramanujam Committee on Term Loan Participation Arrangements did not see how urgent the resources problem of the term-lending institutions was becoming? Otherwise why should it have leaned over backwards to moderate its recommendation for raising the cost of term loans. In fact, the development banks are going to need large resources to match the swelling demand for long term credit.

The latest indications are that the IDBI, the nation's major development bank, needs resources in a big way. The assistance sanctioned by the bank on fiscal year basis (IDBI's accounting year ends in June) spurted by 59 per cent in 1970-71 to Rs 108 crores (Rs

68 crores in April 1969-March 1970) and disbursements, excluding guarantees, by 44 per cent to Rs 76 crores (Rs 53 crores). On current reckoning disbursements are likely to shoot up to Rs 105 crores during 1971-72. IDBI's direct loans to industry (other than export credit) are estimated to rise to Rs 25 crores in 1971-72 which will equal the peak figure touched in 1966-67; underwriting and direct subscription to equity are estimated to be of the order of Rs 7 crores, equal to the peak figure of 1966-67; export finance is expected to rise to Rs 16 crores against the peak of Rs 12 crores in 1970-71; and refinancing of industrial loans is estimated to be Rs 24 crores or just equal to the peak figure touched in 1965-66. In fact, disbursement of IDBI assistance in 1970-71 itself was a record, being Rs 14 crores more than the previous high of Rs 62 crores touched in 1966-67.

The point to note is that what at one time appeared to be a useful outlet for idle resources — even after IDBI stopped receiving allocations from the Central Budget — is now a major and essential activity. And, since 1969-70, the demand for funds from IDBI's other borrowers has picked up in a big way. In sum, the momentum and the initiative IDBI has built up in recent years — and here IDBI's forays into the field of promoting industrial activity in backward areas needs to be taken into account — must not be lost because of the resources constraint. It is just fortuitous that IDBI has got out of the Madan-line of being a mere provider of bulk capital to large private sector projects and is on the way to becoming an apex development bank.

The rub lies in getting resources. Available data show that IDBI needs during 1971-72 Rs 122 crores (Rs 88 crores): Rs 105 crores (Rs 76 crores) for disbursements, Rs 4 crores (Rs 72 lakhs) for repayment of loans to Government, Rs 11 crores (Rs 10 crores) for payment of interest on advances from Government and Reserve Bank and Rs 2 crores (Rs 2 crores) for other expenditure. Against this, IDBI would get in the shape of interest and commission income Rs 18 crores (Rs 12 crores), repayment by borrowers Rs 42 crores (Rs 36 crores), sales of investments Rs 2 crores (Rs 1 crore), additional share capital from Reserve Bank Rs 10 crores (Rs 10 crores), reduction in cash balances Rs 5 crores (Rs 5 crores) and debenture issue Rs 15 crores (nil). This leaves a balance of Rs 30 crores to be tapped from the Long Term Operations Fund of the Reserve Bank. Drawings

from the Fund amounted to Rs 24 crores in 1970-71.

It is significant that despite the proposed Rs 15-crore debenture issue, IDBI has to turn to the Reserve Bank for Rs 30 crores. Could not this resort be reduced? It is here that the Ramanujam Committee's recommendation that marketable term bills should be issued against term loans — at least against those loans which are "purely" commercial, presumably meaning thereby loans which are not subsidised. This would quicken the turn round of funds. But to make the bills marketable — and on the assumption that banks would want to subscribe to these instruments — the yield on the term bills would have to be higher than what banks charge on their short term advances (now 9.5 per cent to 13 per cent). The yield implication frightened the Ramanujam Committee into suggesting that since the bills would have a status like that of trustee securities, their yield could be kept down.

However, as noted, IDBI proposes to issue debentures. Since the debentures (IDBI's IOUs) would have trustee status, what status can be attributed to para-trustee bills which are IOUs of IDBI's borrowers? Clearly, the compromise visualised by the Ramanujam Committee (of bankers!) is unsatisfactory. At any rate, IDBI borrowings from the Reserve Bank cost somewhat more after the Bank rate hike of January. True, IDBI too jacked up its lending rate, but this covered only fresh disbursements. In the event, the spread between IDBI's resource cost and income has narrowed to less than 1.8 per cent. The spread will tend to narrow further because of IDBI's new role as provider of soft loans to backward areas. The alternatives (not mutually exclusive) to a squeeze on the ultimate viability of the nation's apex development bank would be increasing reliance on market funds at market rates of interest, a readjustment of non-concessional lending rates — currently these rates are not very "non-concessional", considering that IDBI's average rate of return on advances is well below 7 per cent — and concessional rates of interest on funds tapped from the Reserve Bank. A mix of the three alternatives should prove satisfactory in the short run with a distinct policy bias in favour of increasing reliance on market funds, if only because everyone of the promotional agencies for industrial development (from the Tariff Commission to the fiscal authorities) has added its bit to the pile of concessions to industry.

However, what is most likely is re-

sort to the soft option of keeping IDBI, and also its borrowers, happy with cheaper Reserve Bank funds without re-examining any of the basic premises.

Power

Part of Wider Syndrome

SOON after the formulation of the revised Fourth Plan, the Union Ministry of Irrigation and Power had complained that the outlay on power (Rs 2,448 crores) was inadequate. To support the 5.5 per cent rate of growth of the economy envisaged in the Plan, the growth of power generation capacity would have to be much larger. The Power Ministry had then predicted a net shortage of 1,721 mW by the end of the Plan — even assuming the evening out of regional shortages and surpluses through a national grid.

Power shortages could arise for a variety of reasons: shortage of hydel power because of rain failures, under-utilisation of thermal units for technical reasons, delays in completion of projects under execution, and failure of planning to provide for growth in consumption. Pockets of shortage could also arise despite adequacy within a region because of inadequate interconnection of transmission systems. All these factors appear to have contributed to the 'power famine' that seems to be looming ahead.

For instance, the current shortage in Punjab is the result of low water levels following insufficient rainfall. The shortage in West Bengal is due as much to the fact that the power base there rests mostly on less effective and comparatively more expensive coal from the washeries of the steel plants, leading to underutilisation of the thermal plants, as to the State's anxiety to squeeze maximum aid out of the Centre. There have been also delays in the commissioning of new projects, the reasons for which the Power Economy Committee was at pains to describe — delays in deliveries from HEC and BHEL, steel shortages, implementation difficulties as at Iddiki in Kerala and the two-year pause in planning. Lack of an overall fuel policy and timely decision-making have been as much responsible for the tardy expansion of power generation capacity as the more publicised lack of funds. For instance, though there has been much talk of the potential for development of atomic power in UP and Haryana, there is as yet no clear-cut idea of the alternative possibilities of hydel and atomic power or of the comparative costs.

Meanwhile, a major cause of regional shortages is, of course, the failure of

regional grids to develop as envisaged in the Third Plan. Inter-connected grids presuppose a commitment on the part of surplus systems to supply certain quantities of power over a period of time at a specified rate. States are understandably reluctant to accept such firm contractual arrangements. Power surplus States would rather press for new industries within their own borders. In any case, the States have been under no particular pressure from the Centre to make the effort. The Central Water and Power Commission at best plays an advisory role.

The State Electricity Boards, whose financial results have been uniformly poor, have been much criticised for mismanagement. Mismanagement there certainly is. But the SEBs suffer from many of the ills common to other public sector units as well. On the one hand, they are considered 'service' organisations and are expected to charge concessional rates below generation costs to various bulk consumers. Also, as monopolists in their respective States who are allowed overall 'cost-plus' price formulae, they are encouraged to proliferate overheads and inefficient management practices. Finally, even as they are responsible for power development and supply in the particular States, they have to obtain major investment funds from the Centre and use contractors to implement projects. As for the Centre, in the absence of a clear fuel policy, it has to more or less arbitrarily vet the schemes presented by the SEBs.

The report of the Fuel Policy Committee is expected within a year. It is over five years since the Energy Survey Committee reported, though without making any impact on government policies. Yet, both an integrated grid system and a national fuel policy are essential for optimal development of power generation. Also, far clearer Central responsibility and direction than have obtained so far.

Maharashtra

Cloud over the Miracle

MAHARASHTRA is, by common consent, accepted as one of the States which have registered the most impressive performance in economic development. May 1 marked the completion of 10 years since the formation of unilingual Maharashtra. The State Government has put out an economic review of these years along with the State budget for 1971-72. The review reveals certain interesting features about the economic performance of the State during this period, referred to by the Government as 'a de-

cade of development'.

Per capita income (at constant prices) in the State increased from Rs 409 in 1960-61 to Rs 410.80 in 1968-69 or by 0.4 per cent. During the same period national per capita income increased by 4.9 per cent from Rs 306.40 to Rs 321.40. Moreover, except in 1968-69 in all the intermediate years since 1960-61 per capita income in Maharashtra was below the 1960-61 level of Rs 409. Per capita income in the State on average for the years 1961-62 to 1968-69 worked out at Rs 401 against the level of Rs 409 in 1960-61. The comparable figure for the country as a whole comes to Rs 315.20 against Rs 306.40 in 1960-61.

According to NSS data for the State, per capita rural consumption in 1960-61 was Rs 18.05 and consumption of about two-thirds of the rural population was below this level. Data for 1969-70 place per capita rural consumption at Rs 32.71 with the same proportion, two-thirds, of the rural population below this level. To realise the full import of these figures, it has to be noted that they are in current prices and that the price increase in the commodities relevant for this section of the population (foodgrains, fuel and such other necessities) during this period has been 100 per cent. In other words, per capita rural consumption in 1969-70 in terms of 1960-61 prices works out at Rs 16.35 against Rs 18.05

of 1960-61, suggesting that there has been actually a lowering of the level of per capita consumption in the rural areas. In 1960-61, two-thirds of the rural population consumed less than Rs 18.05; the proportion of the population below this level (in real terms) had evidently gone up sharply by 1969-70.

Despite many bold pronouncements by the Government and substantial investment in agriculture, growth of production of foodgrains in the State does not appear to have been at all satisfactory. Production of foodgrains in the State averaged at 6.15 million tonnes during the five-year period 1955-56 to 1959-60; the figure rose to 6.87 million tonnes during 1960-61 to 1964-65 but again declined to 6.15 million tonnes during 1965-66 to 1969-70. Average annual production of cash crops for the above three five-year periods was 1.76, 2.17 and 2.05 million tonnes, respectively.

Finally, average daily factory employment was 21 per thousand of population in 1960-61 which came down to 19.7 per thousand by 1968-69. During the same period, the all-India figure remained unchanged at 9 per thousand. The reduction in the figure for Maharashtra could mean (i) relatively lower industrial growth; (ii) increase in capital intensity of industries; or (iii) relative increase in labour productivity. Which of these is the most likely explanation?

to be accorded to small-scale units to be set up in backward areas in the matter of import of capital equipment and raw materials. Similarly, special facilities are to be given to qualified engineers and Indians resident abroad who wish to import machinery with their own funds for setting up industries. Then again, engineering units which have closed down in West Bengal are to be allowed liberal import of raw materials.

A total of 170 items have been added to the banned list, compared to 159 added last year. These include certain types of ball bearings, machine-tools, textile machinery accessories and drugs and medicines. Few of the items are totally new to the list. Industrial growth in the last few years has essentially taken the form of diversification and this is reflected in the banning of wider size- and category-ranges of products.

With the progressive canalisation of imports through public sector agencies, the bias introduced some time ago in official policy in favour of actual users and against established importers is being reversed. The State Trading Corporation, the MMTC and now the Cotton Corporation have emerged as merchant importers, albeit in the public sector. Of course, canalisation doesn't mean the same thing in all cases. In cotton, for instance, even after the so-called canalisation, the mills remain free to nominate private importers to negotiate for and effect imports on their behalf. The claim that 70 per cent of import trade is channelled through the public sector thus needs to be heavily discounted.

The other issue raised by canalisation is that of the pricing of imported items. Most imported materials command large premiums over their c i f prices either because these prices are much lower than those of indigenously produced substitutes or because, in spite of the recent liberalisation of imports, shortages persist. One way of mopping up these premiums would be through stiff import duties. However, in the case of many items imported through government agencies, the mopping up is being left to the pricing decisions of the agencies concerned and there is room for doubt whether the excess premiums are being effectively siphoned off without their getting dissipated in supporting the administrative paraphernalia of the agencies.

On the whole what the new policy amounts to is a further extension of the policy of allowing liberal maintenance imports, initiated in the wake of the devaluation in 1966. It is not difficult to

see what are the props on which this policy rests. One is the failure of investment, in both the public and private sectors, to pick up. This has kept down the demand for imports of capital goods. The other is the accent on non-project aid to finance maintenance imports in the Government's approach to seeking aid. The edifice of liberal imports built on these props could be seriously disturbed by an upturn in fresh investment in the economy.

Banks

Deposits in Suspense

A Correspondent writes :

WHAT has been the precise order of growth of bank deposits? According to available data, deposits increased by Rs 392 crores between the end of October 1970 and April 16, 1971. Yet it is just possible that deposit expansion was more than is suggested by these figures. Consider the facts. During this period, bank credit expanded by Rs 436 crores and investments — in government securities and other authorised paper — by Rs 109 crores. These changes, adding up to Rs 545 crores, could not have been backed by just Rs 392 crores of additional deposits. At October-end banks just had no liquidity cushion to run down — that is to say, they had no unutilised deposits. Further, whatever cushion banks had just vanished on January 29 when the liquidity ratio was raised. The incremental deposits were, therefore, supported by an increase in borrowings from the Reserve Bank of Rs 74 crores and a reduction in cash and balances by Rs 4 crores. All these add up to Rs 470 crores. Even if the reduction in money at call and short notice (Rs 23 crores) is added to this, the unbridged gap (between resources and credit expansion) works out to Rs 52 crores.

Could it be that deposits of this order have gone unreported? While not ruling out the possibility of the injection of Cooley funds (PL 480 funds for the private sector) through the American banks as a factor which might have caused a statistical distortion, a simple and plausible explanation for under-reporting of deposits is perhaps that a sizeable chunk of deposits remains in transit and, therefore, goes unreported. This phenomenon has been noticed in the State Bank's returns for years, and now, one suspects, has radiated to the nationalised banks, which together with the State Bank account for 85 per cent of the deposits of the banking system.

The question is why such large funds remain in transit? Evidently, there are sizeable cross hauls of deposits. It will be recalled that during the agitation by bankmen in Calcutta and eastern India there had been similar transfer of deposits, to Delhi in particular. Hindustan Steel alone was reported to have moved crores of rupees to the north and this had led to under-reporting of deposit growth in 1969. But during the current busy season there has been no such reason for cross hauls. It would be too facile to suggest that the policy of opening 150 branches a month has led to fragmentation of deposits. Though such fragmentation did take place, it is unlikely to be of a magnitude to explain away the Rs 52 crores of deposits in suspense.

Bank Branches

Not Enough Clustering

ONE consequence of rapid branch expansion — a laudable achievement in itself — has been the high level of cash balances banks have maintained during the current year. Thus, on March 19, the banking system's cash balance at Rs 368 crores were Rs 20 crores higher than at the end of October 1970. As a percentage of additional deposits, the incremental cash balances worked out to 7 per cent. True, higher liquidity requirements compelled banks to push up liquid assets, but for this banks relied on authorised investments. Why did they lock up funds in idle cash? The answer lies probably in the rapid branch expansion and, even more perhaps, in the random pattern of branch expansion.

A look at the location of new branches opened will show that banks have had to scatter their branches all over the country with little apparent logic. Where branches of a bank are not in a cluster in a region, a random minimum of till money has had to be maintained in every new branch irrespective of actual requirements which just could not be gauged for want of experience.

A few examples would suffice to illustrate the scattering of bank branches. In Singhbhum, Bihar, Canara Bank has a branch each in Jamshedpur and Chakradharpur, Bank of India two in Jamshedpur and one in Chaibasa, Bank of Baroda two in Jamshedpur and one in Chakulia. Or take East Godavari in Andhra Pradesh: Bank of Baroda has a branch each in Kakinada and in Yaditha.

In their zeal to ensure competition and equity in the matter of sharing out of the relatively developed and back-

ward centres, the authorities have compelled Canara and Bank of India in Jamshedpur to farm out into Chakradharpur and Chakulia. True, Jamshedpur is a major town in Bihar and a lucrative business centre. Nor is it being suggested that there are no worse places than Chakradharpur and Chakulia. But what are these basically western Indian banks doing there? Those centres should have gone to United Bank or United Commercial — in case the authorities did not want to stretch the resources of the State or Central Bank. Similarly, is the branch in Yaditha the price that the Bank of Baroda has had to pay for an office in Kakinada, a major town of East Godavari district?

Is it likely that the idea of fostering competition among the banks, especially the nationalised banks, has been carried a little too far? The case for competition in metropolitan cities and the larger towns — the biggest deposit and advances centres — is unquestioned, but need the principle be extended with the same vigour to backward rural areas which are being opened up to banking for the first time? Indeed, the lead bank scheme for developing the backward areas recognises the importance of co-ordination of the banks' operations. Such co-ordination — of which there has been little, if any, evidence so far — is best assured when there are in a district two or three banks, each with a reasonably large number of branches, and not with as many as seven or eight banks, some of them with no more than one or two branches. From the point of view of the operations of individual banks, the scattering of branches, of the type that has already occurred, creates frightening problems of administrative and resource control — especially as the galloping expansion of branches since nationalisation has not been accompanied in most banks by efforts to adapt the organisational structure to this development and to strengthen communication and control systems.

This is not, of course, an argument against asking banks to branch out into new areas. Such branching out is necessary to ensure the development of banking facilities in States and regions, particularly in the north and the north-east, where in the past banking had failed to take root. Nor can the entire burden be heaped on the State Bank or even the next one or two biggest banks. But without giving up its policy of pushing banks into backward areas, the Reserve Bank clearly needs to be guided in this matter by some norms of optimal clustering of branches.

BUSINESS

Traditional Thinking

THE Union Minister for Foreign Trade, L N Mishra, thought it necessary to go on the air to explain the export-import policy for 1971-72. "The new import and export policies", he told listeners, "will mark a new step towards the achievement of the economic and social goals for which we have received a massive mandate from the people." But despite this laboured attempt to dress it up, the new export-import policy announcement is not distinguished by any important departures from traditional thinking.

In the first place, though the announcement is supposed to cover both imports and exports, it says precious little about the latter, except for making some further liberalisation in exporters' access to imports. This is understandable since other forms of assistance to exporters, like export duty cut, tax rebate or cash subsidy, fall within the purview of the Finance Min-

istry. This compartmentalisation is typical of official thinking and action on economic policy issues. In this instance, it explains why import entitlements in one form or the other have come to be such an important part of export promotion policies.

The import policy is the usual mixture: a few items have been added to the banned list, reflecting the progress of diversification of indigenous industry; a number of others have been reserved for import exclusively through public sector agencies, no doubt to demonstrate the earnestness of the Government's pursuit of socialist goals; small-scale industries have been allowed a 50 per cent across the board increase in non-ferrous metal import quotas; finally, as mentioned earlier, some more concessions have been given to industrial units achieving certain minimum levels of exports. In addition, a few frills have been added. Preferential treatment is

THE sudden passing away of Dhananjaya Ramchandra Gadgil brings to an end a long, purposeful, devoted, and distinguished life. There is something remarkable in the way he began and persevered. His entire university education took place in England. After appearing for the Senior Cambridge examination at Nagpur in 1916 and after waiting for two years because of the War, he went to Cambridge in 1918. There, having passed History Tripos Part I in 1920 and Economics Tripos Part II in 1921, he obtained the BA degree in 1921. The newly instituted M Litt degree required two years of research — for which he registered in 1921, worked under the guidance of Henderson, and submitted his thesis in 1923. The subject of his thesis was Industrial Evolution in India which was published by the Oxford University Press soon afterwards in 1924. If he had intended to, he could have continued to live abroad and make an academic career there. But evidently he yearned to return home. Even while at Cambridge, he published in Marathi an article on the conditions of Indian merchant seamen in England (*Kesari*, 1923). He returned to India in July 1923, immediately after submitting his thesis and thereafter he made no effort to maintain the bridge or to work for an academic reputation abroad.

INFLUENCE OF TILAK

We do not know what influences moulded him in his young and formative years. But, I believe, that he was greatly influenced by the work, teachings, and approach to life, of Tilak. I know of his reading Tilak's "Geeta Rahasya", and I remember his having mentioned that Tilak was a close friend of and a frequent visitor to the house at Nasik of Gadgil's maternal grandfather Balasaheb Pendse. Gadgil himself spent many days with his maternal grandfather. The dominant personality of Tilak could not but have made a deep impression on him at that young age.

During the five years he was at Cambridge, viz, from 1918 to 1923, Gadgil must have watched with dismay the political decline and final exit of Tilak and the rise of Gandhi. I suspect that he did not have much sympathy for Gandhi, his thought and ways. He regarded Gandhian thought as essentially anti-intellectual and had little appreciation of the mass movement which Gandhi launched. Therefore, when he

wrote on the Gandhian programme, he confined himself strictly to its economic aspects. It was only in 1960 that he wrote a detailed appreciation of Gandhi's thought and work in a long article entitled 'Bharat and Maharashtra' (*Maharashtra Jeevan*, 1960). I venture to suggest that he could not have written an equally balanced appreciation while Gandhi was alive. Here I should make it clear that Gadgil had little sympathy for the established Brahmin leadership in the educational and political fields in Maharashtra which continued to wield power in the name of Tilak. He was often shocked at the insensitivity to surroundings that this leadership showed. After the anti-Brahmin riots in Maharashtra following the assassination of Gandhi, he wrote on this subject and offered advice on what he believed should be the future policy and course of action of the Brahmins in Maharashtra (*Sahyadri*, 1948).

While at Cambridge, he might have come in contact with other young Indians with pronounced political leanings. But, so far as I know, he never had any explicit political affiliations. Nevertheless, there is little doubt that, when he returned home, he was strongly motivated and harboured a deep-rooted commitment to his country.

Immediately after his return, he began writing on the Indian economic situation and problems, especially in Marathi. He wrote on the land revenue system in Bombay Presidency. During these initial years he was also apparently making an attempt to develop Indian economics. Soon after his return, he wrote an article on Indian Economics and followed it up with a series of articles on the subject. All this was in Marathi; few Indian economists have addressed themselves to lay audiences at so young an age.

Gadgil accepted an appointment in the Finance Department of the Government of Bombay as Acting Additional Assistant Secretary, which he held for barely one year (1924-25). Then began the long academic career. He was Principal of M T B College, Surat, for five years (1925-30) and then became the First Director of the Gokhale Institute of Politics and Economics, Poona, which was founded by his father-in-law, the late Rao Bahadur R R Kale of Satara. In spite of numerous opportunities, he never left the Institute and remained its Director for the full tenure until March 1966 — when he completed 65

years and duly retired. On his retirement, he was appointed Professor Emeritus in the Institute and continued to work regularly at his desk at the Institute until he left to join the Planning Commission on September 1, 1967. After leaving the Planning Commission on May 1, 1971, he intended to return to his desk at the Institute — and had informed me accordingly.

Gadgil thus leaves behind an uninterrupted academic career of over 40 years. I think this is unmatched by any other Indian academician who has had comparable opportunities for deserting the academic life and joining either the administration or politics. In the course of this long career, he naturally filled all the positions normal to an academician of his rank. He was, for instance, elected President of the Indian Economic Association in 1940 and the Conference President of the Indian Society of Agricultural Economics in 1954.

INTEREST IN EDUCATION

Gadgil was deeply interested in the organisation and administration of university education. He acquired first-hand experience in this matter at a very young age when he was Principal of the M T B College at Surat. He was a member of the Senate and a Fellow of the University of Bombay from 1927 to 1952. He was also a member of the Senate and Syndicate of the SNDT Women's University (1931-40). He played an important role in the formation and establishment of Poona University and later in its organisation and administration. After Poona University was established, he became a member of its Executive Council (1949-58). He met with considerable opposition to his ideas on organised university teaching within the Poona area. Finally, when he found that his ideas were not being accepted, he ceased to take active interest in the affairs of the University until he was obliged to accept its Vice-Chancellorship in 1966. In the meantime, seeing that more regional universities were bound to spring up, he devoted thought to the organisation of university teaching in Maharashtra (*Kesari*, 1962). He argued, from the very beginning, for regional languages as the media of instruction at all levels — including university education.

His interest in education was not confined to university education; it went down to secondary and primary education as well. In 1945, he investigated the problem of Lapse into Illiteracy in primary education and reported on it to the Government of Bombay (Gokhale Institute, 1955). He was also for some time Chairman of the Regional Library Committee and wrote on the library development in Bombay Province (1943).

PERIOD OF EXPLORATION

The period from 1925 to 1940 was, for Gadgil as an economist, the period of probing and exploration. He had made his basic choice in 1930 by agreeing to become the first Director of the Gokhale Institute of Politics and Economics. The objectives of the Gokhale Institute, as formulated in the Trust, in which Gadgil surely had a hand, were to study current political and economic problems of the country. He therefore eschewed economic theory and directed his attention to collecting and studying facts relating to various aspects of the functioning of the Indian economy. Thus some of his earliest publications from the Institute are: "A Survey of Fruit Marketing" (1933), "A Survey of Motor Bus Transportation" (1935), and "A Survey of Farm Business" (1940). By 1940 he had completed the surveys of Poona and Sholapur cities.

His membership of the Bombay Textile Labour Enquiry Committee (1937-40) was probably his first major committee work, and he overworked himself on its report. He formulated and put forward his own thinking on 'Regulation of Wages and Other Problems of Industrial Labour in India' in the Banaili lectures he delivered at Patna University in 1940 (Gokhale Institute, 1943, 1945, 1954). In these lectures, he also expressed his doubts about the concept of a perfect market and the functioning of a competitive economy. These doubts persisted throughout his later work.

Another subject of somewhat intermittent interest first occupied him when he became Chairman of the sub-committee on Transport Services of the National Planning Committee (1939-49). He wrote on 'Rail Road Co-ordination with Special Reference to Rates Policy' (*Indian Journal of Economics*, 1946) and also submitted a note on "Nationalisation of Road Transport" to the All-India Motor Unions Transport Enquiry Committee (1947). Later he wrote on the "Problems of Transport Co-ordina-

tion". He was a member of the Transport Policy (Reconstruction) Committee, Government of India (1943-45).

Two subjects, which proved to be of sustained and enduring interest to him, were presented to him when the first Congress governments were established in the provinces in 1937. These governments embarked on a wide range of reform legislation. The Government of Bombay concentrated on two important aspects of the rural situation: tenancy and indebtedness. Gadgil wrote a number of articles on these subjects in the *Servant of India*. He also wrote an interesting note on 'Agricultural Rent' (*Indian Society of Agricultural Economics, Proceedings*, 1941), where he expressed his doubts on the functioning of a perfect competitive market economy, and he wrote an article on 'Problems of Rural Life' (*Annals of the American Academy of Political and Social Sciences*, 1944). He formulated and put forward his thinking on the problem of tenancy and land reform in his Presidential Address to the Conference of the Indian Society of Agricultural Economics (1954), and submitted a general note on 'Land Reforms in Independent India' to the Planning Commission in 1958. When the ceilings on landholdings legislation was passed, he viewed the principle rather critically and wrote on the subject. The other aspect of the rural situation which he touched upon in 1938-39 — viz, the problems of rural indebtedness — proved of even more enduring interest to him, in due course, he fashioned a system of co-operative rural credit which caused a fundamental revolution in rural banking in the country. I shall presently return to this major field of his activity and contribution.

After the Bengal famine, the Bombay Government became concerned and introduced a scheme of voluntary levy for the 1943-44 agricultural season. Gadgil was then conducting a detailed socio-economic investigation in Wai taluka of Satara district and received disturbing reports regarding the working of the scheme. He therefore wrote a detailed note criticising the voluntary levy and suggesting instead a scheme of compulsory levy. He sent the note to H F Knight who was then adviser-in-charge. Knight discussed the scheme with him and asked him to demonstrate that it was acceptable by discussing the same with the advisory body in Satara. After this was done, the scheme was accepted and Gadgil became a member of the Provincial Food and Commodity Advisory Board, Bombay (1943-50).

During the short period of decontrol, he warned Government on 'Post-Decontrol Price-Rise' (September 1948). He dwelt on the subject in a foreword to "Post-War Inflation in India" by Sovani (Gokhale Institute 1949). The following a long period of recontrol, drift, and hesitation. He was deeply disturbed by the manner in which the entire control apparatus was dismantled between 1952-54. He was already viewing the situation as one of a rise in all commodity prices. He presided over an Anti-Price-Rise Conference in Poona, and later submitted a number of notes to Government, including one on 'Price Policy' (August 1960), which was discussed for long by the Planning Commission but was not accepted because of the opposite of the Ministry of Food which had decided to rely entirely on the American food aid under PL 480. Gadgil did not approve of the excessive and indiscriminate food imports which Government was resorting to to keep the food prices down, and he protested. He regarded price stability as an essential condition for planning, complained that Government's efforts to control prices were both inadequate and unrealistic, and formulated his concept of a 'national price strategy'.

FAITHFUL COMMITTEE-MAN

In 1964, when the food situation worsened and went out of control, the Government of Maharashtra sought his advice and Gadgil stepped in with energy and purpose. He fashioned the monopoly purchase scheme for the Government of Maharashtra and advocated it for general application. In the next two years, he wrote a number of articles on the subject. Finally, in 1966, he became a member of the Foodgrains Policy Committee of the Government of India. The report of this Committee does not truly represent his position on the subject, and I believe that he compromised his position in many important respects. This was characteristic of him. He was a faithful 'committee-man' and insisted on having a unanimous report. In spite of his strong views on many subjects, I suppose, he never wrote a minute of dissent.

Before I proceed to Gadgil's thinking on other questions of economic policy and development, I would like to make a small diversion to describe his activities in relation to the constitution-making and organisation of the linguistic States in India. Though this may be a diversion in this narrative, I should also make it clear that, for Gadgil, it was no diversion at all.

The issues he discussed in this context were central to his own personality and to his concept of the 'personality of India'. Soon after the Cripps' Mission, Gadgil wrote his "Federating India" (Gokhale Institute, 1945) and duly became a member of the Expert Committee on constitution-making of the Indian National Congress (1946). While working on this Committee, he wrote on the 'Scope of Union Subjects' (*India Quarterly*, 1946) and also issued a statement 'Calling the Indian Union a Hindu State' (October 1947). He put forward his total thinking on the Indian constitution in his "Federal Problem in India" (Gokhale Institute, 1947) and "Some Observations on the Draft Constitution" (Gokhale Institute, 1948). After the Constitution was adopted, he questioned whether it was a federal constitution (*Kesari*, 1950). He also devoted much thought to the national language question and, at his instance, Poona University convened the Indian Language Development Conference (May 1953).

PROBLEMS OF MAHARASHTRA

As part of the same endeavour, he worked for the establishment of the linguistic State of Maharashtra; he did not think this to be a parochial activity but an effort to build a constitutional structure which, in his judgment, was the most appropriate to the development of the Indian personality. The subject was near to his heart long before Independence. Back in 1928, he had indicated the boundaries of a united Maharashtra on the basis of the 1921 Census of population and had argued why Maharashtra should be a united province. With the establishment of the Samyukta Maharashtra Parishad, he became its member (1946-1960) and Chairman of its Drafting Committee (1954-55). On behalf of the Parishad, he issued a number of pamphlets. He drafted the representation submitted by the Parishad to the Dhar Commission in 1948, and actively prepared the memorandum submitted to the State Reorganisation Commission on behalf of the Parishad in 1954.

If charity should begin at home, Gadgil firmly believed that public activity should also begin at home; he had no opinion of a rootless 'national' leadership. Consequently, from the beginning of his public life, he associated himself with the problems of the immediate neighbourhood. He was Chairman of a Committee to inquire into reorganisation of Poona Municipal Affairs (1939). He wrote on 'Housing and

Slums in Poona' (*Economic Weekly*, 1959; also *Kesari*, 1961). When Poona city was affected by the Panshet Dam Disaster, he convened the Poona Rehabilitation Conference (1960) and commented on the Bill to create a Poona Flood Authority. It was out of the deliberations of this conference that — again at his initiative — the Poona Metropolitan Study Group was formed which in turn was partly responsible for the appointment, under his chairmanship, of the Bombay-Panvel and Poona Regional Planning Committee (1966). He was President of the Deccan Agricultural Association since 1952. This is a non-official organisation and Gadgil used its forum to place before Government the point of view of the agriculturists on many important issues.

Gadgil took continuous and keen interest in the economic development of Maharashtra. He was President of the Maharashtra Industrial and Commercial Conference (1956) and later of the Maharashtra Economic Development Council (1957-60). On behalf of this Council, he submitted to the Government of the then bilingual Bombay State, a memorandum on the 'Economic and Industrial Development of the Marathi-Speaking Districts' (1957). He also outlined a plan for economic development of Maharashtra. After the establishment of the linguistic State of Maharashtra, he became a member of the Maharashtra State Plan Consultative Committee (1960) and was Chairman of its Sub-Committee on Agricultural Labour (1960-61). He devoted special attention to the irrigation problems in Maharashtra. This began with his pioneering study "Economic Effects of Irrigation" (Gokhale Institute, 1948), which is an investigation into the direct and indirect benefits of the Godavari and Pravara Canals, conducted in 1939-40, the report of which was submitted to the Bombay Government in 1942. Subsequently, he wrote 'A Note on the Report of the Cabinet Sub-Committee to Improve the Financial Position of Major Irrigation Works in the Province of Bombay' (February 1949). He presented a paper on 'Problems Presented by an Investigation of the Economic Effects of Irrigation and Power Projects' to a symposium on the subject in Delhi in September 1953. He was a member of the Maharashtra Irrigation Commission (1960-62). He took active interest in the problem of inter-State distribution of the Krishna and Godavari waters and submitted a note to the Gulhati Commission on 'Irrigated Agriculture in Maharashtra' (August 1962).

The pre-eminent position which Gadgil occupied in the field of co-operation had behind it years of patient work at the grass-roots level. I have already referred to his keen interest in the problem of rural indebtedness and the debt-relief legislation of the Government of Bombay (1938-39). He actively pursued this interest ever since. He was a member of the Poona District Central Co-operative Bank (1937-42, 1946-48) and its Chairman towards the end of the period (1947-48). He was Chairman of the Poona District Purchase and Sale Union (1945-50) and he then submitted a note to Government on 'Basic Issues in View of the Government's Policy of Canalising Trade in Essential Commodities, especially in the Rural Areas, into Co-operative Channels'. In this, I suppose, appears for the first time his concept of regulated distribution of all essential consumer goods through co-operative channels. He was Chairman of the Agricultural Finance Sub-Committee of the Agricultural Policy Committee of the Government of India (1944-45). In this report, Gadgil systematically formulated his ideas on co-operative rural credit. In 1947-48, he actively formulated detailed proposals for the reorganisation of co-operative credit and, in 1949, drafted the crop-loan policy resolution for the Board of the Bombay State Co-operative Bank. It was the experience with the working of the new policy that enabled him to substantiate and elaborate it in the Report of the Rural Credit Survey of the Reserve Bank — of the Committee of Direction of which he was a member (1951-54). This report constitutes the manifesto of the revolution in rural banking that has occurred since then.

FROM BOTTOM UPWARDS

Gadgil's contribution to the co-operative movement in India is even bolder in the field of agricultural processing. In this field, he led the movement by establishing the first successful co-operative sugar factory and was its first Chairman (Pravaranagar Co-operative Sugar Factory, 1949-60). Afterwards, a large number of co-operative sugar factories sprang up in Maharashtra, and later, all over the country along the lines he had laid down.

Gadgil in fact worked from bottom upwards, and had unrivalled experience and knowledge in the field of co-operation. He summed it up in his Brij Narain Memorial Lectures, delivered at Punjab University which have been published ("Towards a Co-opera-

tive Commonwealth", Punjab University, 1961). Throughout this long and sustained effort, his senior colleague was the late Vaikunth Lallubhai Mehta whom he held in the highest regard and esteem.

He was closely associated with Vaikunth Mehta in yet another field, viz, village and small-scale industries. He has an early note on the subject of 'Common Production Plans for Hand and Machine Sectors in an Industry' prepared, I suppose, for Government; it is clear that, though he was concerned about the survival of the village and hand industries, he never visualised the development of these industries to the exclusion of the modern and mechanised sector. He helped in the formulation of a framework of rational policy in this field in the report of the Village and Small-Scale Industries (Second Five-Year Plan) Committee of which he was a member (1955). However, the implementation of these policies was left largely to the Khadi and Village Industries Commission, and Gadgil was not entirely happy with the policies and functioning of that Commission. In 1962, he became a member of the Rural Industries Planning Committee of the Planning Commission and there, I believe, expressed himself accordingly. He thought in terms of a common production programme for the village industries and the modern and mechanised industries, and in terms of developing an intermediate technology. On the latter point, he expressed himself in 'Intermediate Technology: Why and How?' (Working Paper: Seminar on Fourth Plan, Institute of Gandhian Studies, Varanasi, 1965).

HIGH HOPES OF GRAMDAN

Gadgil regarded Gandhian thought to be anti-intellectual and, therefore, did not have much sympathy for it. Nevertheless, it seems to me that one peculiar quality of Gandhian thought — viz, its being close to the ground and people — did attract Gadgil; whenever he had an opportunity to examine any aspect of it on a rational basis, he went a long way and tried to formulate it as best he could. He got such an opportunity in the case of Gandhian thought on village and hand industries because of a close association with Vaikunth Mehta and later also with Annasaheb Sahasrabudhe. However, in spite of this close association, I am afraid, the gap between Gadgil's approach to this problem and the policies and programmes of the Khadi Commission remained wide. This became evident in the negotiations between the Planning Com-

mission and the Khadi Commission during the formulation of the Fourth Plan.

He devoted some attention to some other aspects of Gandhian thought as well, because when Vinoba took over the leadership of this thought, he found in Vinoba an intellectual and rational exponent of Gandhian thought. He wrote on 'Gramdan—Implications and Possibilities' (*Indian Journal of Agricultural Economics*, 1957) and touched upon the subject in his Presidential Address to the Agricultural Economics Conference (1964). It is obvious that he placed much greater value on the Gramdan than on the Bhoodan movement because of the former's inherent potentiality to reorganise the agrarian structure fundamentally. He had considerable expectations of the Bhoodan and Gramdan movements, and spent some time in Koraput to see how the movement could be given an effective organisation. He was rather disappointed because of the refusal of the Bhoodan workers to see the need and the importance of formal organisations for consolidating the gains of that movement. He believed that, here too, the organisation would have to be appropriate co-operatives.

Let me now turn to his long association with the Reserve Bank of India. He became a member of the Bombay Area Committee of the Bank in 1941, then a member of its Western Area Local Board (1942-52), and finally a member of its Central Board of Directors (1952-62). When, following the Report of the Rural Credit Survey, the State Bank of India came to be established, he also became a member of its Board of Directors. In spite of this long association, he has not written much on fiscal and monetary policy.

Finally, I should come to Gadgil's interest in planning and his association with the planning in India. Here, too, Gadgil began, I believe, much before most others in India and, quite characteristically, at the bottom. He was a member of Sangli State (a princely state) Economic Development Committee (1940-41), a member of the Bombay Provincial Rural Development Board (1943-46), President of Phaltan State (another princely state) Reconstruction Committee (1944-45), and Chairman of Kolhapur State (another princely state) Development Committee (1945-46). In the pre-Independence days, he was also a member of the Consultative Committee of Economists (1942-47) and was a signa-

tory to the "Manifesto by Indian Economists on the Present Economic Policy of the Government of India" (1942). He did not view the First Five-Year Plan very favourably and thought of it as no more than a list of schemes and projects. At the beginning of the preparation of the Second Five-Year Plan, Government appointed an Economists' Panel. Gadgil was its member (1955) and later became its Vice-Chairman (1959). For the Panel, he prepared his basic paper on 'Policy Decisions in Plan-Making' and a number of other notes on various subjects some of which are published in the collection of his writings, "Planning and Economic Policy in India" (Gokhale Institute, 1961, 1962, 1965). After the publication of the Second Five-Year Plan, he wrote on its 'Prospects' (*India Quarterly*, 1957), and 'On Rephrasing the Second Five-Year Plan' (*Indian Economic Journal*, 1958). As is well known, he was not entirely happy about the functioning of the Planning Commission and the process of plan-making. He covered the subject in the Laski Memorial Lecture he delivered at the Harold Laski Institute of Political Science, Ahmedabad, the title being 'Indian Planning and the Planning Commission' (1958). Hoping that the preparation of the Third Five-Year Plan would be better, he wrote a note on 'Approach to the Third Five-Year Plan' for the Economists' Panel (1959).

DISTRICT-LEVEL PLANNING

During much of the Third Plan period, Gadgil devoted attention to the preparation of the Plan at the district level, and prepared a concrete plan for Wardha District. His thinking in this connection is available in the form of a number of notes he prepared for the purpose. During the period, he was also a member of the Planning Commission for Goa, and spent considerable time in the preparation of its plan. The period was also marked by the establishment of panchayat-raj institutions at the district and lower levels in Maharashtra. The establishment of these institutions was very much in accordance with Gadgil's own ideas and outlook, and he wrote in Marathi a number of articles on the subject. He consolidated his experience and thinking on the question of District Development Planning in the Kale Memorial Lecture he delivered at the Gokhale Institute in 1966 (Gokhale Institute, 1966). As Chairman of the Regional Planning Committee for Bombay-Panvel and Poona

Regions, he devoted attention to the problems of regional development of a different kind as well.

In 1963, Gadgil became a member of the Economic Policy Advisory Committee of the Planning Commission. As I have already mentioned, he had found many things wanting in the functioning of the Planning Commission. The shape of the Commission since 1963 distressed him deeply. He was convinced that the apparatus needed thorough overhauling. In a paper he prepared for a seminar organised by the National Book Club in Delhi (*Economic and Political Weekly*, Annual Number, 1967), he summed up his assessment of the performance of Indian planning during the last three Plans. In his opinion, the basic reason for the failure of Indian planning was what he called a total absence of a policy-frame and regulatory framework. He attributed this to the growing influence in Government of the vested interests with a *laissez-faire* bias and of the technocrats with a simple belief in automatism of development following investment. In consequence, in his opinion, the Plan resources had passed into the hands of vested interests and were employed in market-oriented uses. This resulted in a failure to maintain stability, — reflected in an unchecked increase in prices and growing inequality in the economy. He believed that, in order to achieve price stability, the essential requirements were restraints on domestic consumption and a price policy supported by much greater control over production, trade, speculation, and banking. He attributed the growing inequality in the economy to the so-called production-orientation or production-before-distribution policy, failure to achieve diffusion of the effects of development, and neglect of the employment aspects of development planning.

He, therefore, prescribed a policy the primary objective of which was to achieve and maintain stability. As he spelt it out, the policy for stability has two aspects: a price policy and an incomes policy. The main instruments of his price policy were: (a) a comprehensive system of socialised purchase, storage, and sale of all major agricultural products with a view to establishing and maintaining a stable structure of agricultural prices; (b) a widespread network of retail shops under public control for distributing all essential consumer goods; and (c) control of prices of intermediate and capital goods, mainly through detailed allocation of imports. The essential

elements of his incomes policy were: (a) stabilisation of agricultural incomes through stabilisation of agricultural prices; (b) avoidance of technological unemployment through deliberate use of existing equipment and skills; (c) a deliberate employment orientation to the Plan of new investment; and (d) check on rising incomes at higher levels through appropriate fiscal measures.

Gadgil advocated a comprehensive framework for regulating private trade and industry. The main instruments he advocated were: (a) fiscal, monetary and credit policies, aimed at reducing the importance and scope of the private capital market, limitation of bank credit and its allocation to different industries; (b) closer scrutiny of the industrial sector in relation to its import commitments with a view to achieving increasing self-reliance; and (c) scrutiny and control of the financial affairs of the private sector through a system of public audit. His attitude towards private trade and industry was not doctrinaire, it was based on a genuine fear that, in a poor country such as ours, unregulated operation of private trade and industry would inevitably lead to economic instability and social and political unrest.

It was against this background that, on September 1, 1967, Gadgil accepted the responsibility of the Deputy Chairmanship of the Planning Commission. He was aware that there lay an uphill task and that it was as much political as it was economic. He was also aware that he had much reputation to lose. Nevertheless, he accepted the task with a sense of national dedication and he did not take it lightly. Except for understandable opposition in certain quarters, he had country-wide sympathy and support. It will be premature to judge his performance as the Deputy Chairman of the Planning Commission.

But it is obvious that he failed to come up to the expectations he had himself created. Indeed, one feels that he did not even try. Many are puzzled that practically everything he had said earlier — in fact as recently as just before he entered the Planning Commission — he almost studiously kept out of the Fourth Five-Year Plan. He has affected and influenced so many of us that, in years to come, all those who rightly hold him in high regard will speculate on the reasons of this final failure, or indeed reluctance, to try and put into practice what he had so consistently and persistently preached. Was it old age? Was it a latent

conservatism? Was it a political miscalculation? Was it that doubts arose in his mind regarding the validity or practicability of his earlier ideas? What was it? I believe that, in the end, he himself sensed the public disappointment. He alone knew the truth which all of us would want to know. I do not know if he would have revealed it had he returned to his desk at the Gokhale Institute of Politics and Economics. Now, it must forever remain a secret and a puzzle to his countless admirers.

LETTER TO EDITOR

Centre-State Financial Relations

I HAPPENED to come across, rather belatedly, G Thimmaiah's comment (October 17, 1970) on the article by V V Bhatt and me, "Centre-State Financial Relations" (February 21, 1970). Thimmaiah has stated therein that our suggestion about the establishment of a National Development Bank is not new as it is already contained in the Venkatappaiah team's report on Financial Administration and also in the book on the same subject by D T Lakdawala. He has also taken Bhatt and me to task for not acknowledging our debt to either of these reports.

Thimmaiah is quite right in his view that the recommendation about the National Development Bank was first made in the above mentioned documents. He is also right in regard to our failure in not making any reference to them. The reason for not doing so is, however, quite different from the one implied by Thimmaiah. The relevant sections in the Venkatappaiah team's report on financial administration are based on the findings of the working group on Centre-State financial relations appointed by the team. Lakdawala and Bhatt were Chairman and member, respectively, of the working group and I was its convener. No wonder, therefore, that Thimmaiah could detect the genesis of our recommendation in the Venkatappaiah team's report and the book of Lakdawala.

Thimmaiah would have established more solid claims to scholarship if only he had shown patience in going through the Venkatappaiah team's report more thoroughly.

Washington
April 16

D R KHATKHATE

Hesitant but Upward Inclined

Nishtar

THE stock market simply idled away its time last week. Instead of moving up and down, it drifted sideways at a slow pace. Interest tended to be extremely selective. Over the weekend, gains outnumbered losses but excepting a few isolated counters, net changes were confined within a narrow range. The mid-April high mark has not been touched again but the market has not moved much away from it either; it has kept very close to it all the time.

There has been no dearth of news which has been more bullish than bearish. But with all its reputation for being very sensitive, the stock market has not been in a responsive mood recently. This is mainly because neither bulls nor bears have been inclined to expose themselves to uncongenial political weather. Indo-Pakistani relations have increasingly been under strain. That Lyons Range should have kept remarkably calm amidst mounting tension on the eastern border is a measure of its optimistic assessment of the economic prospect.

The corporate news has been pleasing and it has been flowing in a steady stream. Sales and profit figures reflect the improving economic tempo. The demand for industrial capital has been on the increase. Export performance in 1970-71 has exceeded the most optimistic expectations. The import policy for 1970-71 has many welcome features. A mix of continuity and innovation, the liberal export-oriented import policy seeks to enlarge and strengthen the production base and offers special facilities for small-scale industries, backward areas and reopening of closed engineering units, particularly in West Bengal. No less welcome is the proposal for a fixed time-table for disposal of import and export licences.

The stock market can have little cause to complain about the guidelines approved by the Government for conversion into equity of loans granted by public financial institutions. The guidelines are not harsh and in any case much less harsh than many had feared. The convertibility clause will relate to only rupee loans and will be normally provided for in loan agreements when the aggregate assistance by IDBI, IFC, ICICI, LIC and Unit Trust exceeds Rs 50 lakhs; it will be discretionary in the

case of loans ranging between Rs 25 lakhs and Rs 50 lakhs. There need be no conversion clause for loans aggregating less than Rs 25 lakhs. The willing consent of the assisted industrial concerns will be built into loan agreements.

The new scheme for ensuring increased availability of controlled cloth approved by the Government could not perhaps have been more favourable (or less unfavourable) from the industry's angle. The quantity required to be produced in the June-August quarter is no more than 100 million metres to be subsidised to the extent of 50 paise a square metre out of a fund of Rs 5.25 crores, of which Rs 4.50 crores is to be raised by the industry. One wonders whether instead of making a big show about increased supply of controlled cloth to the weaker sections of the community, the Government would not have done better to evolve the new scheme after the Bureau of Industrial Costs and Prices submits its report.

The stock market has wound up the week on a hesitant-to-steady note. Its overall behaviour suggests that it might not be long before the market strikes a new high for the year. Uncertainty about the Central Budget is the only important restraining influence. Bulls might not assume an aggressive posture, especially when the market authorities have been reportedly asked by the Government to curb illegal activity. But with offerings scarce, even small buying can give a big push to the market.

What 'Crisis'?

COTTON stocks worth over Rs one crore are reported to be lying unsold with the Maharashtra Co-operative Marketing Federation for the last two months. The Federation had procured this cotton for sale in the open market after meeting the requirements of the government-run mills and spinners in the co-operative sector. But sales were withheld in view of the subsequent fall in prices. The Federation finds itself in a difficult financial position because while it has paid the full amount to the purchasing societies it has not received the dues from government-run mills. In addition it has to finance the stocks lying with it. In order to resolve this 'crisis', the Maharashtra Government has

requested the Textile Commissioner to increase the time-limit for holding stocks from one-and-a-half months to four months and it is also making efforts to get restrictions on bank credit against cotton relaxed.

But why must the Textile Commissioner and the Reserve Bank come to the rescue of the Federation? Its difficulties are not any different from those experienced by the private trade. Cotton is still in short supply, massive imports notwithstanding. And despite the fairly heavy fall in prices from the January high levels, cotton prices are still substantially above the 1970 levels. It would be unwise to relax credit curbs and stock limits as that would adversely affect the flow of supplies to the market. Operations of the Federation are still small. One wonders how it will fare when it is entrusted with monopoly procurement of cotton which the State Government is so very keen to do.

Market-wise, cotton prices have displayed a distinctly steadier tone this week. Prices have risen by Rs 100 to Rs 200 per candy on sustained spinner inquiry. Reports from the piecegoods market have not been very encouraging but sentiment seems to have improved following the announcement of the new scheme for the manufacture of controlled cloth. Industry is happy that it will be required to produce only 100 million metres of cloth during the June-August quarter. Besides, the levy of Rs 300 per bale on PL 480 cotton (yet to be released) has made foreign cotton less attractive. Indian cotton continues to be much costlier but the difference between foreign and indigenous cottons has narrowed down. This has led to revival of inquiry for indigenous cotton.

Supply Improves

OILSEEDS and oil prices have staged an all-round recovery from the recent low levels recorded in the wake of hasty selling touched off, among other things, by the failure of a few prominent bull operators in upcountry centres to honour their commitments. Linseed futures have rallied by Rs 9 a quintal and castor futures by Rs 6. Oil prices have risen by Rs 100 to Rs 150 a tonne. The pace of the rally has slackened as there is little enthusiasm to follow the rise at higher levels.

The current rise may well turn out to be merely a technical correction of the preceding sharp decline in prices, unless,

of course, the Government takes to measures which serve as bullish fuel. Thanks to a general setback to the tendency to hold/hoard goods, there has been a perceptible improvement in marketable supplies. The supply position has further improved as a result of increased availability of imported soyabean oil and mutton tallow. Because of the recent sharp decline in soyabean oil prices in the US, it has been possible for India to purchase 35,000 tonnes instead of 31,500 tonnes under the earlier allocation. Another 27,000 tonnes have been made available under a supplementary agreement and the entire quantity is to be shipped before the end of June. According to informed sources, about 50,000 tonnes of soyabean oil will be made available during July-September. Likewise, India is assured of substantial quantities of mutton tallow this year which will help meet most of the requirements of the soap industry — not

only of the big units in the organised sector but also of small manufacturers in the decentralised sector.

Prospects of ample supplies of mutton tallow have not only led to a substantial decline in the price of mutton tallow in Bombay from around Rs 4,600 to Rs 3,600 per tonne over the past one month but there has also been a steep fall in the prices of rice bran oil (from Rs 3,900 to Rs 2,900) and of mahuva oil (from Rs 5,400 to Rs 4,000). Groundnut oil prices have hardened recently — from around Rs 4,000 to Rs 4,200 — on renewed buying by vanaspati manufacturers. The buying has been based mainly on ideas of a sizeable cut in the use of soyabean oil for the coming fortnight. The supply of soyabean oil is plentiful but its use is expected to be reduced with a view to avoiding a reduction in vanaspati prices which is otherwise justified by the decline in groundnut oil prices in the preceding fortnight.

units, delayed on account of a 4-month strike last year, is expected to be completed by the end of this year. The company is setting up a bicycle tyre plant at Nasik for which orders for imported machinery have been placed. Initial production is expected to commence during the second half of 1972. The prolonged strike is blamed on the "instigation and obduracy of a handful of militant workers". The report says that a new agreement has been arrived at with the Union for the period upto the end of 1973. The revisions in wages, dearness allowance and certain other benefits agreed to by the management are likely to increase the wage bill by about 37 per cent. Renewal of the technical assistance agreement with collaborators from June 1968 to end of May 1974 has still not been approved by the Central government. The company has not been able to reimburse its collaborators the expenses incurred by them on behalf of the company, although they continue to place at its disposal the benefits of the latest technological developments in the tyre industry. Before and after the strike, the plant operated in excess of capacity. As in the previous years, Ceat was able to sell its entire production. But the year's results showed a 25 per cent drop in sales followed by a 55 per cent diminution in gross profit. The unchanged dividend, however, is still adequately covered. The fall in sales notwithstanding, exports were stepped up from Rs 54 lakhs to Rs 83 lakhs. The company has appointed sole selling agents for its products in UAR, Nigeria, Indonesia, UK and Libya.

STANDARD MILLS has received a 'letter of intent' for expanding its present manufacturing capacities by 17,330 tonnes of caustic soda, 15,012 tonnes of chlorine and 5,000 tonnes of hydrochloric acid. The first phase of modernisation and renovation of the textile units has been completed. The company spent Rs 1.06 crores by way of additions and replacements of plant and machinery, buildings, etc, during 1970. It has embarked on a large scale automation and modernisation programme, particularly in the weaving department, at an estimated cost of Rs 1.35 crores. This phase is expected to be completed by the end of next year. All the plants of the chemicals division worked satisfactorily and recorded higher production than last year. Caustic soda, caustic potash, hydrochloric acid and chlorine were well received in foreign markets, and the

company established its primacy in the field of exports by effecting exports directly and through merchant-exporters of the value of Rs 42 lakhs. Erection of the pilot plant for the manufacture of carbon tetra-chloride and chloroform set up in technical collaboration with the National Chemicals Laboratory, Poona, is nearing completion and is expected to be commissioned shortly. Additions to and replacements of plant and machinery, building, etc, of the value of Rs 27 lakhs took place in the chemicals division. During 1970, 1,09,163 spindles and 2,070 looms including 777 automatic looms, were in operation. By responding efficiently to changes in consumer preferences, the textile division maintained a creditable sales performance as also better profitability. Commenting on the current year's working, the directors say that the failure of cotton crop and "unprecedented" rise in prices of the main cost-component are expected to continue to have an adverse impact on the profit margins of the industry in the current year.

HERDILLIA CHEMICALS expects to

achieve stable production because, with the installation of the 22 KV feeder line by MSEB, there should be fewer power failures. Its turnover, which increased 34 per cent in 1970, might have been higher still but for the restricted output of one of its major plants. Despite inadequate port facilities at Bombay for handling bulk hazardous chemicals, the company has been able to enter the export market in a modest way by shipping out its products in drums. It complains that prices of some of the basic raw materials have gone up following increase in naphtha prices. During 1970 the company kept about Rs 21 lakhs on short-term deposits and, in 1969, Rs 22 lakhs. The Board is seeking shareholders' approval to lend surplus funds to joint stock companies and to give guarantees or provide securities for loans.

BAYER INDIA's chairman, B M Ghia, expects the favourable trend in sales and profits witnessed by his company in 1970 to further improve in the current year. The rubber chemicals division increased its sales in spite of prolonged strikes and strained labour relations in the tyre industry. With the

restoration of normal conditions, consumption of rubber and consequently of rubber chemicals will increase. The company received a 'letter of intent' not only to increase production of existing products, but also to introduce some new ones which are at present being imported. However, there are certain difficulties in accepting the conditions stipulated by government. The management will shortly discuss the matter with government. A 'letter of intent' is expected for setting up a plant for toluene di-isocyanate, the basic raw material for the manufacture of polyurethanes. Polyurethanes, says Ghia, have a broad use, the most important being Motopren flexible foam with its numerous applications, for example, as mattresses, seats, cushioning material, lining for clothes and packaging material. In the form of rigid foam, they are used for insulation in refrigerators, deep freezers, buildings and wagons. Semi-rigid foam finds application in the automobile industry as crash pads, arm rests, sun visors, etc. Polyurethanes are also used as coatings and may be used for several other purposes which may be developed in the country in the future.

COMPANIES

Prospering Despite It All?

Hansavivek

AHMEDABAD ADVANCE MILLS proposes to implement its industrial licence for manufacture of 5,450 tonnes of specialised steel strips by expanding the existing metals division at Navsari. The expansion, expected to be completed over the next three years, will cost about Rs 3.60 crores. While a substantial portion of this outlay is intended to be financed through internal generation of funds, it will be necessary to raise the balance partly through additional share capital and partly through long-term loans. A suitable financing plan is being considered by the Board. Meanwhile, with a view to providing funds for starting construction at the site, it has been decided to make a 'rights' issue of equity shares at par on a one-for-five basis which would yield Rs 21 lakhs. Proposals relating to the balance of the funds to be raised for the expansion will be placed before the shareholders over the next few months. Steps have already been taken to finalise orders with machinery suppliers in India for certain items of equipment costing about Rs one crore. During 1970, new plant and machinery of Rs 38 lakhs was installed at Ahmedabad and Navsari. Further orders have been

placed for machinery worth Rs 6 lakhs after the close of the year.

In spite of sharp rises in the price of cotton and dearness allowance and the scarcity of raw materials experienced during the latter half of the year in respect of the metals division, Ahmedabad Advance has turned out good results for 1970, with increases in sales and earnings. This was due mainly to the improvement in the tone of the cloth market, both in realisation and offtake. Commenting on the prospects of the textile industry in the current year, Naval H Tata, chairman, says these will depend largely upon the prices of cotton and Government policies, particularly with regard to controlled cloth obligation. He has pleaded imports of polyester fibre in times of cotton shortage. Such a measure, according to him, would benefit the country doubly by conserving cotton stocks and enabling the industry to produce more of blended fabrics which are in demand not only in the export markets but also within the country.

CEAT TYRES OF INDIA's expansion of its automotive tyre plant to 6.5 lakh

The Week's Companies

(Rs in lakhs)

	Ahmedabad Advance		Ceat Tyres		Standard Mills		Herdillia Chemicals	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	115	115	304	304	188	188	490	490
Reserves	136	103	304	292	711	567	43	43
Borrowings	331	334	436	151	992	1147	689	837
of which Term borrowings	180	164	144	4	605	605	615	693
Gross fixed assets	584	554	502	465	2003	1876	1228	1218
Net fixed assets	316	318	394	215	1035	1059	926	1026
Investments	9	8	—	—	93	92	—	—
Current liabilities	153	104	303	249	236	163	81	113
Current assets	411	329	952	780	978	897	258	274
Stocks	212	194	447	379	555	561	69	81
Book debts	168	109	326	279	397	304	119	121
Net sales	827	692	1214	1602	2438	2201	737	550
Other income	9	6	27	15	31	21	5	3
Raw material costs	331	384	829	1076	889	749	335	243
Wages	179	162	130	111	416	389	38	39
Interest	29	30	21	12	79	84	59	71
Gross profit(+)/loss(-)	93	56	118	260	379	328	167	73
Depreciation provision	34	32	32	39	153	141	104	104
Tax provision	16	—	41	115	38	—	—	—
Net profit(+)/loss(-)	43	24	45	106	188	187	63	—31
Development rebate provision	20	24	5	4	24	21	—	—
Transfer to reserves	10	—	7	69	114	121	—	—
Dividend								
Amount	13	10	33	33	50	45	—	—
Rate (per cent)	12	9	11	11	P 5.72 E 28	P 5.72 E 25	—	—
Cover (times)	1.77	—	1.21	3.09	3.28	3.68	—	—
Ratios (per cent)								
Gross profit/sales	11.24	8.09	9.72	16.23	15.54	14.90	22.65	13.27
Net profit/capital employed	7.39	4.34	4.31	14.19	9.94	9.83	5.15	—
Inventories/sales	25.63	28.03	36.82	23.65	22.76	25.48	9.36	14.73
Wages/sales	21.64	23.41	10.71	6.92	17.06	17.67	5.29	7.09

Crisis in the East

Romesh Thapar

APPARENTLY, or so Islamabad thinks, it's all going according to plan. The plan was to carry out an organised slaughter in East Bengal, to chop off the thinking head from the emaciated body. Then, to terrorise the towns into submission, to spark a gigantic movement of evacuees towards the Indian border. And, finally, by disrupting East India with millions of uprooted, to engineer riots and so make Pakistan's crisis a crisis of India.

The plan was not secret. We were unbelieving because of the brutality inherent in it. As it unfolded, "the system" in Delhi revealed its incapacity to react.

We have passed through many rapid phases in the Capital's action-reaction atmosphere of the past six weeks, during which Bangla Desh has risen to challenge the tyranny of Pakistan. Not so many days ago, a certain understanding was crystallising as to India's role and responsibility. Internationally, too, opinion-forming elements were beginning to see the emptiness of the plea that happenings in East Bengal are "an internal affair" of Pakistan.

If India is disrupted in the East by the willful Pakistani genocide in Bangla Desh, does she not have the right to act? A questioning carrying many ramifications, dangers, and warnings, but a questioning nevertheless.

However, the dreary incompetence and slow-wittedness of the decision-making and implementation process robbed us of the opportunity to take up vantage points. Looking back, coolness was casualness, not the mood of calculated action. The diplomatic front

too faltered and confined itself largely to pushing notes to governments and officials. Not a single "ally" in the non-aligned world backed our positions—except Yugoslavia. Even the Soviet Union played the opportunist. As for the Arabs, not even a stir.

At the moment, when the Pakistani military machine is in almost total command of the big towns and small towns—the depopulated urban centres of Bangla Desh—and when the world's Press is being mobilised by Islamabad to demonstrate the myth of "normality" in the East, our master-minds are busy scoring silly debating points in diplomatic notes over the exchange of personnel between the High Commissions in Dacca and Calcutta.

In this state of unreality, it is only natural that credibility about Government's efforts to end the trauma in East Bengal has again plummeted. Idle discussion now centres on the changes in the style, of the struggle and how these changes will transform the leadership—make it "Maoist". There is now no faith among the people of Bengal in Indira Gandhi's assurances—a sad and significant pointer for East India. The price will have to be paid sooner or later.

Something of the crisis has been recognised. The alacrity with which finishing touches are being given to a preventive detention ordinance, to be issued before Parliament meets, is a sign of the times. The Press tells us that the ordinance is designed for Pakistani agent-provocateurs, but the reporters who peddle these stories are tongue-in-cheek.

A lot of toughness will be needed

to solve the crises in the East: mismanagement could spark new crises. No risks can be taken. Hence preventive detention. The logic is familiar.

Take a look at the dimensions. It would be foolhardy to imagine that there is still a place for the 10 million Hindus in East Bengal. They will be flushed out by the Pakistani military from the towns. A fair portion will remain in the rural areas, but the trek to the borders of India will continue.

It would not be an exaggeration to expect a permanent immigration of some two to three helpless millions. Imagine the impact on the tense situation in West Bengal, Assam and the Hill States. Indeed, we should be moving on a top priority basis to cope with this problem of refugees, both at the internal and international level. The organisation entrusted with this task has yet to be announced.

Yes, a deep confusion prevails. Even those who indulged in the calculation that Bangla Desh should be left well alone so that Pakistan could go on bleeding slowly, are confused. The truth of the matter is that we have yet to understand that the critical developments in South Asia—in Pakistan, in Ceylon, and elsewhere—cannot but have a direct bearing on India, a major power in the region. We continue to react as if this were the colonial age and the levers were manipulated elsewhere. We forget that our actions, properly and skilfully conceived, can compel a symphony of response in our support and interest.

And, so, we are back to base. We've inherited a major crisis in the East—and its shadows will lengthen. May be, Yahya may fall from power to wash away Pakistan's blood guilt. Then, a second chance to salvage a situation. May be.

May 3

NEW DELHI

New Planning Set-Up

THE much-awaited completion of Ministry-making at the Centre has at last been accomplished. Though the expansion of the Union Council of Ministers by as many as 18 new members, largely at junior levels, may still be only a second instalment of Ministry-making and further changes may be made later, a fair measure of permanency appears to have been imparted—so that the Council of Ministers as a whole and individual Ministers can attend to their work.

The most important development in Ministry-making has been the appointment of C Subramaniam as Planning Minister to be assisted by a Minister of State, Mohan Dharia. The induction of U S Dikshit as a Cabinet Minister is more in the nature of recognition of his important role in assisting the Prime Minister in her political and party work and its significance for the work of the government and the administration will be limited.

NO RESHUFFLE

Contrary to earlier speculation about reshuffle of portfolios of senior ministers, no one has actually been disturbed from his existing charge. Only Mohan Kumaramangalam has been given charge of the Mines portfolio, in addition to steel and heavy engineering. This restores the position which was created for this Ministry when C Subramaniam headed it and turns it into a huge sprawling responsibility under the direction of a single Cabinet Minister.

At the Ministers of State level, the introduction of new faces and reshuffle of portfolios has been more wide-ranging. The anomalous position of the Chemicals, Mines and Metals Ministry after Triguna Sen's exit from the Cabinet has been ended. No Presidential Order defining the functions and responsibilities of the two Ministers of State left in the Ministry, D R Chavan and Nitiraj Singh, had been issued. Fortunately, they agreed between themselves to stick to the work division made for them by the outgoing Cabinet Minister and no friction was allowed to develop. Nevertheless, they faced a very uncertain situation and were not in a

position to do anything more than routine work. Now both have been removed from the Ministry and given other charges, while the Ministry itself has been reorganised by detaching Mines from it and transferring it to the Steel Ministry. It is still not clear whether this means that the entire Mines and Metals Department will go to Kumaramangalam. The reorganised Chemicals Ministry has been placed in independent charge of a Minister of State, P C Sethi, who was till now Minister of State for Defence Production. This is an onerous responsibility for P C Sethi even though he has long experience in government as a junior minister.

As said earlier, the creation of a full fledged Planning Ministry is the most important one of the recent ministerial changes. Till now the planning portfolio in the Union Government was a minor, inconsequential one, and the Minister in charge of it was mainly expected to assist the Prime Minister in parliamentary work relating to the Plan and Planning Commission. What is in the offing now is a full-fledged planning department of the Government with a Cabinet Minister and a Minister of State under him together with a full-time Secretary who will also be the ex-officio Secretary of the Planning Commission, just as the Minister will be ex-officio Deputy Chairman of the Commission and the Minister of State its Member.

It is in the context of the creation of such a department of planning that it has been suggested that some of the departments and organisations at present under the administrative charge of other Ministries or of the Prime Min-

ister through the Cabinet Secretariat should be placed under the charge of the new Ministry of Planning. The Central Statistical Organisation (now taken care of by the Cabinet Secretariat), the Council of Scientific and Industrial Research (now under the administrative charge of the Education Ministry), the Manpower Directorate and the Employment Commissioner and such other organisations are expected to be assembled together in the Planning Ministry. The Planning Commission will naturally be under the Ministry and the emerging set-up of the Ministry suggests that the Commission will be inevitably downgraded to the position of one of the many organisations under the charge of the Ministry.

CEASED TO EXIST

In this context it is understandable that the Planning Minister, C Subramaniam, who left on a foreign tour immediately after assumption of office, should have said that the appointment of members of the Planning Commission was his prerogative. The Planning Commission, as we have known it since its birth in the early fifties, may be said to have ceased to exist. A very different type of institution, something in the nature of an advisory body to a Ministry of the Government, is what appears to be emerging. One may draw a parallel with the Agricultural Prices Commission under the Union Food and Agricultural Ministry, now named as the Ministry of Agriculture.

In the light of the new pattern being set for the Planning Commission, it may appear pointless for the Prime Minister to remain the Chairman of the Commission. This argument is understood to have been already put forward and there is every reason to believe that it will gather strength and be pushed through.

TAMIL NADU

Why Scrape Skies?

AN English visitor wrote once of Madras "... less a City than a vast garden where houses happen". That was about half a century ago. Since then the pressures of population and progress have tended to crowd out the garden. Even so, Madras retains a green and gracious charm given to few large cities. Unfortunately, there are

some who fail to recognise in this the rare asset that it is and seem to view it only as evidence of stagnation and a certain lack of stature. And so, sporadically, a very literal version of one-upmanship is played, by those who believe that Madras should have the true metropolitan stamp. A few tall, multi-storeyed buildings have shot up in the



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city, looking incongruous and serving no special purpose. The "tower blocs" of the City Improvement Trust are not popular and the LIC building on Mount Road, claimed to have a high rank among the tall buildings of the land, only succeeds in sticking out like a sore thumb in any view of the city.

However, these essays in high living pale into insignificance besides the latest building project proposed for Madras—a 65-storeyed, 820-foot high structure to come up in the joint-sector, doubtless with the State Government playing an important role. Described as a "multi-purpose sky scraper", this building—which, it is said, would be the tallest in South-East Asia—would house, along with government and business offices, air terminals for Air-India and Indian Airlines, a huge department store and a revolving restaurant, complete with cocktail lounge, on the top floor. There is a functional aspect, too. The tower structure would also carry aerials, "above all obstructions", and facilitate radio-transmission—an area slightly too technical for lay understanding.

The site chosen for this architectural achievement-to-be is the Marina. The instant reaction of one who knows Madras would be that this would surely ruin the city's famed beach. But the process of ruin of that magnificent stretch has been going on for quite some time. It started with an ugly and unnecessary fountain and gathered pace with the construction of the monstrous new office buildings, quite out of tune with the architectural style of the older buildings. Then came the rash of "Tamil" statues and, later still, the very odd structure that is the *samadhi* of Anna.

This, of course, is an aesthetic value judgment and, as such, not an objective criterion for assessing the true merits of the project. The cost involved could be a more valid consideration here. That is estimated, modestly, at Rs 14 crores. Where is this to come from? That, according to those finalising the scheme, will not be a problem since many foreign collaborators have evinced interest. But then foreign collaboration is not for free. Rather, it involves a cost, and that higher than the mere conversion of the outlay into rupee terms.

Just the other day Chief Minister Karunanidhi announced a plan to shift the official residence of the Tamil Nadu Governor from its present locale in a secluded estate to a house closer to "the people". That this would coincide with the entry of a new Governor may

be accidental—except perhaps to the extent that one does not miss what one has never enjoyed. What is more relevant is that the house now considered for gubernatorial residence is actually no more in the people's midst than the old historic one. It is in a select, residential area; but it is smaller and simpler and has the advantage of being more visible to the passer-by.

The new multi-storeyed building too would be clearly visible and from quite long distances. But one would doubt if access to some portion at least

of its posh interior would be much easier to the common man than gaining admission into the more humble government house. How many, for instance, would really be allowed into the revolving restaurant? But perhaps that will not matter. The people would surely derive pleasure and pride from their building—which doubtless would be given an authentic Tamil name—and the chance it would give them to look down, not merely on the rest of the country but on all of South-East Asia as well.

NEPAL

By Armed Struggle?

B P KOIRALA has emerged an outspoken critic of King Mahendra in Nepal. He has gone to the extent of calling the King an autocrat. Arrested and jailed—along with most leaders of the Nepali Congress—after his government was dissolved on the evening of December 15, 1960, Koirala spent eight long years in prison. He was released only on account of his prolonged illness. It must have seemed that, after eight years of confinement and in broken health, Koirala would not surface politically again, especially since the King had meanwhile consolidated his hold via the pseudo-democratic panchayat system whereby the reins of power remained firmly in royal hands.

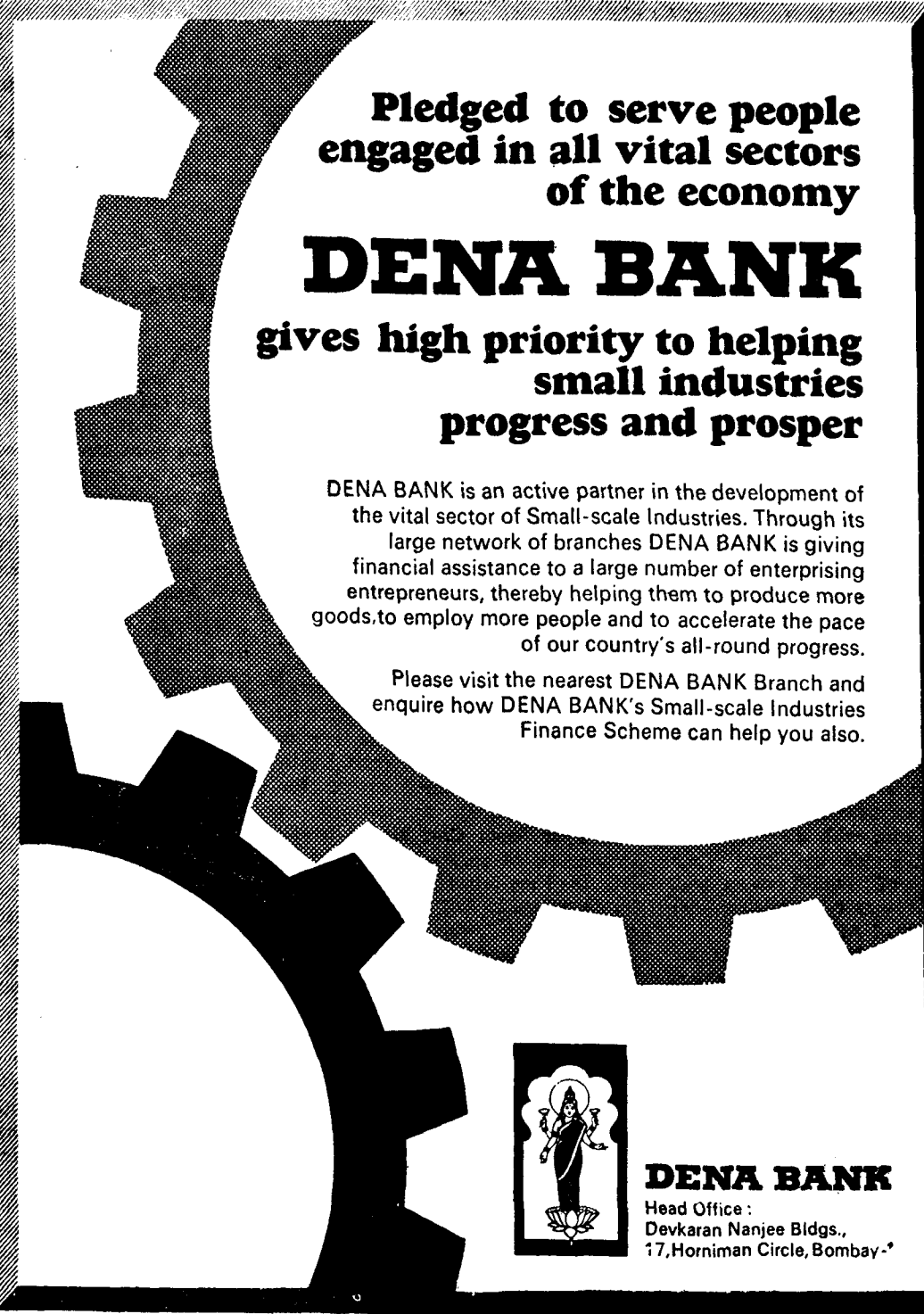
When Koirala appeared among the Gorkhali population of metropolitan Bombay at Santa Cruz airport beside Government of India officials to welcome the King returning to Nepal from Europe, where he had been for a medical check-up following a serious heart attack, it seemed conclusive proof of the Nepali leader's changed stand on King Mahendra's dynastic rule of Nepal. If at all he returned to politics, it seemed, it would be to refurbish the King's democratic credentials. The King, too, though he normally keeps his distance from people he does not favour, had gone out of the way to single out his ex-prime minister from among the crowd. He had inquired about his health and had wanted to know if he could do something for his medical treatment.

But subsequent events were to prove that the exchange of courtesies had not flowered into any other arrangement; and both the King and the rebel Nepal Congress leader were to go back to maintaining their mutual distance. In an interview to *Kalpna*, a Nepali magazine published from

Koirala's home-town, Biratnagar, the former Nepalese prime minister said that he did not expect anything substantial from the panchayat system. This was too much for the King to stomach. It was even rumoured that the abrupt end to the liberalisation policy, initiated by the then Prime Minister Surya Bahadur Thapa, had something to do with Koirala's outspoken interview with *Kalpna*.

Nor did Koirala stop there. He went on to categorically express his belief in armed struggle, describing the present Nepalese regime as an autocracy under which there was no freedom either for individuals or for parties who may choose to differ from the King. In his Rajghat speech at Varanasi in 1969 he branded the King a "dictator". That was more than sufficient to make Koirala *persona non grata* in Nepal. Koirala's outspokenness put him at a point of no return as far as the King was concerned. Indeed, mediation efforts made by the former deputy prime minister, General Subarna Shumser, fell flat, and even resulted in a division of the outlawed Nepali Congress itself into two camps—one led by Koirala, which believed that armed struggle was essential to end the "autocratic rule of the King" and to introduce democracy in the kingdom, and the other led by Subarna Shumser which argued that through the right approach the monarch could be persuaded to introduce democratic institutions and that Nepal needed such gradual transition to democracy.

It is interesting that Koirala has not been opposed to monarchy from the beginning. When asked to clarify his stand on the role of the monarchy in Nepal, Koirala said recently that he had been a believer in constitu-



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RATAN BATRA

tional monarchy but that the "King's dictatorial policy and his reluctance to transfer power to the people are proving a great hindrance to the evolution of constitutional monarchy in Nepal. After all, the King has to play his part honestly for the success of constitutional monarchy. Then there is another question connected with this issue, viz, the question of sovereignty. I am a believer in the principle of popular sovereignty. The principle of kingship must be subordinated to the principle of sovereignty of the people." Koirala was saying, in effect, that the King was not prepared to accept the principle of sovereignty of the people—hence the sham of the present panchayat system and his own "direct conflict with the King". Yet what prospects are there for the actualising of such outspoken opposition? When

asked to comment on the general belief of the establishment in Nepal that, for his envisaged armed struggle, Koirala has joined hands with the communists, Koirala was emphatic that the allegation was false. There were two kinds of communists, he said, pseudo-communists and foreign agents in his country, with whom there cannot be any understanding; if there are communists who are anti-dictatorship and are nationalists—and there are quite a few in the kingdom, Koirala feels,—then he was willing to co-operate with them, provided they accept the democratic system of government. "In a multi-party system", he said, "I am prepared to have them as my rivals". But both the multi-party system and the proffered challenge seem a far cry in Nepal today. Koirala himself looked pale and sick.

Many Fingers in the Pie

Sumanta Banerjee

NOTWITHSTANDING the pious resolutions adopted by Parliament and other august bodies in India and the shrill propaganda by Pakistan about Indian aid to Bangla Desh freedom fighters, the motives guiding the Indian Government and other interests in India regarding Bangla Desh are very far from pure disinterested humanitarianism. I can verify from my personal experience in Bangla Desh during the first week of April — the most crucial period for the freedom fighters — that the liberation forces had to depend solely on their own limited resources at the initial stage to resist the powerfully equipped Pakistan army. There were instances when a few sticks of dynamite could have blown up a bridge and halted the rush of the Pakistani soldiers. The absence of a jeep or a truck delayed the arrival of reinforcements of freedom fighters at the crucial moment at some other front. Lack of petrol in some areas immobilised whatever transport the liberation forces managed to get together.

An Awami League leader told me later how he went from door to door of Congress, Bangla Congress and other political leaders in Calcutta towards the end of March to beg for a jeep to take relief material to his boys fighting in Bangla Desh. The advice he got from the West Bengal ministers was that his people should first set up a committee to be eligible for any aid. He was told that the Government could not help anyone who came from Bangla Desh;

there had to be "responsible and reliable representatives" to claim such help. Finally, some enterprising young men from a few localities in Calcutta got together and hired a jeep for him.

While our Government waited for the emergence of committees consisting of "reliable" Awami League members, the Pakistan army managed to disperse one by one almost all the outposts of resistance and reached the Indian border in Jessore, Khulna, Dinajpore, Rangpur and other areas. At this final stage, the proclamation of the Bangla Desh Republic was made on April 17 in Kushthia, a few miles away from India. The next day, the Pakistan army overran the area and occupied the place where the announcement was made, thus overthrowing the last headquarters of the Awami League in Bangla Desh.

Although our Government has not yet recognised the Bangla Desh Government, some facilities in the shape of financial aid and medical relief have started pouring in now. Had this been done earlier, the tragedy could have been lessened to a great extent, even though the freedom fighters would have had to rely mainly on their own efforts in the war of resistance.

One wonders, therefore, whether our Government is waiting to ensure the crushing of the nucleus of the Bangla Desh armed resistance — the EPR, EBR, Ansars, Mujahids and students, the annihilation of the active militant Awami League and other Leftist work-

ers, the destruction of factories, mills and the entire economy of East Bengal, and the complete demoralisation of the people, before deciding to help. Does it want to bring down the Awami League, if it has not already done so, to a state of abject dependence on India, so that in future the Awami League Government would be reduced to a puppet of India?

NEW FORM OF RESISTANCE

But the resistance is taking a new shape in Bangla Desh. Instead of depending on conventional heavy arms and on foreign aid and thinking of winning the war by direct confrontation, the fighters are turning the war into a protracted guerilla struggle. The Pakistan army is realising that overrunning the towns and outlying areas will not help it to keep the entire country under its occupation. Meanwhile, its scorched earth policy in Bangla Desh has already begun to affect the economy of West Pakistan. The stoppage of supply of raw materials has led to the closure of factories and retrenchment in the West. The high cost of conducting the war from Pindi is also affecting the country's economy.

In the absence of any face-saving device to stop the war in Bangla Desh, Pakistan may be tempted to precipitate a war with India and internationalise the issue. Judging by the increasing cases of shelling of Indian villages near the border by Pakistan forces and their desire to involve our Border Security Force in skirmishes, it appears that Pakistan is provoking India to start a war. Pakistan's probable calculation is that a war with India would not go on indefinitely and the intervention of the super powers would lead to a second Tashkent, where the question of Bangla Desh might be settled by negotiation. Also, in the event of an Indo-Pak war, the war of independence in Bangla Desh would recede into the background. It would be difficult for the freedom fighters to retain the independent character of their struggle and prevent the emergence of a government subservient to India.

Although some hotheaded politicians in India are clamouring for such a war, the majority of different interest groups favour gradual indirect aid by India on a selective basis to reliable persons, mainly Awami Leaguers and other such Centrist elements among the freedom fighters. They also seem to prefer the idea of the resistance being conducted by the EPR, EBR and professionally

trained paid soldiers to the idea of a guerilla movement by armed peasants and volunteers. They fear that arms in the hands of the peasantry led by the politically committed Leftists might lead to the formation of a Leftist Government, which might not be favourably inclined towards India.

The attitude of various groups in our country is motivated primarily by their respective interests. In Punjab for instance, Bhagat Singh, Minister for Social Welfare said in a statement: "I feel India should move cautiously while dealing with this delicate issue since broadly it is Pakistan's internal affair. We, Punjabis, want to maintain peace and tranquillity on our borders with Pakistan as there are very many common things amongst Punjabis who are living on this side or on the other side of the border" (*Statesman*, April 3).

Business interests eager for short-term gains favour a continuation of the present state of affairs in Bangla Desh. Smuggling of raw jute into India from Bangla Desh is increasing and the Indian jute industrialists, plagued all these years by the instability of raw jute supply, never had it so good. They are looking forward to increased jute goods production. The collapse of East Bengal jute goods exports holds out the prospect of higher profits for Indian industrialists in the world market. They, however, ignore the possibility of foreign buyers shifting to synthetics in the face of expensive jute goods.

INDIAN HOPES OF GAINS

Advocates of long-term interests want to bide their time. The Pakistan army has destroyed the industries in Bangla Desh. It will take years to rebuild them. In the absence of West Pakistan capital in a future independent Bangla Desh, Indian investors waiting in the wings expect to fill the capital gap. This section pins its hopes on the emergence of an Awami League Government depending on India for its development programme. It hopes to monopolise the entire export market of Bangla Desh. Apart from raw jute, it also expects a cheap supply of tobacco leaf. Some small industrialists of West Bengal are already dreaming of improving ice and cold storage industries in anticipation of huge exports of fish from Bangla Desh after the war is over. On the import side, this section envisages that coal from West Bengal would find a good market in Bangla Desh for power requirements in industrial redevelopment plans. It also hopes that the handloom industry of Bangla Desh

would depend on imported Indian yarn. All these different interests cherishing dreams of investment and profits, however, ignore the possibility that a people winning independence through bloodshed would not be in a mood to replace West Pakistan capitalists with West Bengal or Indian capitalists.

On the political front, the Congress(R), Bangla Congress and other such Centrist parties are naturally seeking to mould the Awami League in accordance with their own designs by agreeing to aid their own hand-picked men in the Awami League. This attitude influences the Central Government's policies.

The CPI(M) is expecting to find its counterpart in Bangla Desh in the National Awami Party of Maulana Bhashani. The CPI is helping the Moscow-oriented Purbha Pakistan Communist party. The Bhashani-led NAP wants to build up a united national liberation front of all the fighting forces including the Awami League. It has accepted Mujibur Rahman as a national leader. But the various pulls — Soviet, Indian and Chinese — dividing the fighting forces in Bangla Desh, are making it difficult for the various groups to respond to Maulana Bhashani's call. One of the leading members of Bhashani's party whom I met during my visit to Bangla Desh requested me with folded hands: "Please ask your politicians not to meddle in our internal politics".

The CPI(ML) is in a fix. Some splinter Bangla Desh Naxalite groups claiming allegiance to Mao, are fighting by the side of the other liberation forces. The official Maoist party, known as the Communist Party (Marxist-Leninist) and headed by Mohammad Toha, describes Mujibur Rahman as pro-imperialist and anti-Chinese. But to be fair, this has not yet led Toha to side with Yahya Khan and swear by Pakistan's unity and integrity as is being done by China. Toha's volunteers are actively fighting in some villages against the Pakistan army, although they are more keen to concentrate on sharpening class conflicts in the rural areas by the annihilation of landlords.

NAXALITES' POSITION

The CPI(ML) is torn between the stand of China and the blatant barbarism perpetrated by the Pakistan army. It interprets China's stand as that of a non-committed nation. Without directly denouncing the liberation struggle, the CPI(ML) points out, quite correctly, that the masses, particularly the

peasantry, have not yet been brought into the fold of the resistance movement. It also refers to a reported statement made by Mujibur Rahman to a foreign correspondent on the eve of the war, that he was the only person who could save East Bengal from going Communist. Suspicious of India's idolising of Mujib and of the glorification of the struggle made by the monopoly newspapers of India, the CPI(ML) apprehends that India wants to set up a puppet anti-Chinese government headed by the Awami League in Bangla Desh.

The CPI(ML) stresses the need for self-dependence in any national liberation struggle and describes the Chinese revolution as having been a self-reliant one in contrast with the present struggle in Bangla Desh where the leaders are seeking India's help. CPI(ML) activists in Calcutta are fond of referring to a particular chapter in Lin Piao's "Long Live the Victory of People's War", entitled 'Adhere to the Policy of Self-Reliance', as their theoretical justification for expecting the East Bengali freedom fighters to reject Indian help. But while asserting that a people's war in any country will have to be waged by the people themselves and primarily by their own efforts, Lin Piao has also said: "During the War of Resistance against Japan, our Party maintained that China should rely mainly on her own strength while at the same time trying to get as much foreign assistance as possible... Our Party held that it was possible to exploit the contradictions between US-British imperialism and Japanese imperialism, but that no reliance could be placed on the former".

One is apt to agree with the CPI(ML) criticism of the Awami League leadership, which has been trying to depend solely on Indian help to win the war, instead of mobilising the masses and arming them. But if a more mass-based leadership of the Bangla Desh liberation war emerges and tries to "get as much foreign assistance as possible" by exploiting the "contradictions between" the Indian and West Pakistani bourgeoisie, would the CPI(ML) object? One should not expect the freedom fighters of Bangla Desh today to regard the Indian bourgeoisie — although it may be harbouring a sinister design of turning Bangla Desh into a colony of their own in some distant future — as their main enemy at a moment when the more ruthless Pakistan army is plundering their homes and killing their people.

Empire Building in Electronics

Dipak B R Chaudhuri

UNTIL recently, a Joint Secretary in the Department of Defence Supply assisted by the Defence Science Organisation and the Signal Corps of the army used to look after electronics. Electronics was probably assigned to the Defence Ministry in the days when, besides the private and public sector, we used to have a Menon military sector. Apart from the defence services, the Departments of Communications and Information and Broadcasting (I and B), now fortunately under the same cabinet minister, are also major users of electronics.

During the reshuffling of cabinet portfolios, the Prime Minister decided to take away electronics from Defence but instead of handing it over to the Atomic Energy Commission (AEC) as demanded by some, it was made a separate department with a Joint Secretary at its head and under supervision of the Cabinet Secretary. The Cabinet Secretariat already gets technical advice from another set-up known as the Joint Communications-Electronics Committee headed until recently by Lt-General Inder Dev Verma, the present Chairman of the Institute of Telecommunications Engineers. The Government has also appointed a Committee of three Secretaries (Atomic Energy, Communications and I and B) to consider all aspects of communications satellites and educational television.

The television expansion projects of the Department of Information and Broadcasting, though curtailed by the Planning Commission, generated much hope both among electronics manufacturers and consumer goods advertisers about the large-scale manufacture and sale of television sets in India. The Bombay TV centre is due to start telecasting by the end of 1972 and this will create a big demand for locally-produced TV receivers in the relatively affluent Bombay-Poona region. The educational TV relay-by-satellite programme will also create demand for receivers for public education. Besides the four parties who originally secured TV manufacturing licences based on technology developed at the CSIR laboratory at Pilani, a large number of established and mushroom-growth radio and electronics manufacturers have applied for licences.

The liberal grant of industrial licences and letters of intent in other sectors of industry led a number of these new

applicants to hope that they would secure licences on the eve of the Lok Sabha elections by pleasing ministers. Intense lobbying was carried on throughout last January. There was an attempt to ban companies having equity participation by foreigners, even though the latter had promised free import of technology. The new applicants, including established manufacturers, also started propaganda against an important figure in the scientific and bureaucratic establishment close to the Prime Minister and with a family stake in the electronics business.

This has meant that among the various electronics projects, the progress of television has been notably retarded by unending disputes and squabbles between several government ministries, departments and research units, particularly the Defence Ministry, CSIR's Pilani laboratory and AIR engineers.

Meanwhile, the AEC has tried to establish its credentials in the electronics field by promoting the Electronics Corporation of India (Hyderabad) to supplement the efforts of Bharat Electronics — originally established by the Defence Ministry. The digital computer made by the Electronics Corporation is already available in the market. Sensing what it considered to be an intrusion into its sphere, the Defence Ministry vigorously opposed the proposal to place electronics under the AEC. The AEC, on the other hand, has been the principal opponent of the proposal for an integrated Ministry of Science and Technology as it considers it a threat to its relative freedom from any kind of financial and bureaucratic scrutiny.

The marked interest in electronics, particularly television, by the AEC and

its Chairman, Vikram Sarabhai, is due to involved reasons. It is envisaged that space satellites will be used to relay educational TV programmes over a wide area of the country. This means that India will be manufacturing and launching its own TV relay satellites in future years. So the AEC is keen to encourage television in order to expand its own research and development, beyond the purely nuclear field, into space and missile technology as well as allied computer systems.

Confronted with all these rival claims and notes, the Cabinet Secretariat thought of the AEC-type set-up for electronics "free from all non-essential restrictions and needlessly inelastic rules", though only recently the Estimates Committee of Parliament had reported adversely on the set-up and achievements of the AEC. The Minister of State responsible for scientific affairs and the science adviser also approved this proposal for a semi-autonomous Electronics Commission. After this, the Cabinet had no alternative but to endorse it.

The Government has not yet decided on the composition of the Commission. The AEC lobby wants M G K Menon of the Tata Institute of Fundamental Research as the first Chairman. Also, the Finance Member of the AEC may be made Finance Member of the Electronics Commission. The new Commission will have a hard task ahead in reorganising the electronics industry which has grown in a rather haphazard way. One of its first tasks will be to update the 1966 Bhabha report. The Government would also be well advised to transfer all public undertakings and laboratories concerned with electronics, including the telecommunications research centres, to the Electronics Commission.

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Good Neighbourliness

Nireekshak

FOR more than a month now, no news story other than the battle for Bangla Desh has figured in front-page lead headlines. It must be a record in consistency. No wonder one of the slogans raised by a group of Pakistani demonstrators before the Indian High Commission in London was: "Down with the Indian Press!". However, while the news focus continued to be on events concerning Bangla Desh and more recently on the diplomatic rumpus caused by the defection of the Pakistani Deputy High Commissioner in Calcutta, other developments have received prominent editorial attention. One of these is the so-called "Guevarist" uprising in Ceylon.

Considering that Ceylon lies a bare 22 miles away from the Indian shore, the reporting of this event must be pronounced indifferent. Apart from the *Times of India* which sent out one of its staffers, Inder Malhotra, to the island to report the situation first hand, almost every other paper has used only agency copy. As the Ceylonese Government has imposed news censorship, it is a matter of speculation as to what extent the agencies' copies have reflected the facts of the situation. There are no means of knowing whether the censorship regulations have directly discouraged, or even prevented, some of the wealthier newspapers from sending their own correspondents to Ceylon. However, since at least one Indian journalist got a visa (unless, of course, he was being entertained primarily as a correspondent of the *Guardian*, which he represents, rather than of the *Times of India*) some others too might have been able to enter Ceylon had the attempt been made. Even from a purely professional point of view, this failure to cover Ceylon in depth has been a loss to the Press.

Naturally, editorial comments were based on the available reports and, in the circumstances, this left much to the writers' imagination. The *Statesman* editorial writers, for example, used the occasion to read a homily to the Government of India as much as to argue that "the severance of diplomatic relations between Colombo and Pyongyang is a major defeat for Mrs Bandaranaike's deliberate policy of courting Communist regimes". By contrast, her 'courting' of non-commu-

nist regimes in the wake of the uprising should have been rated a success. But the paper did not say so. Instead, it wondered why India had rushed 'Indian warships and helicopters' to Ceylon when Pakistani helicopters, too, were involved in the affair; this was "an association which public opinion in this country, contrasting Mrs Gandhi's circumspection over East Bengal, cannot but deplore". Even if New Delhi's argument is accepted—that in Ceylon, as in East Bengal, Indian support is for "the democratic will of the people"—hasn't Indira Gandhi already "convincingly demonstrated" that "physical involvement is a far cry from moral support"? There was little justification, the paper argued, for "bridging that gap and abandoning the counsel of reason at a time when so much remains unaccomplished nearer home".

"Trouble in Ceylon", "Crisis in Ceylon", and "Ceylon's Naxalbari", were respectively how the *Hita-vada*, the *Tribune* and the *Free Press Journal* viewed the situation. "The course of the 'Guevarist' movement in Ceylon", wrote the *Free Press Journal*, and "the Government's efforts to stamp it out suggest, first, that the movement is more widespread than might have been imagined and, second, that the Government is not quite sure how to handle it". The "terrorist" movement, it added, is a "reflection of economic unrest, particularly amongst the youth, as well as popular disenchantment with the Government's performance in office.... The slogan of socialism is no substitute for economic opportunities for the poor and educated-unemployed.... The events in Ceylon hold an obvious lesson for India, which it would be short-sighted to ignore."

Another topic which competed with Bangla Desh for attention is the now famous ping-pong match in Peking. "Peking opens the door", declared the *Hindu*. "Unpredictable as always, Communist China has signalled a change of policy towards the United States by rolling out the red carpet to an American table tennis team." (Interesting that the *Hindu* should continue to refer to "Communist China" when even Richard Nixon has begun to call that country by its proper name, the People's Republic of China!)

One reason for the Chinese "gesture", the *Hindu* thought, might be that China "is preparing the way for its entry into the United Nations". There was nothing unpredictable, however, in this development, the *National Herald* seemed to argue. In fact, "what is happening is not a sudden, unexpected development", it illuminated. "If it is a surprise, it is what has been called a predictable surprise." China and America, the paper noted, "had specially close relations before and some time after the First World War. The two sides are now trying to pick up the threads of those relations once again." The development was also consistent with the Nixon Doctrine which recognises, in the words of an unstat-ed source quoted by the paper, "the emerging polycentrism of the communist world, which presents different challenges and new opportunities."

Actually, all this was a "Chinese puzzle", commented the *Deccan Herald*. "What lies behind the abrupt shift in China's attitude to the US... is hard to divine." Nonetheless, the paper went on to probe the depths and came up with some propositions. The development "suggests that China has embarked on a new phase of its diplomacy", it surmised; or it may be that "Peking apprehends the emergence of a Super-Power condominium resulting from a convergence of US and Soviet interest in establishing a bi-polar world equilibrium." (Got that last one? I haven't!) It could even be, speculated the Bangalore daily, that "Peking is seeking to insure against US antagonism in view of the exacerbation of its relations with the Soviet Union". In any case, New Delhi should be "wary of any facile dismissal of the possibility of China fishing in the troubled waters of the subcontinent."

Relations between India and Nepal also figured briefly in editorial comments. The occasion was the reconstitution of the Government of Nepal and the appointment of Kirti Nidhi Bista to the Prime Ministership. Not many newspapers took note of it, however, though the event while probably not as bewitching as Chou's smile is certainly not less significant for India than the death of "Papa" Doc of Haiti. Those who did take the trouble of noting the change in Nepal seemed all to believe that it might open up prospects of rethinking on the stalled trade agreement between the two countries and lead eventually to greater Indo-Nepalese understanding.

Heroic Quantifiers

P R Panchamukhi

Measurement of Cost Productivity and Efficiency of Education edited by: H N Pandit; National Council of Educational Research and Training, New Delhi, 1969; pp xxxii + 434; Rs 21/\$ 4.25/34 sh.

RATIONAL decision-making has to be based on a clear knowledge of the various aspects of the subject. If the quantitative significance of the different aspects is known, then the decisions will have greater accuracy. The science of measurement of economic relationships (econometrics) has revolutionised economics, in general, and the process of decision-making, in particular. Many variables, which were at one time thought to be non-measurable, have been subjected to the measuring rod. Economists' increasing interest in the economic aspects of education has given an impetus to quantitative research in the economics of education, facilitating more scientific decision-making in this field.

The National Council of Educational Research and Training, New Delhi, has brought together interesting contributions in the field of economics of education with an accent on quantification of Indian data. The volume is the outcome of a six-day seminar organised by the NCER & T in Jaipur in 1967, in which 39 researchers participated. There are in all 32 papers divided into five sections, each section giving a brief summary of the papers. The editor's report summarises the proceedings of the seminar, outlining the major issues of the discussion. The six-day seminar ran like a busy workshop in which the present reviewer also participated.

The topics covered in the volume are diverse: review of the literature, methodology of working out educational costs and returns, internal efficiency of the educational system and planning of education. The papers discuss methodological issues and also attempt empirical analysis of these issues. On the cost side, the discussion centers on the concept of unit costs, and consideration of opportunity costs in the context of unemployment. It may be recalled that the Education Commission had initiated research in the development of methodology and statistical computation of unit costs especially for higher education. Some of the results of such studies have been presented in its Report. However,

NCER & T has given a lead in the computation of unit costs in school education. The problems of such unit cost calculations for the different levels of education are almost similar. There may not be agreement on the definition of 'output of education' because of the quantitative and qualitative attributes involved. Complicated problems in the measurement of 'educational output' compel researchers to define output in terms of the number of students only. For the purpose of unit cost comparisons among different institutions, standardisation of the 'student' is necessary. These issues are more posed than answered. However, the papers attempt to give empirical content to the different components of unit costs, such as social costs, institutional costs, and private costs. Empirical studies face particularly tough problems (which are well known to the capital theorists) when they concern the capital costs of education.

A related problem, once the unit costs have been computed, is that of actual policy, viz, how far is it possible to reduce costs without affecting education's capacity for output; or is it possible to raise the internal efficiency of education? Side-tracking the problem of defining 'educational output' the papers have dealt with issues relating to wastage in education, especially school-level education, and also with problems of engineering economics (such as costs arising out of the improper utilisation of space, buildings, and lighting facilities, and the possibility of economising on these costs).

The papers dealing with the problems of planning investment in education should have been presented after the discussion of productivity of education, since the planning process takes into account the costs, internal efficiency, and productivity, etc, of the educational process. Some of the papers have been put in the wrong sections.

Education's contribution to the earning capacity and actual earnings of the educated are often considered as the productivity of education. Generalising at the national level, an estimate is made of education's contribution to na-

tional income. At the conceptual level itself, this method is subject to two objections: first, education is only one of several factors contributing to earnings, so that to attribute the entire earnings differentials to education differentials is incorrect; secondly, the estimation procedure makes the assumption that wages are equal to marginal productivity. Education, by its effect on earnings, also affects income distribution; this aspect is generally neglected in the discussions on productivity of education. Some of these issues are discussed in Section 4. The nature of income distribution, in general, in some of the urban areas and income distribution due to a number of socio-economic variables, of which education is one, are examined in chapter 24, which makes use of some advanced statistical techniques like Goodman Kruskal measures of association and prediction, the method of dummy variables in the multivariate estimation, etc. Rates of return at each level of education are estimated after separating the contribution of other 38 socio-economic variables on earnings. The chapter on the contribution of education to farmers' productivity supports the hypothesis that agricultural productivity is significantly related to the education of farm workers and that the pattern of demand for a strategic input like chemical fertiliser is significantly influenced by the education of the farm workers.

Investment decisions in education are generally based on the rate of return approach or the manpower requirements approach. Recently, the usefulness of co-ordinating these (rates of return and manpower requirements) approaches has been recognised in educational planning (see E J Blaug, 1967). While chapters 17 and 18 outline the various areas of decision-making for educational planning, chapters 18, 19 and 20 develop optimisation models of educational planning. The chapter on the returns approach to educational planning presents the rates of return at different levels of education in India.

The volume makes interesting reading on the whole. Some papers published in the volume make a significant contribution to the thinking on the economics of education. The volume reflects that only a beginning has been made in the empirical researches in this field and that there is still a long way before the empirical findings of the quantifiers can be used in actual policy-making in education.

Estimation of Tax Incidence in India

K S R N Sarma

M J K Thavaraj

Estimation of tax incidence is important as it generally constitutes the basis for formulations of tax policy. In recent years attempts have been made, official as well as unofficial, to estimate the incidence of taxation in India. The purpose has been to obtain a quantitative basis for examining equity in taxation in India—particularly as between the agricultural and non-agricultural sectors and as among the different income-groups within these sectors.

An examination of these studies reveals several conceptual and empirical shortcomings which become particularly serious for estimates of equity in incidence among the different income groups. Moreover, there is generally an oversimplification in them of assumptions made about the process of tax-shifting.

While these studies attempt to measure tax incidence via the consumption approach, the possibility of arriving at a measure to serve the same purpose through a production approach needs to be explored.

The studies have especially failed to fill one lacuna. Despite the pious pronouncements regarding equity in the Plans, taxation of the agricultural sector continues to be sadly neglected; the various studies have, nevertheless, failed to provide any objective basis for vertical equity in taxation of the agricultural sector.

INCIDENCE is an important aspect of tax analysis. Estimation of tax incidence generally constitutes the basis for certain investigations into tax policy. In recent years, some attempts have been made, both by governmental agencies and by individual research workers, to estimate the incidence of taxation in India. The purpose of all these studies is to get at a quantitative basis to examine equity in taxation in India. In particular, these studies are concerned with equity in taxation between the agricultural and the non-agricultural sectors and with the determination of relative tax incidence among the different income groups in these two sectors. The Taxation Enquiry Commission, 1953-54,¹ was the pioneer in this direction in India. In fact, the estimation methodology followed by the subsequent studies is basically similar to that of the Report of the TEC.

This paper attempts to review the methodology and assumptions of the various estimates of tax incidence initiated by the Taxation Enquiry Commission. However, neither an examination of the various inferences drawn in these studies nor an alternative methodology for estimating tax incidence is attempted in this paper. Nevertheless, we hope that the review will help to place the various conclusions derived from these studies in correct perspective.

First of all, it would be worthwhile to examine the definitions, adopted by the Taxation Enquiry Commission, of the two basic concepts of 'incidence' and 'equity'. In the literature of public finance these two terms have been

subjected to varied interpretations. Hugh Dalton states that the problem of incidence is just a problem of finding on whom the direct money burden of a tax falls.² E R A Seligman, on the other hand, draws a distinction between 'impact' of a tax and its 'incidence'. The impact of the tax is said to be on those persons on whom it is at first (legally) imposed. Shifting is the process by which a tax payer transfers his money burden (on payment of tax) to others in the course of his normal economic transactions with them. Incidence is stated to be on those persons from whom further shifting of tax could not take place.³

WIDER CONNOTATION

Recent literature, however, seeks to give a wider connotation to these concepts. Richard M Musgrave, for instance, prefers to use the term 'incidence' to denote the change in distribution of income that results from particular changes in budget policy.⁴ Such a change in income-distribution is brought about through price changes resulting from tax proposals and other fiscal measures of government. On such occasions an individual is affected on two counts: from the 'source' side by the price he gets for the goods and services he offers for sale, and from the 'uses' side by the price he has to pay for the goods and services he purchases. Thus Musgrave's definition of incidence goes much beyond the direct money burden as referred to by Seligman, and embraces a much wider range of economic effects brought about by

the changes introduced through the budget.

Though broader in scope, Musgrave's definition would present a number of problems in the empirical estimation of incidence. Musgrave has also suggested two terms, viz, 'effective incidence' and 'impact incidence'. The term 'effective incidence' is used to denote the "actual change in distribution that results as a given tax is imposed or tax substitution is made". The term 'impact incidence' is used to refer to the "change that would result if the income position of a new tax payer were reduced by the amount of tax addition or the income position of a former tax payer were improved by the amount of tax remission, while the positions of all others remained unchanged.⁵ Thus, the first term is more akin to the concept of 'incidence' as enunciated by Musgrave himself, the second term is closer to the 'impact' as stated by Seligman. The impact incidence is on whosoever is liable for payment under the law. Whether it be the income recipient under the income-tax law or the seller at the particular stage where a commodity tax is imposed and so on. But if the seller is able to enhance his price or to cut down factor payments, the shifting is stated to have occurred and the effective incidence is no longer on that seller.

As with Musgrave, the concept of formal incidence employed by Ursula Hicks is likely to pose a number of difficulties in empirical estimation. Ursula Hicks defines 'formal incidence' as "the proportion of people's" incomes which does not go to provide

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the incomes of those who furnish them with goods and services but is paid over to governing bodies to finance collective satisfaction.⁶ In its scope, therefore, it covers a much wider area of fiscal measures than taxes. More importantly, Ursula Hicks's definition takes into account the incomes of individuals/sections of the population, as a variable in the determination of incidence. It has thus laid the basis for comparing relative tax incidence among different income groups.

Like 'incidence', the term 'equity' has also been given different interpretations by different fiscal theorists. Haskal P Wald observes that the subject of tax-payer equity or justice in taxation is one of the most vexing problems of public finance and is one of the hardest to place in useful perspective for policy decisions. Equity, after all, is not a concept derived by economic analysis. It is a subjective concept meaning different things to different people.⁷ For instance, the various 'sacrifice' theories are basically founded on psychological premises which do not lend themselves to quantification or inter-personal comparison. Yet, there seems to be some consensus on the interpretation of the concept, in general terms, when it is stated that equals should get equal tax treatment. In more concrete terms, the principle advocates equal tax incidence on people with equal capacity to pay measured, say, in terms of income, wealth, etc.

There are other interpretations too which maintain that tax incidence should be in accordance with the net benefits received from the state by individuals and groups. The principle of equal treatment of equals is often referred to as the principle of 'horizontal equity'. There is yet another principle which is concerned with the tax treatment of unequals and it is often known as the principle of 'vertical equity'. The 'sacrifice' theories and 'the ability to pay' principle relate essentially to this problem. It may be said that, though there is hardly any consensus on this concept, there is general awareness that, as the capacity to pay increases, there should be some progression in tax incidence. Recent writers have preferred to combine the two principles of horizontal and vertical equity in taxation. These are reflected in the Indian Plans which conceive of progressive taxation as a means of ensuring equity and social justice.

It follows that, apart from the difficulties of delineating the concepts of incidence and equity, concretising these concepts in some form of 'working definitions' has presented formidable problems to empirical researchers — partly because data is inadequate on various economic variables such as income, consumption, prices, and so on, at the macro as well as the micro levels. Nevertheless, the Taxation Enquiry Commission defined incidence as the money burden as intended by the taxing authority to fall. The amount paid in tax is thus measured as per cent of income of the different income groups.⁸ It may be noticed that this definition of incidence which the TEC prefers to refer to as 'formal incidence' is closer to the definition of formal incidence given by Ursula Hicks. In particular, it has brought income into the purview of the definition. But the major difference between these two definitions seems to be that, while the former has preferred to take into consideration the "net real transfers" of tax burden (both in terms of money as well as services accruing), the TEC is confined to the gross direct money burden of taxation. The direct money burden of taxation referred to by the TEC as the incidence, measured as a ratio of tax to income, is similar to the concept used by Seligman. On the term 'equity' in taxation, the TEC has taken the position that there is equity in taxation when people at the same levels of money incomes have the same level of tax incidence.⁹ In other words, it has confined its attention to horizontal equity.

The concept of formal incidence needs closer scrutiny, as it appears to be the king-pin of most estimations made so far. The first problem in definition relates to shifting of the tax burden. An idea about the intentions of the tax-imposing authority and about the assumptions they make on the likely distribution of the burden of the new tax being introduced, may be obtained from the budget speeches of Finance Ministers. But when we are faced with a multiplicity of fiscal authorities there is bound to be some conflict of values between the various levels of government. Besides, as a result of inter-State and intra-State trade, the area/sections of population on which the burden of taxation imposed by a particular authority falls need not coincide with the geographical jurisdiction of the authority. This problem assumes special significance when we deal with State and local

taxation.

Shifting will neither be of the same (unique) type in all situations nor be a static concept as the definition seems to assume. For example, the shifting process generally observed in the case of a sales tax is that a whole-sale dealer passes on the tax to an intermediate dealer who in turn passes it on to the dealer in the next stage and so on, so that ultimately the retailer collects the tax from the final consumer. There is a marked difference between the above shifting process and that which takes place when, say, a tax on raw materials used by a manufacturer is shifted by him to the chain of distributive channels by enhanced prices of the products. The latter is nearer to the concept which is usually referred to as an effect of a tax. The estimation under consideration prefers to overlook the difference between the above two shifting processes. Secondly, all the estimations of tax incidence are with reference to a certain period; and if there is a time lag between one stage of shifting and another it is bound to affect the results of estimation. But this aspect is generally ignored. Further, shifting is a dynamic concept in that it produces a chain of reactions. To track the process of shifting to its logical end (to the stage where the taxed subject cannot transfer this money loss to others) is extremely difficult. This inevitably introduces a subjective element, insofar as the investigator arbitrarily decides the stage upto which he will track down the process of shifting.

The second set of problems relate to the way the TEC has expressed formal incidence as a ratio of taxes paid to the incomes of a section of the population concerned. Since the ratio is primarily used as a basis for determining the extent of equity in taxation (according to 'capacity to pay' principle) we find that confining the choice to only money incomes is highly inadequate. For, money income, taken without regard to its source, i.e., whether earned or unearned, is not the sole indicator of the capacity of a person or a group of persons to pay taxes. In the discussions relating to the formulation of measures for ensuring equity in taxation, it is desirable to make appropriate provisions for the inequalities in incomes and wealth as well as the minimum subsistence-consumption requirements of persons of different age-groups and occupations, etc. Moreover, the use of a simple ratio of tax

burden to income is tantamount to accepting 'proportional incidence' in preference to the generally accepted principle of 'progressive incidence' in taxation.

In order to eliminate some of the deficiencies of the TEC's "taxes paid to income ratio", V P Gandhi has suggested the following as a measure of tax incidence:¹⁰

$$B2 = \frac{t}{f(y - s, W, w, i)^e}$$

where, B2 = tax incidence;
 t = per capita taxes paid;
 y = per capita income;
 s = per capita subsistence requirement;
 W = per capita wealth;
 w = wealth inequality measure;
 i = income inequality measure;
 e = a constant denoting the desired degree of progressivity;
 f = denotes function.

In actual estimation, however, Gandhi assumes that the function in the denominator is a linear function in the variables mentioned therein and that e is equal to 1.5.

When viewed from the conceptual angle, Gandhi's ratio is a marked improvement over TEC's ratio. It includes all the major factors that are considered relevant judging equity in taxation. There is no evidence to show that Gandhi has verified his assumption about linearity with the help of suitable 'goodness of fit' tests. Also, his choice that e = 1.5 does not seem to be satisfactorily explained. Apart from these objections over the form of the mathematical equation, Gandhi's estimate does not appear to have made much headway on account of the great dearth of statistical data on the variables, on per capita subsistence requirements, per capita wealth, wealth inequality, and income inequality, included in his measure of incidence. Absence of reliable data has forced him to make heroic assumptions about a number of variables.

There is yet another, major, criticism about the numerator and the measure of incidence under consideration. It takes into account only the direct money burden of taxes, excluding the possible effects of taxation altogether. As such, it cannot be taken as a true measure of incidence. For, effects of taxation on savings, on investment, and on the motivation to work, etc., will all have an influence on

the real incomes — and thus on the capacity to pay taxes of the people concerned. In this connection we may state the observation made by Dalton that "every tax produces a number of economic effects and it has been questioned whether it is either practicable or desirable to try to separate the special problem of incidence (here according to Dalton only the direct money burden) from the more general problem of effects."¹¹

Some economists hold the view that it is not advantageous to estimate incidence on the basis solely of the direct money burden of taxes, as it cannot satisfactorily serve the requirements of the policy makers. This is so because it is difficult to separate the direct money burden from the changes resulting from variations in the price level, income distribution, and so on, affecting the real incomes of the various sectors of population. Dalton has underlined this by saying that judging equity independently of its economic effects can be very misleading since these effects might influence the level and distribution of income and wealth.¹² But as it has been observed by Dalton himself, the subject of the distribution of direct money burden of taxation still interests "many theorists and nearly all plain men".¹³ The ratio of direct money burden to capacity to pay may not be a theoretically sound measure—and possibly it may not provide a satisfactory frame for empirical calculations—but it can still be profitably used to know the direction in which the tax shifting, and hence the incidence and effects, are likely to occur. To this extent, it can form a useful tool for the policy maker. There is therefore need to make an attempt at empirical estimation of the same.

CONCEPT OF NET TAX BURDEN

In their estimation of tax incidence, the Taxation Enquiry Commission preferred to exclude from their consideration the benefits accruing to different income groups of the population under various public expenditure programmes. It argued that, it is difficult with the available data to establish the income groups to which the benefits from public expenditure accrue.¹⁴ They are aware that special studies are required for that purpose. But two individual researchers, V P Gandhi¹⁵ and E T Mathew¹⁶, attempted to study the problem of incidence on the basis of 'net benefit'. Both these studies took into consideration only public expendi-

ture under revenue account. Capital expenditure is excluded on the ground that the benefits generated by the capital projects are usually spread over a long period, so that it is too difficult to work out the annual value of benefits.

There are, however, certain differences between the above two studies. While Gandhi took into consideration all public expenditure in the revenue account, Mathew confined himself exclusively to developmental expenditure. The procedure followed in both studies is briefly as follows: First, the money burden of taxes on different sections is worked out, adopting the method suggested by the TEC. Public expenditure on agriculture and on allied functions like irrigation, animal husbandry, and community development, is almost entirely assumed as benefiting the agriculturists. The benefits from expenditures in fields like education, medical benefits, and other social services, are assumed to accrue to agricultural and non-agricultural sectors according to certain ratios arrived at on the basis of some broad hunches. For instance, in Gandhi's study the revenue expenditure on common services like police, judiciary, etc., are allocated between the agricultural and the non-agricultural sectors in proportion to the population in the respective sectors. After arriving at estimates of the benefits accruing from public expenditure to each of the sectors, the benefits are deducted from the total money burden of taxes and the difference is referred to as 'net tax burden'. This measure is used in place of total money burden of tax to make equity comparisons in taxation.

There are two serious objections to the procedure followed by Gandhi and Mathew in estimating the benefits from public expenditure accruing to the agricultural and non-agricultural sectors. It is not correct to assume that all the public expenditure on a particular head—say, expenditure on the imparting of training to the agriculturists in the new methods of cultivation—will help to enhance the money incomes of the beneficiaries of that education in the stipulated accounting year. The money incomes of agriculturists is dependent on scores of factors, such as marketing and storage facilities, improved means of transport and communication, fixation of remunerative prices and so on, by government. Even if there is a slight increase in the incomes of agriculturists in the particular season, it may well be due to other factors, such as a good mon-

soon, and not necessarily due to his improved techniques of cultivation. Expenditure on agriculture would also generate additional jobs for service people and thus give rise to additional income for that sector (non-agricultural) in the year under reference. This is true whether the expenditure is booked in the current account or in the capital account. The expenditure on irrigation dams, for instance, first helps to create new jobs and incomes for engineers, producers of cement and steel, construction workers, etc; all in the non-agricultural sector. Even when they are under operation there is a spillover of benefits into the non-agricultural sector.

Public expenditures are usually financed in addition to the funds collected from taxes, from the resources mobilised from sources like public debt, deficit financing, etc. When public expenditures are met from the funds raised through deficit financing or through public debt, any net transfer of money income from one section of the population to another would be more difficult to establish than when public expenditures are met entirely from tax resources. In the case of loans or deficit financed expenditure, the gain of one section need not mean loss of income of others. The total amount of new money incomes thus created needs therefore to be properly accounted for in estimating the measure of tax incidence. Again, when viewed purely from the conceptual angle, incidence studies based on net tax burden appear to adopt the criteria of *quid pro quo* — i.e., that benefits from public expenditure should accrue in the same proportion as the amount of taxes paid — as well as of 'capacity to pay'. The mixing of two different criteria is neither theoretically sound nor helpful in practice.

Apart from the shortcomings pointed out earlier, the estimations of net tax burden have failed to make proper allowance for the incomes accruing to and the taxes paid by the parties who do not come under the strict classifications either as agriculturists or as non-agriculturists. As one of the objectives of the estimations is to make a comparative study of tax incidence on people belonging to agricultural and the non-agricultural households, the incomes (in the national income estimations) accruing to Government and other public institutions and the taxes paid by them — both as income earners (including the taxes on the retained incomes of commercial corporations)

and also as important consumers of the taxed goods — need to be excluded from the calculations. This has not been done in the estimation studies under review.

INADEQUACY OF DATA

From the discussion of basic concepts of equity and incidence, we may now move on to considering some shortcomings in estimation arising mainly on account of insufficient data. The first problem arises regarding identification of agricultural and non-agricultural sectors. The Census gives data on the classification of working force according to different occupations. Cultivators and agricultural labourers are two such categories. One may take cultivators and agricultural labourers and members of their families as constituting the agricultural section of the population. But the difficulty arises when we want to get at the total earnings of the agricultural and non-agricultural population classified as above. The national income estimates in India employ different methods for different sectors. While the 'valuation of production' method is used for agricultural and allied subjects as well as for industry and mining, etc, the technique employed in respect of the services sector is the one usually referred to as the 'factor prices' or 'wage earned' method. Apart from income from cultivation activities, agriculturists may be earning substantial amounts of income from allied occupations like cattle-rearing, poultry-farming as well as from trade and industry during the agricultural slack seasons. Similarly, a good number of persons in the non-agricultural occupations may be deriving income from agriculture, say, as absentee landlords. The estimate made by the TEC does not seem to have paid adequate attention to this problem. E T Mathew has recognised it.¹⁷ But he has assumed that the above may not materially affect calculations at the macro level. He maintained that the magnitudes of the incomes of the agriculturists from non-agricultural sources and the incomes derived by persons in the non-agricultural occupations from agriculture may be equal, and that the net transfer from one sector to another is negligible. But this assumption does not seem to be nearer to common sense observations. Since money income constitutes the basis of the incidence measure, from which inferences regarding equity in taxation are sought to be drawn, there is need

to be precise in this respect.

A similar difficulty arises in attempts to calculate the percentage of agricultural population in the rural areas and those in the urban areas. The need for such calculation arose because the expenditure data from the NSS and other sources is given according to rural and urban classifications. The percentages of agricultural and non-agricultural population in the rural areas depend upon our assumption about their composition. There is need to have accurate figures of the percentages in question because any slight departure one way or the other from the actual is bound to alter the tax income ratio — and consequently the inferences based on them — significantly.

The main plank of estimation in the studies under review is the consumer expenditure data available from the National Sample Survey. From the points of view of coverage, expertise for interviewing, processing and analysis, the NSS is perhaps the best source for data on consumer expenditure in India. But these data suffer from a number of limitations which restrict their usefulness for estimating tax incidence. The consumer expenditure data are collected in the NSS rounds by canvassing a schedule among a sample of individual consumers drawn on an all-India basis. It may be mentioned here that large sections of the population are illiterate or semi-literate and usually not given to the habit of keeping a detailed account of their routine household expenditures. Incorrect reporting on account of 'recall lapse' is, therefore, likely to be significant. Further, a month (4 to 5 weeks) which is usually the period of reference in most NSS rounds, is inadequate for recording the year-round household expenditures in all respects. Money incomes accruing to agriculturists are likely to be high during the harvest months and low in the slack seasons. Most of the purchases of consumer durables take place during the harvest season, and expenditure in the slack period is usually confined to basic necessities of life. In contrast, the monthly incomes and expenditure patterns of the non-agricultural population may not vary significantly from month to month. This difference has to be properly taken into account as the tax incidence estimations, based on consumer expenditure data of a few weeks' duration say in an agricultural slack period, may not give a correct picture of the taxes paid by the agri-

cultural section of the population over a year and *vice versa*.

Non-monetised transactions are still prevalent in the rural areas. But that should not pose any difficulty for the estimation in question. For apportioning tax incidence, it is sufficient if all cash expenditures are recorded correctly. In any case, most of the published reports of the NSS do not give separate figures of cash expenditure and imputed values of barter transactions. Secondly, the classification of consumer expenditure as adopted in the NSS is generally different from the classification of consumer items adopted by the Government for levying various indirect taxes like excise, import duty, sales tax, etc. Further, the published reports of the NSS on consumer expenditure, barring a few, generally give only eight groups of items of expenditure. Lastly, the per capita consumer expenditures are given under different household expenditure groupings. This, at times, poses difficulties as the sizes of the households corresponding to the groupings given are not made available. But the major difficulty in using the NSS data is that we can at best arrive at the incidence of the taxes (commodity taxes) according to the various expenditure groupings — but not according to the income groupings of the various sections of the population.

The NSS gives the per capita monthly expenditures, usually arranged according to 5 to 6 household groupings — viz, the households with monthly expenditures of Rs 1-50, Rs 51-100, Rs 101-150, Rs 151-300, Rs 300-500 and Rs 501 and above. The TEC, Mathew, and the Finance Ministry studies on indirect taxation have all worked out the incidence of commodity taxation based on the above household categories. The assumption is that the expenditure pattern conforms to the income distribution pattern. But, besides income, the expenditure of household is also influenced by its size. Here it may be noted that the NSS fourth round assumed an average size of 3.18 per rural household in the expenditure grouping Rs 1-50. The corresponding size for the expenditure group above Rs 300 is 9.99.¹⁸ It is quite possible that a particular household of smaller size may be grouped in the low expenditure category, though its tax-paying capacity (in terms of income, wealth) is much higher. Unfortunately the NSS has no provision that makes available the incomes of the house-

holds covered in the survey. Besides, commodity taxes are but a portion of the total taxes, and unless direct taxes are also taken into account we do not get a true picture of the tax incidence on different sections of the population. To carry out such an estimation, it is necessary to establish some kind of relationship between the expenditure classification of the NSS and income/wealth, etc, classification usually followed for levying those direct taxes. But the establishment of such correlation is not found feasible.

Moreover, one of the main interests in working out tax incidence according to the different income groups is to examine how the incidences of taxes on the higher income groups in the agricultural and the non-agricultural sectors, compare with each other. As of now, non-agricultural incomes could be categorised under several income brackets. But NSS data has only two expenditure groupings, viz, Rs 300-500 and Rs 501 and above relating to agricultural sector. Analysis based on a broad classification would not be of much help to policy makers.

In a recent estimation, "Incidence of Indirect Taxation 1963-64", a quinquennial study being carried out by the Ministry of Finance, a number of refinements of the consumer expenditure data as available from the 18th round of NSS were first carried out to meet the requirements of the estimation.¹⁹ The Ministry requisitioned the Indian Statistical Institute for special tabulation of the 18th round of NSS data, and obtained tables on the total and cash per capita expenditure on household items of consumption which are usually subject to commodity taxation — separately for the rural households and for the urban households, and also according to different expenditure groups in these sectors. It also got the tabulation of the quantities actually consumed in the case of each of the items of consumption to use it as supplementary data for checking and for combining the estimates of commodity taxes calculated in respect of the different States of Union.

However, the National Council of Applied Economic Research in its study on Taxation in Gujarat²⁰ has chosen to launch a full-scale survey, specifically designed to serve the objectives of estimating the tax incidences on various sections of the populations in urban areas of Gujarat State. Naturally, data from a specially

designed survey will be better than data obtained from a secondary source like the NSS in more than one respect. It is possible to fix the classification of the consumer goods in the survey schedule according to the same classification, as it is adopted for purposes of levying commodity taxes like excise, sales tax and import duty, etc. Secondly, it is possible to classify the respondents according to their incomes, instead of according to the expenditure groupings — as is the case when we use the NSS data. Despite these advantages, the data from the consumer expenditure survey, however sophisticated its design may be, can meet only a portion of the requirements of the estimation of the tax incidence. 'Recall lapse', under-reporting of incomes, exaggeration of expenditure on certain items, or suppression of expenditure on some items (like liquor) etc, are but a few possible limitations of the expenditure data collected through canvassing of an interview schedule. Further, the NCAER survey could not throw any information on certain important factors like the number of stages a good has to pass through from the manufacturing stage to the stage of its final consumption, the margin of profits charged at each stage, etc. Information on these factors is necessary to know how much of the tax is shifted from one stage to another. The NCAER estimation, like the ones based on secondary sources of data, found it necessary to make a number of assumptions with regard to the factors mentioned above in their calculations. The object of the foregoing discussion is to highlight the range of information that is required to make a fairly reasonable apportioning of tax incidence, even under the more general conditions (assumptions) about shifting and incidence of commodity taxation. In view of the above difficulties, it appears that the Taxation Enquiry Commission and other estimators placed too much reliance on the NSS data and it might be a serious limitation on the accuracy of the estimates arrived at by them.

BASIS OF APPORTIONMENT

As has been mentioned earlier, the basic assumption in the apportioning of tax revenues to various sections of the population followed by the TEC and others is that all direct taxes are borne by persons on whom they are legally imposed and that taxes on

goods and services are paid by the final consumers of those goods and services. Some of the criticisms against such a sweeping assumption were already mentioned in the preceding paragraphs. However, the basis of apportionment adopted in respect of some of the major taxes needs closer scrutiny.

Land revenue, professional tax, income tax, (personal), wealth tax, expenditure tax, gift tax are all assumed to be borne by persons on whom they are legally imposed. In the case of doctors and similar professionals there is a possibility of their shifting the various direct taxes levied on them to their clients by increasing their fees. But the proportion of such cases are rare. In any case, the fees charged by doctors are governed by factors like degree of competition, etc, and the impact of tax rise on the fees they charge may be nominal.

CORPORATE INCOME-TAX

The Taxation Enquiry Commission and others assumed that, since the owners of equity capital are generally from urban occupations, the incidence of all corporate income-tax would be on the non-agricultural population. But, unlike individual income-tax, the incidence of increased corporate income-tax can be passed on by the large business firms — at least partly — to the consumers of their products through a price increase in the subsequent income period. In other words, the agricultural sector, to the extent that it is part of the market for the goods produced by the taxed firms will also bear the burden of taxes shifted on to them. Further, a large portion of the income of corporate earnings, which are subjected to tax, are allocated to numerous reserve funds and their ownership is assumed to rest with the body corporate itself and not with the individual shareholders. Similarly, since public institutions and private and temple trusts could not be classified in either agricultural or the non-agricultural sectors, the income-tax and other direct taxes collected from them also need to be excluded from the calculations.

CENTRAL EXCISE, IMPORT DUTY AND SALES TAX

At present quite a good number of items, which are essentially capital goods and intermediate goods, are subject to Central excise, import duties, and sales tax. Items subjected to these tax heads are, indeed, too large. Therefore,

it is not feasible to apportion the revenues attributable to each one of those items with the help of a consumption expenditure survey data. For an objective apportioning of the tax revenues from intermediary and capital goods, it is also necessary to take into consideration their respective production, supply and demand functions. Even while supposing that such a sophisticated analysis is not intended by the investigations, there are certain minor defects in the estimations under review which we feel could have been taken care of within the apportioning methodology chosen.

First, the fact that Government is an important purchaser of the taxed goods does not seem to have received adequate attention in these studies. There is need to make some provision for that before one can take up the apportionment of the indirect taxes between the consumers of agricultural and non-agricultural occupations.

Another aspect which could have been given greater attention is inter-State trade. The sales tax rates usually vary from State to State. Since there are no restrictions on internal trade, the sales tax on goods levied in the State of their origin (production) might in fact be borne by the consumers in another State. This aspect may not pose a serious problem while we are attempting an all-India estimate of tax incidence. But it has to be properly accounted for when we estimate the incidence of State taxation.

Moreover, the manner in which price increases are generally effected is particularly relevant for tax incidence studies. A good has to pass through a number of channels before it reaches the final consumer. At each stage, in addition to the tax paid, the traders usually hike up the price to cover their profits, interest charges, etc, on the amount paid by them by way of tax; consequently the consumers in the rural areas may have to pay generally a higher amount (to meet the tax and charges on it) for manufactured goods than the consumers in the urban areas. This difference is often ignored in these studies.

STATE EXCISE

The State excise usually comprises duties levied on opium, liquor etc, including the licence fee from the authorised vendors. The liquor excise generally accounts for more than 90 per cent of the State's excise revenues in the States where prohibition is not in force. In these States it is found that revenue col-

lections from liquor excise are substantially large, and usually occupy a place next only to general sales tax. The apportioning of the incidence of this tax, therefore, calls for a detailed analysis of all the available data with regard to liquor consumption. While apportioning the tax yields under consideration, the Taxation Enquiry Commission, however, seems to have been guided solely by the data thrown up by the NSS. Gandhi and Mathew have also relied solely on NSS data. Because of the social stigma associated with drinking habits, the expenditure figures based on interview responses may not give an accurate picture of liquor consumption. This is particularly so of respondents from the middle income groups both in rural and urban areas. There is, therefore, a great need to corroborate and test the data on liquor consumption obtained from any expenditure survey with the help of information available about the same from other sources before attempting an apportionment of the incidence of liquor excise.

The administrative reports of the State's excise departments give us some useful data on revenue collections from different types of liquor, such as country liquor, foreign liquor, and toddy, as well as licence fees collected from the authorised vendors. Of course, the data as it is may not help us much in apportioning liquor duties to the various sections of population. But they give useful supplementary information. Information available from the excise department's records about the number of authorised vendors in rural and urban areas, the amount of liquor supplied to them, and so on, are particularly valuable. This would help us to arrive at a more accurate figure of liquor consumption in those areas, and this is the only help for arriving at a better apportioning of incidence of liquor excise. This type of cross-checking and providing of useful supplementary information is not feasible when we are solely dependent on expenditure survey data. For instance, the ratio of sale of liquor in the Punjab as between the rural and the urban areas is said to be 48 : 52. But if we go by the criterion given by the TEC, the per capita tax contribution from the rural and urban areas towards State excise (liquor) would be approximately Rs 0.09 and Rs 0.10. In other words, the apportioning of revenues between these two sections has to be in the ratio of roughly 7 : 3, which is significantly different from what has been observed. Liquor excise collections in the rural and urban

areas can be assumed to be closely correlated with the amounts of sales of the different types of liquor in those areas respectively.

CENTRAL EXCISE

Revenue collections on items under the Union excise duties are usually presented under 30-35 distinct groups. Gandhi, however, uses only eleven items, viz, kerosene, sugar, matches, tobacco, coffee, tea, cotton cloth, footwear, soap, woollen fabrics, and miscellaneous, for apportioning excise revenues as between the agricultural and non-agricultural sectors. He assumes that excise revenues derived from the rest of the commodities can be safely assigned as accruing entirely from the non-agricultural sector.²¹ Such a blanket assignment of a substantial portion of the excise revenues, does not appear to be sound. In contrast, the TEC, Mathew, and the Finance Ministry, have, as far as possible, taken the revenues items-wise for apportioning on some specific basis. The Finance Ministry study has categorically stated that, it could not find it feasible to allocate about 45 per cent of Central excise duty directly according to the consumption pattern revealed by NSS.²² So, it took recourse to the other sources of data, such as transport statistics, for effecting the apportionments.

The Taxation Enquiry Commission has not taken into account the revenues from certain taxes while calculating the overall incidence of taxation. The omissions include export duty, estate duty, stamp duty and registration fees, property tax, passengers and goods tax, and electricity duty. It has been admitted that the revenues from these taxes constitute nearly 20 per cent of the total indirect tax revenues of both Central and State governments taken together. But no detailed explanation is available as to why the above taxes could not be brought into the purview of the calculation. Presumably, the Commission might have thought the exclusion of certain taxes, the revenues from which constitute a small percentage, would not in any way affect the estimates of the relative positions of urban and rural tax incidence. It is true that the incidence of export duty could be shifted on to consumers of other countries if it is on commodities over which the country has the advantages of a seller's market; in that case its exclusion from the estimation will not in any way affect the relative incidence of taxation on the urban and rural populations in India. But the same

cannot be stated about incidence of taxes whose incidence cannot be shifted to other nationals. Moreover, the yields from some of the taxes, viz, passengers and goods taxes, electricity duty, stamp duties and registration charges have, of late, considerably increased. So it is highly desirable to apportion the yields from these sources in the incidence estimation. In fact, in recent estimates, some attempts have been made to include these taxes too in the calculation.

STAMP DUTY AND REGISTRATION FEES

Stamp duty and registration fees constitute an important source of revenue for the State governments. In 1968-69, the revenue collections under this tax head accounted for nearly 10 per cent of the total tax revenues (all States put together). Gandhi, in his estimation, has allocated 20 per cent of the total yields from this source as accruing from the agricultural sector and the rest from the non-agricultural sector. The reasons advanced for a low percentage of allocation to the agricultural sector are that, (a) a high proportion of agricultural transactions are non-monetised, (b) in the agricultural transactions the most important asset is land and it is not so frequently transferred. However, no additional explanation is available as to the basis on which the above percentages of allocation were arrived at. Similarly with the Kerala Taxation Enquiry Committee's estimation of incidence of taxation in that State. Without adequate explanation, the incidence of the State's stamp duty and registration fees has been allocated between the rural and urban sectors in the ratio 2 : 8. On the other hand, Mathew adopted a more objective basis for allocation. He constructed a linear regression equation between the percentages of rural and urban populations and the stamp duty and registration fees collected over different States and the regression co-efficients of the former on the latter were utilised to arrive at the respective percentage shares of rural and urban sectors for allocation of the tax yields. The effort made is commendable. But we feel that it is not correct to make the percentages of rural and urban populations in a State as the determining variables in the regression analysis mentioned above. This is so because the variables which actually account for variations in the yields of stamp duty and registration fees from one State to another are not the percentages of rural and urban po-

pulations, but the volume of certain types of transactions within each of those States. Included in the Central list of transactions that are subject to stamp duty are those in bills of exchange, promissory notes, letters of credit, transfers of shares, proxies, cheques, bills of lading, policies of insurance, debentures, receipts (from the Central list, item 91 of Schedule 7 of the Indian Constitution). Stamp duty and registration fees within the purview of the State list largely relate to transfer of property, mortgages, partition, gifts, settlement, leases etc. The court fees (judicial stamps) payable in the case of litigations taken to a court of law are also included under the respective revenue heads under consideration. Most of these transactions are of a commercial and industrial character whose volume and frequency are much larger than those relating to agricultural assets. A proper apportioning of these revenues between the agricultural and non-agricultural sectors should therefore be on the basis of each individual transaction mentioned above. This is required because the pattern of incidence between the two sectors is likely to vary considerably from one transaction to another. The data on items like the volume of transactions in shares and about the changes in capital assets in companies is available from the Reserve Bank of India publications and the Census of Manufacturing Industries, etc. But this is far too inadequate. To an extent the percentage of people in commercial and trading activities on the one hand, and the percentage of the owner cultivators on the other, may be better than the percentages of rural and urban populations as the determining variables in the regression analysis of the type suggested by Mathew.

ESTATE DUTY

As with stamp duty and registration fees data available in respect of estate duty is too scanty to arrive at a basis for apportionment. Of late, the Commissioner of Direct Taxes has been publishing some useful information about the capital assets of various categories, agricultural assets, securities, etc, assessed for purposes of levying wealth tax. This data could be used profitably for arriving at the relative shares of estate duty contributions by the agricultural and non-agricultural sectors.

PROPERTY TAX

Property tax is generally levied on

urban houses and factories (this tax has now been transferred to the local bodies in most of the States). So we can confidently assume that a large percentage of the incidence of this tax would fall on the urban residents, of which again a large percentage belong to non-agricultural occupations. However, a portion of the tax, that is collected from factories and other commercial establishments may possibly be shifted to the consumers in the agricultural sectors also.

ELECTRICITY DUTY

Electricity duty is another important tax revenue omitted from the TEC estimation. Mathew has apportioned the revenues from this tax as follows: "25 per cent of the total revenue from this duty is assumed to have come from domestic use of electricity. This tax per cent is attributable to the rural households and the rest to the urban sector. 75 per cent of the revenue from this duty is assumed to arise from the industrial and commercial use of electricity. This portion can be apportioned between the rural and urban sectors in the ratio of monetised expenditures on 'sundry items' (as given in the NSS consumer expenditure survey findings)". However, the explanation offered by Mathew as to how the various percentages for allocation are arrived at is very inadequate. On the other hand, the method of allocation followed in the Ministry of Finance's Study of "Incidence of Indirect Taxation 1963-64" seems to be on firmer grounds. The relevant passage from that report reads: "Data on purpose-wise consumption were available in the report on public electricity supply", All India Statistics 1963-64. The rates of duty were applied category-wise to get hypothetical yields in order to get at the proportions in which the actual collections could be distributed. Thus out of the total collection of electricity duty, about 20 per cent was on account of domestic uses which was distributed according to the household expenditures on electricity, the remaining 80 per cent was on account of industrial and commercial uses. The duty realised on account of industrial uses was allocated according to expenditures on manufactured items and that realised on account of commercial uses was allocated according to expenditures on cash purchases.

PASSENGER AND GOODS TAX

In recent years, passenger and goods

tax has assumed importance for most State governments. But when the TEC estimation was done, this tax was not introduced in many States. Even later estimations, however, have not given adequate attention to this tax. Mathew has clubbed the revenues from this tax with collections from cess on tobacco and sugar, and apportioned the amount between the rural and urban sectors in the ratio of the combined monetised expenditures on tobacco, sugar, and conveyance, in those respective sectors. In our opinion, the incidence pattern of each of these taxes is different and pooling them together for purposes of apportionment is likely to be misleading.

Statistics regarding the various types of vehicles registered in different States are available. Further, the estimation in question has become much easier in the case of some States where some lumpsum annual fee, in lieu of the tax from the passenger buses and freight carriers, is at present being collected. The statistics on the types of vehicles can be used to arrive at the relative shares of the cess on passenger tariffs and the cess on freight charges. The first portion of the tax revenues can then be allocated between the rural and urban sectors in the ratio of the conveyance expenditures data, as available from the NSS, and the second portion of the tax revenue can be allocated between the two sectors in the ratio of their total monetised expenditures.

CONCLUSIONS

The foregoing examination of the studies on estimation of tax incidence in India has revealed several shortcomings, both in their conceptual and empirical aspects. These difficulties assume serious proportions especially when it is attempted to estimate tax incidence as among the different income brackets in the different sectors of the economy. It is observed that the working definitions adopted of two important concepts of estimation, *viz.* 'incidence' and 'equity' in taxation, suffer from a number of defects. There seems to be an oversimplification of assumptions made about the process of tax shifting in general.

As for data, the major drawback is that the estimations could not yield valid information on incomes of the various sections of the population. Meaningful conclusions about equity in incidence of taxation may be arrived at only when comparisons are made in respect of people placed in similar income positions. Another aspect is the excessive reliance on NSS data. These

estimations cannot use the information available from certain other sources. The apportionment of liquor excises can be cited as an example in this connection.

As regards the basis adopted for apportionment of revenues from various tax heads, the impression is that, greater care could have been taken to maintain a uniform approach to the problem of apportionment. Strangely enough, elaborate procedures have been adopted to apportion certain taxes involving smaller amounts whereas some taxes involving larger amounts are apportioned on somewhat arbitrary grounds. This could perhaps be one of the reasons for the wide variations in the ratios arrived at for apportioning certain taxes between the agricultural and non-agricultural sectors, even though the methodology adopted in these studies is almost identical and the bulk of the data are drawn from the same sources. But considering the paucity and inaccessibility of the requisite data, the methodology suggested by the TEC could be employed to obtain broad ideas about tax incidence. But they ought to be modified and refined with supplementary surveys and data if they are to be of help in the formulation of various tax policies. For instance, in all the studies under review, it is found that the per capita tax incidence in the agricultural sector is generally around half to two-thirds of the estimated figures of per capita tax incidence in the non-agricultural sector. Though in broad monetary terms this may indicate the differential taxable capacity of the two sectors, suitable adjustments have to be made to take care of the differences in the pattern of distribution of income (monetised and imputed) and wealth etc, to establish an objective basis for policy formulation.

Estimates of tax incidence (in the sense in which Seligman has used them) could also be employed to examine certain other characteristics of the tax systems, such as the 'buoyancy' of a tax system. We can measure the buoyancy of a particular tax by comparing the marginal changes in tax contribution with the corresponding changes in the income of a particular section of the population of the economy over the years. Besides, these studies seek to measure incidence of taxation *via* the consumption approach. The possibility of arriving at a measure to serve the same purpose through a production approach could also be explored.

Preoccupation with equity is under-

standable in an economy beset with horizontal and vertical inequalities. The study initiated by the TEC was the first step towards horizontal equity in taxation as between agricultural and non-agricultural sectors. Vertical equity has received some attention with regard to non-agricultural incomes. But despite the pious pronouncements in the Plan documents, taxation of the agricultural sector continues to be a sadly neglected feature of fiscal policy in India. And the various studies under review have not been able to provide an objective basis for vertical equity in taxation in the agricultural sector.

NOTES

- 1 Report of the Taxation Enquiry Commission, 1953-54; Government of India, Ministry of Finance, New Delhi, Government of India Press, 1955, Volume 1.

- 2 Hugh Dalton: "Principles of Public Finance", London, Routledge and Kegan Paul, 1936; p 51.
- 3 E R A Seligman, "The Shifting and Incidence of Taxation", New York, Columbia University Press, 1932; p 1.
- 4 Richard A Musgrave: "The Theory of Public Finance", New York, McGraw Hill, 1959; p 217.
- 5 *Ibid.*, p 230.
- 6 Ursula K Hicks: "Public Finance", Cambridge, Cambridge University Press, 1946; p 158.
- 7 Haskel P Wald: "Taxation of Agricultural Land in Underdeveloped Economies", Cambridge, Harvard Law School, 1959; p 85.
- 8 Report of the Taxation Enquiry Commission, Volume 1, *op cit*, p 45. (The abbreviation TEC stands for Taxation Enquiry Commission and henceforth the Commission is referred to by this abbreviation in the following paragraphs.)
- 9 Report of the Taxation Enquiry Commission, *op cit*, p 46.
- 10 V P Gandhi, "Tax Burden in

- Indian Agriculture", Cambridge, The Law School of Harvard University; 1966; p 31.
- 11 Dalton, *op cit*, p 51.
- 12 Haskel P Wald, *op cit*, p 87.
- 13 H Dalton, *op cit*, p 51.
- 14 Taxation Enquiry Commission Report, *op cit*, p 45.
- 15 V P Gandhi, *op cit*, p 114.
- 16 E T Mathew: "Agricultural Taxation and Economic Development", Bombay, Asia Publishing House, 1968; pp 47-49
- 17 E T Mathew, *op cit*, p 27.
- 18 Report of the Taxation Enquiry Commission, *op cit*, p 50.
- 19 "Incidence of Indirect Taxation 1963-64", Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi; 1969.
- 20 National Council of Applied Economic Research, "Incidence of Taxation in Gujarat", New Delhi; 1970.
- 21 V P Gandhi, *op cit*, p 77.
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Insurgency in Ceylon

Hard Challenge and Grim Warning

Urmila Phadnis

Last month's insurgency in Ceylon was not an instant, spontaneous revolt. The origins of the JVP or People's Liberation Front go back to 1965, when a group of students realising that there was no 'pure' marxist revolutionary party or party of the masses in Ceylon, decided to mobilise the people, particularly in the rural areas. They gathered willing and ample support among educated unemployed rural youth. This made the nature of the insurrection unique in that ninety per cent of the membership of the JVP consisted of those below the age of twenty-five.

Apart from the lag between education and economic development, the pattern of ballot-box politics encouraged the sprouting of radicalism among the young. In the last general election in May 1970, Ceylonese youth formed the major part of the uncommitted electorate. They realised their crucial role in bringing the present United Front Government to power and expected it to translate its electoral pledges into realities at the earliest possible time. These hopes being belied, the JVP planned an insurrection to overthrow the Government.

The insurrection has now been subdued, but not crushed. Mere police and military operations are unlikely to resolve the struggle. In this context the political implications for the United Front Government acquire significance as it now faces a number of crucial questions. By forcing such questions to the forefront the JVP insurrection has issued a grim warning to the political leadership of Ceylon (and perhaps of India) and has harshly challenged its power structure.

The Setting

NOW that the Prime Minister of Ceylon, Sirimavo Bandaranaike, has in her hands most of the military hardware¹ that she needs to fight the insurgency, the political dimension of the struggle against the Janata Vimukti Peramuna (JVP — People's Liberation Front), journalistically called Che Guevarists, comes to the forefront. This assumes added significance as the evidence unmistakably shows that the struggle will be a prolonged one. More so, it is not likely to be resolved by mere police or military operations.

Initiating an ambitious 'rehabilita-

tion' scheme for those who were peripherally involved in insurgent activities, the Deputy Prime Minister, Maithripala Senanayake, talking to pressmen maintained that under this scheme several hundred such young people would be lodged on the campus of Vidyodaya University and that they would be given full freedom of debate and discussion with high officials and political leaders on the problems of the day. The objective of the launching of this scheme according to the Sri Lanka Freedom Party (SLFP) leader was to impress upon the minds of "young Ceylonese men and women the force of argument

and to wean them away from the argument of force".²

This move also signifies the United Front (UF) Government's efforts to explore as many avenues as possible to re-establish its own politico-psychological credibility as the government of the 'common man'. It is also intended to demonstrate that besides fulfilling its policing obligations of restoring law and order, the UF Government is intent on proving the efficacy of a democratic structure in achieving speedy economic development. To implement this line of action, Sirimavo Bandaranaike has to begin by convincing the UF rank and file

about the pace and direction of such economic development. With the 'Young Turks' of the UF already showing their dissatisfaction with the pace of governmental performance and complaining that due to the stagnant economic position they cannot face their constituents,³ Sirimavo Bandaranaike seems to be confronted not only with the problem of finding a quick solution to larger economic issues but also of containing the rank and file within her Front.

The challenge posed by the JVP is not merely to governmental authority; its ideological element coupled with the martyr image of its members threatens to subvert the broad support base of a Front which was brought into power with an unprecedented majority only eleven months ago. In a way, the massiveness of the UF majority itself appears to have become a source of weakness as it aroused expectations difficult to fulfil adequately with the resources — human as well as material — at the disposal of the Government.

It is necessary to note that if the military support from friendly countries has enabled Sirimavo Bandaranaike to deal adequately with an immediate crisis situation, that support carries with it long-term political implications with which she will have to contend. Such military assistance may as well water down some of the radical postures of the ruling Front in foreign affairs. Besides, it is likely to unbalance the intra-party equilibrium within the Front on economic and foreign policy issues.⁴ And more significantly, for the first time in Ceylon's political traditions, which show that it is about the only country in Asia with such a long uninterrupted tradition of democratic government, the army has assumed a parapolitical role.

Will the democratic traditions and the political leadership of the country succeed in warding off the hazards implicit in the situation? An answer to these questions could perhaps best be attempted in the context of the antecedents, ideology and organisation of the JVP.

A Sudden Revolt?

Contrary to popular assumptions, the JVP revolt against the UF government was not sudden. The violent outburst of March-April 1971 could perhaps be equated with a volcanic eruption in which the proximity of certain small lava mounds added to its intensity and heat. Nor is it correct to put too much stress on the 'organised' nature of the movement, for this can be easily achieved

in a country of small size with an efficient communications network provided that a movement has a reasonably wide base to build on. In order to test the validity of this argument one need only look into the political activities of some of the Buddhist monks and their well-attended meetings in Colombo on the eve of the 1965 elections.

With an island-wide telephone network, fairly well ordered road system, availability of public transport (one of the cheapest in the world) even in the interior, a large newspaper circulation with an avid readership thanks to the high rate of literacy (72 per cent) in the island, the 'word' was transmitted fast enough. And to cap it all, in the case of the JVP there was no dearth of informants and runners either.

Antecedents of the JVP

The antecedents of the insurgent movement fall into proper perspective in the context of the composition and character of the ruling elite in the past as well as the measurement of its performance by the dissidents who, aware of their role in the politics of the ballot-box in the 1970 elections, developed a tremendous sense of frustration and disillusionment with the Government in the enthronement of which they themselves had had an active hand.

To begin with, the appeal of the JVP stems from the mass upsurge of 1956 when the SLFP leader, Solomon Bandaranaike, heralded the accession to power of the rural Sinhalese middle class. Soon after, he made Sinhalese the official language and founded two universities with Sinhalese as the medium of instruction. Thus the university portals were opened to Sinhalese youth from the rural areas. However, with the pattern and pace of economic development hardly adequate to meet the large turnout of graduates, a large community of unemployed graduates came into being whose number was estimated to be about 18,000 as against the total unemployment figure of about 700,000.⁵

Apart from the lag between education and economic development, the pattern of ballot-box politics also seemed to be conducive to the sprouting of radicalism among the young. During the past decade and a half ballot box politics led to an emerging two party system in which the two major parties, along with their minor partners, seemed to have an almost equally strong support base in the Sinhalese areas. With the electorate almost evenly divided, it was the 'floating' vote of the new voter — the

18-23 year old — accounting for about one-fifth of the total electorate in the 1970 elections, which proved to be crucial in tilting the election results. The Ceylonese youth perceived his decisive role in the making of government and so expected the winning party or front to translate its electoral pledges into realities at the earliest possible time.

This is not easy for any government in Ceylon. In fact both the major parties of the island — the SLFP and the Senanayake-led United National Party (UNP) — attempting different models of growth and development have faced heavy odds in balancing economic realities with development compulsions. On the other hand, their attempts at exploiting the inherent conflict between short-term demands and long-term priorities for electoral gain, ultimately boomeranged against them as is evident from the unexpected landslide defeat of the UNP in 1970 and the revolt of the JVP against the UF Government in 1971. Significantly enough, it was from the politics of the ballot-box that the frustration of the Sinhalese youth articulated itself in 1965 and it was the election of 1970 which accelerated the growth of this frustration.

In 1965, a group of students, realising that there was no existing 'pure marxist revolutionary party' or party of the masses, decided to mobilise the people. This was a small beginning, but spreading out into rural areas these young men drew into their fold the educated unemployed rural youth. In areas which were the strongholds of the Trotskyite Lanka Sama Samaj Party (LSSP) and the Communist Party (CP), they found it particularly easy to mobilise rural youth.

During the UNP regime (1965-69) the organisation operated underground. In 1969, according to some of its members, it was 'betrayed' by some of its own comrades belonging to the Communist Party.⁶ Their young leader, Rohan Wijeweera was however released soon after the May 1970 general election in which the SLFP-LSSP-CP United Front led by Sirimavo Bandaranaike won with an unprecedented majority — 115 out of 150 elected seats.⁷

Initially, in August 1970, the JVP leaders promised full support to the Government provided it solved the "problem of unemployment, landlessness of peasants, malnutrition and general economic problems".⁸ However, almost simultaneously, they also emphasised

that they would not be satisfied with "something" but wanted "everything". Nine months after the election, in a public rally, the JVP leaders minced no words in articulating their disenchantment with the Government's performance and came out into the open: "We helped to form the UF Government merely to make the masses realise how futile it was to hope to usher in socialism through the parliamentary process".⁹

The nine-month old UF Government brought about some radical changes in the institutional structure of government and also assumed radical foreign policy postures,¹⁰ but nine months were far too short a period for ameliorating economic conditions. And its Rs 200 million crash programme for job opportunities needed was yet to fructify. Moreover, with the major Left parties becoming the Establishment and the opposition UNP demoralised by its overwhelming electoral defeat, the initiative for protest against established authority passed on to the JVP. It is no wonder then that some of the areas traditionally held by the Left parties later emerged as bastions of the JVP.

As regards the CP (Peking wing), the image of its leadership as perceived by the JVP membership was aptly articulated by Wijeweera when he quoted an official as saying during cross-examination that an established Leftist leader (Peking wing) like Shanmughathasan had not been arrested because though he had preached revolution he had not practised it as JVP was doing.¹¹

And how had the JVP planned 'revolution'? The significant thing about such a revolution was that months before it began, virtually a complete blue-print of its ideology, strategy and tactics was in the hands of the police and intelligence officials. As early as July-August 1970 it was all available in bits and pieces in the Ceylonese press.¹² The UF reluctance to come down with a heavy hand on the JVP at this stage, much against the wishes of the police officials, was partly conditioned by its subjective assessment regarding the strength and intensity of the movement and partly due to political limitations imposed upon it by a vocal section of opinion within the Front who believed that the best way to contain the disgruntled youth lay not in suppression but in honouring some of the pledges made to them during the elections.

JVP Ideology

The ideology of the JVP as can be gleaned from various statements and publications appears to be "eclectic, incorporating the world outlook of Marxism-Leninism, a Maoist itch for violent action, a Che Guevarist obsession with instant revolution, the ethnocentrism of chauvinistic Sinhalese Buddhism and last but not least the universal frustration of the educated unemployed and underemployed".¹³ The JVP ideology is anti-elitist, anti-bureaucratic, anti-capitalist, anti-imperialist, anti-'Indian expansionist' and last but not least, anti-'imperialist-trained' army and police.

The titles of the course of lectures given to the insurgents as part of their intensive training (as revealed by the Ceylonese Army Commander-in-Chief Sepala Attiygalle), indicate a degree of racist orientation. The five-lecture course was on five topics: 'The Left Movement in Ceylon', 'Is Ceylon Really Independent?', 'Need for Revolution', 'Economic Situation in Ceylon' and 'Indian Expansionism'. The last topic was about the economic control exercised by Indians in Ceylon.

Membership of the Organisation

Discussing the broad nature of the 20,000-strong JVP membership, the General further maintained that about 75 per cent of its members belonged to the age group of 18-20, 15 per cent in the 20-25 age group and only 10 per cent were older than 25. With education in Ceylon free and compulsory upto 14, three-fourths of the insurgents were matriculates unemployed or under-employed youth and college students. The extent to which the JVP slogans had an emotive appeal for the younger age groups was evident from the fast increasing membership of the JVP, estimates of which varied from 20,000 to 80,000. According to one political observer, apart from its membership the JVP had about 350,000 sympathisers.

While the General's strong disavowal of any 'foreign hand' in the movement is neutralised to some extent by Sirimavo Bandaranaike's broadcast of April 24, 1971, in which without specifically naming it, she dubbed the North Korean Embassy in Colombo as the one which in a way supported the rebels' cause.¹⁵ But the foreign component of the insurgency seems to be confined to ideological orientation and perhaps to incidental support. The JVP's base of support, however, is almost entirely indigenous.

Sources of Finance

As regards its financial resources, the JVP has carefully emphasised its non-affluent character though it appears to be well provided for. This is evident from its transport arrangements and also by the fact that it published a weekly in Sinhalese as well as quite a lot of other literature. Also, the discovery of caches of bombs and other supplies in various places by the police, shows that the JVP was not too short of money.

According to an official statement, the JVP's finances were raised by bank robberies — about five to six lakhs of rupees is known to have gone into their coffers this way. Besides, the organisation also raised some money through small donations at meetings and contributions from students sympathetic to its cause.¹⁶

Master Plan of Fifth April

The 'master plan' of the JVP, beginning with the taking over of certain police stations, the control of strategic points in Colombo and the simultaneously planned attack on the Prime Minister misfired, partly because of the timely action of the police and army and partly because some JVP members seemed to have developed cold feet and did not turn up as planned. Even so, reports of effective control by the insurgents of sections of some districts and the resistance put up against the army and the police point to the JVP being the greatest challenge to the power of institutionalised authority in recent Ceylonese history. Despite thousands of insurgents killed and several thousands already in jail, the Government still maintains that about 2,500 of the hard core of the JVP are still free, some of them making ready to shed blood as 'suicide squads'.¹⁷

Attitudes of Other Political Groups Regarding JVP

It is significant to note that there is not a single party or group in Ceylon which has come out in support of the insurgents. The major opposition party — the UNP — pledged its support to the Government and so did the trade unions, religious groups and commercial organisations.¹⁸ This may be interpreted as a strong conviction on the part of the leadership in the democratic mode of its political society and to a certain extent, its firm desire to maintain

the *status quo*. And yet, the earlier difference in attitudes between the UF rank and file and the UF leadership towards the JVP needs to be carefully looked into. As early as August 1970, while the UF leadership seemed to be on the defensive in its ideological confrontation with the JVP, the rank and file appeared susceptible to the emotive factors of 'pure socialism' and Sinhalese nationalism professed by the JVP. Thus, at a time when the UF leadership branded the JVP movement as an instrument of the reactionaries, the rank and file, while strongly disavowing the violent means propagated by the JVP, seemed to have legitimised it as a genuine new movement of the Left by endorsing the JVPs objectives of speeding up the radicalisation process in the country.

Dilemmas of the UF Leadership

Taking into consideration the nature of her political backing, it will be necessary for Sirimavo Bandaranaike to assure her own party and its coalition partners that she is committed to a non-capitalist system to bring about redistributive justice and economic growth within a democratic set-up. As things are, the situation is far from easy. According to official reports, while the cost of living in Ceylon went up by 5.9 per cent during 1970, the island's rate of growth of GNP went down from 5.1 per cent in 1969 to 4.1 per cent in 1970. Due to some Government measures the private sector has been more or less stifled. In the public sector production went down by 40 per cent in 1970.¹⁹ And to top it all, the insurgency in Ceylon has already led to the destruction of property worth millions of rupees.

It is in this context that the Government has to cope with its economic problems. And if it is unable to demonstrate a satisfactory performance on the twin issues of the rising cost of living and unemployment, then the insurgents may possibly be strengthened politically in their confrontation with the Government.

The public may not approve of JVP methods of violence but there is little doubt that the public image of the JVP would be that of a group of martyrs who had died for the cause of the common man. In fact, an average UF MP might well be asked by his constituents: "Who are 'pure' socialists? The young men fighting in the jungles, with their lives at stake, or those claiming to be pure socialists in the comfort of the privileges they enjoy as MPs?" Others

may ask: "You have shed the blood of the rural — perhaps misguided — youth in the name of democracy. Will that democracy bring us salvation?"

On the economic front the dilemmas of the UF leadership (which are almost equally shared by the Indian leadership) could thus be summed up in the following questions: Is it possible to have redistributive justice and economic growth in a non-capitalist, democratic framework? What are the policy implications in converting an essentially consumption-oriented economy to one with a productive potential within such a political system? Is the system capable of absorbing such violent upheavals without undergoing a metamorphosis itself?

By forcing such questions to the forefront, the JVP rebels have issued a grim warning to the political leadership of Ceylon and posed a harsh challenge to its power structure.

Notes

- 1 In a broadcast to the country on April 24, 1971 Premier Sirimavo Bandaranaike acknowledged with thanks the military assistance from India, Britain, the USA, the USSR, the UAR, Pakistan and Yugoslavia. She also expressed her gratitude to the "Governments of Canada, Federal Republic of Germany, and the German Democratic Republic for expression of their strong support at this time". Quoted in Saeed Naqvi's despatch in *Statesman* April 26, 1971.
- 2 Despatch from K. Nadarajah, *Indian Express*, April 24, 1971.
- 3 In a conference at Ratnapura (Central Province), organised as early as August 1970, in which 15 UF MPs participated, the slogans raised were hardly distinguishable from those of the JVP. For details of the conference refer to *Ceylon Daily News*, August 13, 1970. Subsequently analysing the attitude of the UF members after the Amparai Conference of the SLFP, 'Backbencher' in the *Ceylon Daily Mirror* made the following comment: "Even MPs of the three parties, the Sri Lanka Freedom Party, the Lanka Sama Samaj Party and the Communist Party have begun to wonder whether their Government is adopting the correct policies or, rather, remedies. In this situation it does not surprise us that the *Attha*, a pro-Government daily has turned out to be the UF's most virulent critic". "Shortages are a Sore Topic" by 'Backbencher' *Ceylon Daily Mirror*, March 10, 1971. Also see his earlier article on the SLFP session in Amparai, *Ceylon Daily Mirror*, February 23, 1971.
- 4 This point has been very well brought out in Denzil Peiris' article, "Insurrection in Ceylon", *Times of India*, April 20, 1971.
- 5 For a brief historical background of the JVP see "The Che Movement; Myth or Real" by N. C. Ceylon *Daily Mirror*, July 31, 1970 and "The Angry 20,000" also by N. C. Ceylon *Daily Mirror*, March 2, 1971.
- 6 See Latheef Farook, "Exclusive Interview with an Insurgent" *Ceylon Observer Magazine Section*, August 23, 1970. This point is also made in some detail by a Ceylonese journalist, Ernest Corea, in "How the Ceylon Threat Grew", *Sunday Standard*, April 22, 1971.
- 7 Due to the death of one candidate, election in one constituency was postponed. Later this constituency voted for the SLFP. So the SLFP's strength went up to 116 members plus the support of six nominated members in a House of 157. Recently the three MPs of the Tamil Congress also joined the UF. See *Ceylon Observer Magazine Section*, April 2, 1971.
- 8 *Ceylon Daily News*, August 11, 1970.
- 9 *Ibid*, February 28, 1971.
- 10 A detailed analysis of Governmental performance has been presented in the author's forthcoming article entitled "Emerging Trends in Ceylonese Politics", in the April-June 1971 issue of *India Quarterly*.
- 11 *Ceylon Observer*, August 11, 1970.
- 12 The UF statements of August 8, 1970 and several statements of intelligence and police officials make it amply clear. See for instance, *Ceylon Observer Magazine Section* August 9, 1970 and August 16, 1970; *Ceylon Daily News* August 20, 1970 and August 28, 1970.
- 13 I am grateful for this formulation of the JVP ideology to K. N. Ramachandran, Research Scholar, School of International Studies, New Delhi.
- 14 K. Nadarajah's despatch, *Indian Express*, April 22, 1971.
- 15 Manik de Silva's despatch, *Hindustan Times*, April 22, 1971.
- 16 Press conference of General Sepala Attiygalle, *Times of India*, April 24, 1971.
- 17 *Times of India*, April 27, 1971.
- 18 See for instance the appeal by Mahanayake Thero, the Chief High Priest of the biggest chapter of Buddhist monks, *Ceylon Daily Mirror*, March 22, 1971; the editorials in *Messenger*, the official organ of the Catholic Party, March 21, 1971 and March 28, 1971; the news release of the United Plantation Workers' Union of April 1, 1971 and the statement of the Democratic Workers' Congress leader, A. Aziz, *Times of India*, April 12, 1971.
- 19 Shelton Fernando, "Socialism Yet to be Defined", *Statesman*, March 27, 1971.

Politics and Parties in West Pakistan

Ashim Mukhopadhyay

With the launching of the Joi Bangla movement in East Bengal, the first stage of Pakistan's disintegration is complete. The army may win in East Bengal, but only temporarily; the final victory will be with the people of Bengal.

The question has been raised whether there is a chance of a similar movement in West Pakistan.

In West Pakistan also the people suffer from the terrible injustice done to them by their rulers and the major political parties are still assuring them of immediate action. But is it possible for them to plunge into an armed struggle against their rulers?

An attempt is made here to discuss, in this context, the role of the major political parties of West Pakistan.

People's Party of Pakistan

ON November 30, 1967, on the eve of the founding of the People's Party at Gulbarg, Lahore, Zulfikar Ali Bhutto, its founder, said: "Whatever anyone else may do, we of the People's Party must cross the barriers and reach the people. We will go to the people in humility to learn as much as to teach. Once the people are mobilised, we can march forward together, hand in hand towards our destined goal." Bhutto spoke of the "intolerable spread of corruption which is sapping the moral fibre of the nation" and explained that the PPP's economic programme aimed at social justice: ownership of all key industries to be vested in the people, all the basic industries to be nationalised and the public sector to include banking, insurance, transport, production of electrical energy, fuel resources and exploitation of the mineral wealth of the country.¹

In his book "Political Situation in Pakistan", Bhutto argues that although more than two decades have passed, no attempt has been made to ameliorate the lot of the common people. On the contrary, they have been kept tied to the lowest rung of the social ladder. The burden of taxation has increased, weighing heavily on the middle classes. According to Bhutto, "Not much differences were there between the conditions of Kuomintang China and those of Pakistan". Describing the misery of the masses, he says: "Racketeers who fearlessly adulterate food and swell their ill-gotten wealth by blackmarketing goods have lost fear of punishment . . . trains are held up in broad daylight and passengers are robbed whilst regular gun battles rage for hours between dacoits and police." Bhutto also laments the restrictions placed on the press and condemns the repressive measures taken against the student community. "The Government's voice alone is that of truth and it is spread nauseatingly by Nazi-style propaganda in the controlled

press, over the radio and on the television".²

The PPP sought to make capitalism its principal target. Early last month, at a press conference in Karachi, Bhutto said: "The new capitalist class that has come into being in Pakistan has ruthlessly robbed the common people, misusing the foreign aid, the internal and external resources of Pakistan, for monopolising wealth within their limited groups who happen to be mainly in West Pakistan." Bhutto rejected the Government's claim of economic progress and said: "The claims of great economic progress are based on dubious figures. It is established that the average Pakistani, whether in West or East Pakistan, has grown poorer since the 'wonderful' planning under capitalist auspices began."³

But the PPP's campaign in the general elections has clearly showed up the gap between its ideas and activities. Its bastion has proved to be the area which, incidentally, includes the present national capital at Islamabad, Rawalpindi and the provincial capital of Lahore. In these areas with comparatively more industries, middle and lower middle classes have a strong base. It is the middle businessmen, small traders, peddlers, educated and technically trained unemployed, the urban poor and intellectuals who are the mainstay of the party. They had one thing in common: hatred of the capitalists and they responded to Bhutto's call because they genuinely felt exploited and harassed by this class.

FEUDAL EXPLOITATION

It is interesting to note that the capitalists in these areas have been, from the very beginning, opposed to Bhutto's PPP and a substantial number of them belong to Mian Mumtaz Daultana's Council Muslim League. They, together with some landlords, financed the Council League and have been

protecting it against a possible onslaught by the PPP after the latter's emergence as the biggest and most aggressive party in West Pakistan. This will explain why Bhutto's men were so active in these areas. In feudal Punjab, the PPP used the same tactics. Although, according to Bhutto, capitalism and feudalism are his two main targets of attack, he avoided such slogans during his tours in the remote villages of West Punjab. There, the immediate problem of the wretched peasantry was feudal, not capitalist, oppression and exploitation. Yet, in the speeches delivered by the PPP leaders, the capitalists were the most frequently mentioned class and feudalism either came second or third or was not mentioned at all. Most of MNAs and MPAs of West Punjab, who won the elections on the tickets of the PPP, are of feudal origin. Even the central committee of the party, formed recently, has a fair number of the landed gentry.

CO-OPERATION OFFER BELIED

But it will be doing less than justice to Bhutto if it is alleged that he is being deliberately unkind to the capitalists. In his speech at the first convention of the PPP, Bhutto welcomed a united movement of the political parties for the restoration of people's democratic rights and for putting an end to the "monstrous economic system of loot and plunder which the regime has lauded as free enterprise". Bhutto suggested that the situation in the country offered a common ground to all opposition political parties, whatever their differences, for fruitful co-operation with one another without hesitation.⁴ But Bhutto's post-election activities show that he has started to think along lines diametrically opposite to his election pledges. His newly created People's Guards have become a problem to his opponents, with whom he was earlier promising to co-operate.

On March 24, 1971, the Multan city PPP organised a special meeting of party workers. It was addressed by, besides the local leaders, Major-General (rtd) Akbar Khan, secretary of the People's Guards. In his speech, Akbar Khan disclosed that in Sindh alone three lakh tribesmen were ready to get their names registered in the People's Guards. Explaining the Scheme, he said that the People's Guards would keep a constant watch on the Government machinery and expose corrupt officials so that an honest and clean administration could function in the country. Another important task of the People's Guards would be to defend the frontiers of the country. For this, camel corps in Sindh, cavalry brigades in Punjab and naval squadrons in Karachi would be set up to meet any eventuality.⁵ It is interesting to note here that Akbar Khan had once planned to invade Kashmir and annexe it. What he did not disclose was that the People's Guards had a third mission—to cow down Bhutto's opponents, particularly the Qayum and Council Leaguers and the NAP in the NWFP and thus create fresh PPP pockets in these areas.

TRIAL OF STRENGTH

The game has already started. The recent clashes in Karachi, Lahore, Multan and some other areas of West Pakistan, which the press has been describing as "gangsterism" or "scuffles between two groups of new employees", are much more than just that. They are part of a trial of strength between the PPP and its opponents. The NAP, the Jamaat-i-Islami and the Muslim Leagues seem to have taken the formation of the People's Guards very seriously and are determined to crush it. On March 23, 1971 Khan Abdul Wali Khan and Ghous Bux Bezenjo of the pro-Moscow NAP and Mufti Mahmud of Jamiat-Ulema-e-Islam issued a press statement and hinted that instead of forming a national Government through the National Assembly, attempts were being made by certain interested sections in collaboration with the PPP to impose the "elective despotism" of the majority party. The PPP, they said, was eager to revive the old one-unit idea but the smaller provinces of West Pakistan, including Sindh, would not accept it again. "To put the clock back would only increase bitterness and hatred between the people of the region." Mobashir Hasan, a member of the PPP's central committee promptly refuted this allegation

against his party and in a press statement on March 23, 1971 said: "We do not want to resurrect the one-unit idea. We are committed to full provincial autonomy for all five provinces of Pakistan."⁶

Hasan's simple statement could be appreciated, but it is a fact that even after his denial of the allegations made against his party, the People's Guards have been "guarding" the PPP by killing, arson, loot, etc. It may be that Bhutto is afraid of the NAP and the Qayum League because they are no less militant than his party. If this is the case, then he may somehow justify the activities of the People's Guards; but if he has anything more serious like the one-unit idea in his mind then he cannot blame others for emphasising the case for provincial autonomy. If he is not prepared to accept the Awami League's overall majority in the National Assembly because it is based on one province, he can hardly expect that his less decisive victory in the Punjab and Sindh entitles him to speak on behalf of all the provinces of West Pakistan. Nawabzada Nasrullah, the president of the Pakistan Democratic Party (West Pakistan wing), also expressed the same view. At a press conference in Lahore on February 26, he said that since both the Six Points and the PPP's Islamic Socialism were incompatible with the Legal Frame-Work Order, it was the duty of the President of Pakistan to take steps to ensure that the future constitution would be framed in accordance with the letter and spirit of the LFO. Thus in the West also there is challenge to Bhutto's claim to undisputed leadership.⁷

The formation of the People's Guards may protect the PPP from attack by its opponents but what is the way to save the party from internal chaos and confusion? Factional fights have been going on among the hard core followers of the PPP. For instance, on February 26 several persons were injured in a serious clash at Lyallpur between two rival groups led by Syed Tahir and Mukhtar Rana.⁸ Both are influential members of the PPP. Similar incidents are taking place almost every other day in different parts of the country and if they are allowed to continue, the PPP, instead of capturing power, will be a victim of an endless series of splits.

Sindh United Front

High expectations were raised among the common people of Sindh by the formation of the Sindh United

Party, following the overthrow of President Ayub Khan. The main aim of the SUF was given out as the dismemberment of West Pakistan as a single unit and the revival of the old province of Sindh. G M Syed is a veteran leader of West Pakistan and he has played a very important role in the formation of at least three political parties—Sindh Awami-i-Mahaz, National Party and National Awami Party—which, in their turn, contributed much to the progress of organised political activity in West Pakistan.

On each occasion, including that of the birth of the SUF, Syed pledged to work for the welfare of the Sindhi masses and of the people of Pakistan as a whole, for restoring democracy and autonomy and for establishing an ideal federation of self-governing national territories. But he has never been able to complete his mission. Not only was the political situation adverse, but Syed himself was responsible for his failure. He lacks determination and patience and, therefore, prefers compromise to confrontation. Moreover, though his staunch followers still see in him an intelligent politician, he is really a very confused man. One very recent instance to explain why he was so hopelessly routed in his own stronghold during the last elections may be mentioned here.

SYMBOLIC EPISODE

On the occasion of Sheikh Mujibur Rahman's first visit to Karachi after his release in the Agartala conspiracy case, the SUF organised a colourful function at the Hotel Inter-Continental. Many of the old politicians of the province like A Khuro and Pirzada Abdus Sattar could be seen occupying the front seats at the meeting. But half an hour later when the people were moving into the adjoining lounge for a cup of tea, some students rushed in and began to raise slogans against Khuro and Pir Ali Mohammad Rashdi who too had made his appearance by then. Syed rebuked the students for trying to break up the unity of Sindh.

This episode is symbolic of Syed's timidity and inability to appreciate the great change that has come about in the thinking of the young intelligentsia in Sindh during the last decade. The students had raised slogans against Khuro and Rashdi because these two politicians, in their sordid game of power politics, had not hesitated to destroy Sindh. The students were not prepared to condone the crime of these politicians who had bartered

away the autonomy of their province to further their personal purposes. Syed, on the other hand, was seeking the support of all these influential persons to build up a formidable alliance against the rising might of the PPP.

Syed's attempts, however, ended in a fiasco. Khuro, when he learnt that Khan Abdul Qayum Khan had succeeded in winning over the patronage of a Central Minister, decided to throw in his lot with the Council Muslim League and Kazi Fazlullah, another old hand at changing political loyalties, preferred to remain with the Convention Muslim League. So when Sindh went to the polls, it had a large number of parties in the field and different feudal landlords were joining one party or the other to continue their family rivalries. Even Pir Ali Mohammad Rashdi decided to contest the elections as an Independent and told his intimate friends that once he gets into the Provincial Assembly he was bound to emerge as the future Chief Minister of Sindh. Syed was thus left all alone. All the men on whom he relied in spite of stiff opposition from the younger section of his party betrayed him. When the results of the elections were announced, the PPP had smashed all the opposing groups with the exception of the Qayum Muslim League, which meant the Pir of Pagaro. The most significant development was the elimination of Syed who lost his security deposit.

GREAT MISTAKE

Another great mistake that Syed committed was his zealous propagation of the Six-Point Programme of the Awami League. Even in his speech that was broadcast and telecast on the eve of the elections, he supported the Six Points. He said: "I submit that the SUF has struck a middle course: namely, maximum provincial autonomy to the provinces where the masses of Pakistan actually live, as advocated by Sheikh Mujibur Rahman in his Six Points."⁹ On the occasion of Mujibur Rahman's visit to Karachi after his release in the Agartala case Syed had presented the Sheikh with the traditional embroidered 'Sindhi Chaddar'. Besides, in almost all his election meetings he linked the Sheikh's philosophy of autonomy with his own. The common people of Sindh could not understand how it would serve their interests to support the cause of the Bengalis and so became sceptical of Syed's mental balance. The PPP exploited the situation. Its spokesmen told the Sindhis

that Syed was attempting to implement the Six Points in the administration of West Pakistan and thus helping the Bengalis to convert it into a colony of theirs. The local PPP leaders said that as the Awami League had no effective organisation in the West-wing and as its chances of winning the elections there were very remote, Syed was committing a great blunder by supporting the Sheikh's cause.

Thus Syed's preaching of the Six Points and the PPP's continuous, well-planned propaganda isolated the SUF in a very narrow corner of the election arena. It would have been much better for the future of the SUF if Syed had realised the futility of connecting the Six Points with the question of Sindh's autonomy because the frequent references to the latter alienated the masses. There is definitely some logic in the PPP's stand. It is a fact that the Awami League got its mandate not from the people of West Pakistan, but of Bengal, not on the slogan of *Joi Pakistan* but of *Joi Bangla*. If, therefore, it had to operate within the framework of Pakistan, it had to do so only as a partner with others. Syed's pessimism and lack of confidence has once again been reflected in his recent political stand. Fearing that his leaning towards the Awami League would incur the wrath of both the Government and the PPP, he has settled in Afghanistan leaving his followers to their fate. The question of Sindh and the SUF's participation in a united movement will not, therefore, arise in the immediate future.

National Awami Parties

Both the pro-Moscow and pro-Peking National Awami Parties of West Pakistan are passing through a grave crisis and seem to be incapable of any decisive action. The fate of the NAP is altogether different from that of other parties. No other political party had so impressive an edifice to begin with and none possibly could claim to have been such an ideal breeding ground for varied political activities and parties. Once a journalist from East Bengal told me that the NAP was the country's biggest political show case.¹¹ In 1957 Maulana Abdul Hamid Khan Bhasani, who was the then President of the Pakistan Awami League, decided to start a new organisation. His allegations against Hossain Sahid Suhrawardy, another founder of the Party and the then Prime Minister, was that the

latter had been pursuing a foreign policy aimed at the Americanisation of the entire country. The Maulana also condemned Suhrawardy's domestic policy and argued that the West Pakistanis should not be allowed to make East Bengal their colony. The Bengalis had to be granted full provincial autonomy.¹² It is an irony of history that Sheikh Mujibur Rahman, the then General Secretary of the Awami League and a devoted follower of Suhrawardy, could not support the autonomy movement of Maulana Bhasani. One of the arguments which the Sheikh often put forward at that time was that Suhrawardy's rise to power was equal to the extension of ninety-eight per cent autonomy to East Bengal.¹³

The Maulana received an unprecedented response to his call from both wings of Pakistan. Leaders of the Pakistan National Party, namely Mian Iftikharuddin, G M Syed, Abdus Samad Khan Achakzai and Khan Abdul Ghaffar Khan, all came to Dacca to attend the Convention called by the Maulana. The Ganatantri Dal of Mohammad Toaha, who is now the President of Purba Pakistan Communist Party (M-L) also joined Bhasani. On July 26, 1957, amidst the cheers of their followers and shower of brickbats, sodawater bottles and bombs from the Awami Leaguers, the new party, the NAP was born inside a local cinema hall. In his speech the Maulana said, "It is your party, it is your mouth-piece, it is your weapon. Come and join it, make it more and more sharp every day, so that it can be easily thrust into the breasts of the reactionaries."¹⁴

CORRECT ASSESSMENT

The next important event in the NAP's career was its relentless movement against the dictatorial regime of Ayub. From 1966 to early 1969, the NAP and its tributaries, the Sramik Federation, the Krisak Samity and the two groups of the Student's Union carried on a bloody struggle against a superior enemy, the Government. Politically the country was then a mess. In the East, the Convention Muslim League, led by the Governor, Monaem Khan, had let loose a reign of terror. Nurul Amin, the ex-Chief Minister and a prominent member of the National Democratic Front, had started another political adventure in the form of the Pakistan Democratic Movement which in the end was to sabotage the Round Table Conference

of March 1969 and help Yahya's rise. Above all, the Awami League — its supreme leader Mujibur Rahman having been arrested — was in a moribund state. In the West, the Council Muslim League and the Jamaat-i-Islami had been indulging in a fratricidal quarrel and the new-born PPP had started playing a very dubious role. Amidst all this confusion, the NAP alone played a correct and decisive role.

Even the critics of the Maulana in the Awami League have admitted that the fate of their leader, Sheikh Mujibur Rahman, might have been different had there not been the determined agitation by the NAP demanding his freedom. Maulana Bhasani's role during the recent talks between Yahya Khan and Sheikh Mujibur Rahman at Dacca also proves his understanding of the currents and cross-currents of Pakistani politics. While the Awami Leaguers were vainly waiting for a compromise with the Martial Law Authorities, Maulana Bhasani had no such illusions about the intentions of the ruling class. On March 21, at a press conference at Punchlaish, Mymensingh, he said: "Yahya is the enemy of Bengal. What is there to talk to him about again? We must accept the demand of complete autonomy for Bengal. If he dares refuse I want to make him understand that I shall start a war of liberation, much more fierce than that in Vietnam."¹⁵

INSURMOUNTABLE LIMITATIONS

However, the NAP also has its limitations and these seem to be insurmountable. It is now divided into two groups, the pro-Peking group led by the Maulana himself and the pro-Moscow group led by Khan Wali Khan and Mozaffar Ahmed. This division has crippled the party as a strong political force. The pro-Moscow faction still maintains that the Maulana's approval of ex-President Ayub's foreign policy and his violation of the Party's Constitution have forced it to quit his camp.¹⁶ There may be some truth in this allegation because the Maulana could not separate his love of China from Ayub's China policy. But it is also a fact that Mozaffar Ahmed and his followers were losing interest in a confrontation with the Government and were hoping for a bloodless restoration of democratic rule. But it is not the departure of Mozaffar Ahmed or Khan Wali Khan but that of Mohammad Toaha

and Abdul Huq which has really clipped the wings of the Party. Toaha was the General Secretary of the pro-Peking NAP. He was also the president of the East Bengal Labour Federation, while Huq, the experienced peasant leader, was the secretary of the East Bengal Peasant Organisation. Following their departure in early 1970, these organisations were split into several hostile groups and the Awami League felt encouraged to start parallel organisations.

IMPACT OF SPLIT

The misfortunes of the pro-Peking NAP in East Bengal have greatly influenced the policies of its counterpart in the western wing. There the party leaders are so cautious about police repression that they have openly rejected Maulana Bhasani's demand for an independent East Bengal. For instance, C R Aslam, Secretary-General of the pro-Peking NAP (West Pakistan), told a press conference in Lahore on December 11, 1970 that his party was committed to Pakistan as a single political unit. According to him, Maulana Bhasani's demand for an independent Bengal had not only threatened to destroy the very image of the Party, but had "damaged the political consciousness and determination of the people with which they are struggling for the establishment of mazdoor kishan raj in Pakistan".¹⁷

The pro-Moscow NAP in West Pakistan is also in a moribund state. In the recent general elections, it could secure only six seats in the National Assembly. Of these, three were from Baluchistan and three from the North-West Frontier Province. One main reason of this poor show, according to the NAP leaders themselves, is the growing strength of the PPP in the politics of West Pakistan. Another important reason, which the NAP leaders are ashamed to acknowledge, is the insincerity of some of their old colleagues who did not stay in the party in its most critical hour but joined other parties to better their prospect. Thus Mahmud Ali Qasuri and his followers have left the NAP and joined the PPP. Qasuri has been made the vice-Chairman of the PPP and has also been nominated by Bhutto as a member of the PPP's Constitution Commission.

The departure of Qasuri greatly weakened the NAP and placed it in a very awkward position on the eve of united Pakistan's first and last general elections. Qasuri's departure

affected the entire organisation. The Secretary of the Punjab provincial NAP gave a statement to the press in which he said that as Qasuri had worked long as the chief of the West Pakistan NAP, his victory should be considered as NAP's own. This statement caused great resentment among the anti-Qasuri members of the party and further weakened its organisation in the three provinces of Baluchistan, Punjab and NWFP. Mutual distrust and ill-feeling between Khan Wali Khan, the party president, and Arab Sikandar, the Chief of the NWFP NAP executive body, is fast growing and the day is not very far away when the rivalry between these two must break the pro-Moscow NAP into two.¹⁸

Notes

- 1 Mubashar Hasan, "People's Party of Pakistan: Foundation and Policy", Lahore, 1967, p 5.
- 2 Z A Bhutto, "Political Situation in Pakistan", reprinted in New Delhi by Veshasher Prakashan, 1969, pp 4-7.
- 3 Statement of Bhutto at a press conference at Karachi on March 2, 1971.
- 4 Mubashar Hasan, *op cit*, pp 6-7.
- 5 *The Sun*, Karachi, March 24, 1971.
- 6 *Ibid*.
- 7 *Evening Star*, Karachi, March 25, 1971. *The Pakistan Times*, February 27, 1971.
- 8 *Ibid*.
- 9 Speech of G M Syed, November 19, 1970.
- 10 *Ibid*.
- 11 Interview with Amanullah (APP), July 1970.
- 12 *Dawn*, February 13, 1957.
- 13 Interview with Dharendra C Saha ex-Secretary of the Narayanganj city NAP's Cultural Committee, September 10, 1970. Letter of Purnendu Dastidar, pro-Moscow NAP leader of Rangpur, East Bengal, July 28, 1970.
- 14 Speech of Maulana Bhasani at the first Convention of the NAP, July 26, 1957.
- 15 *Natun Desh*, Jessore, March 23, 1971.
- 16 Letter of Purnendu Dastidar, *op cit*.
- 17 *Morning News*, December 12, 1970.
- 18 Report from a political correspondent in *Banglar Bani*, Dacca, January 1, 1971.



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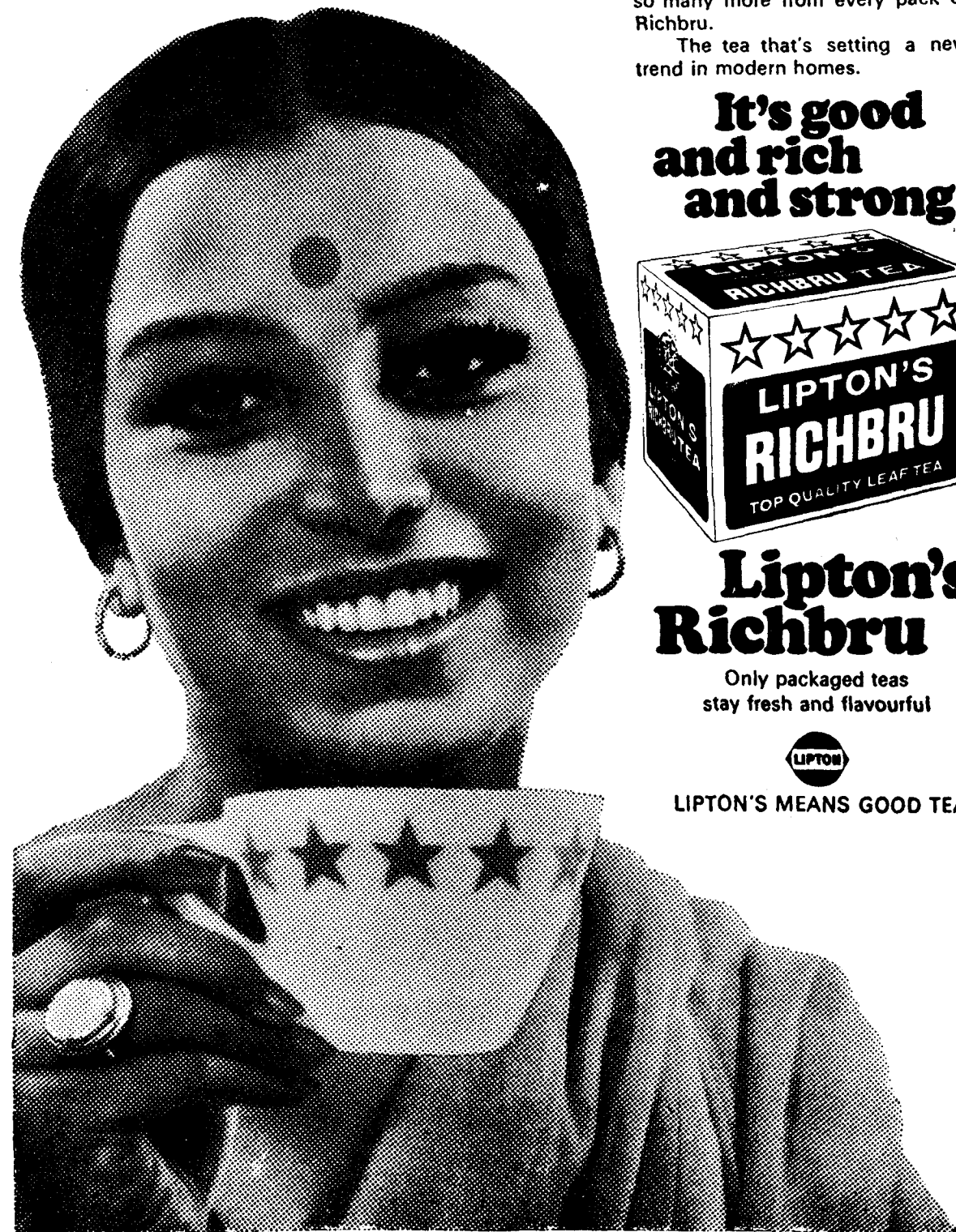
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Return to Regional Politics?

THE attention that the annual session of the Congress(O) in Bombay received could be explained only in terms of nostalgia for the excitement of the brief period after the split in the Congress when it had seemed that governmental power at the Centre was being really contested, for the first time since Independence. Surely, nothing in the present strength or influence of the Congress(O) warranted the publicity given to the doings at Munshinagar. Ironically, the attention that it received must have been as unpleasant to the party as it was undeserved, since the proceedings of the session only served to confirm the verdict of the Lok Sabha elections that the Congress(O) had ceased to be a national political force — if it ever was one, however briefly. With the Congress(R) having swept in to occupy the vast central spaces of Indian politics, the Congress(O) is plainly left without a role.

Shortly after this near-mock session at Munshinagar, there were reports that the former Chief Minister of Gujarat and his colleagues in the State Congress(O) were thinking of forming a separate party. Though the reports were promptly denied by Hitendra Desai, it does seem that the authors of the idea have showed greater political realism than did the party's 'all-India' leadership at Munshinagar. As things are, in only two States, Gujarat and Tamil Nadu, is the Congress(O) of any significance at all. Of these two, again, it is Gujarat which is immediately more relevant since there has to be an Assembly election in the State in the next few months, whereas in Tamil Nadu the party will not ordinarily get a chance to prove itself for another five years.

The choice before Hitendra Desai and his colleagues is, therefore, a real one: should they not give up the pretence, which is an unconvincing one anyway, of being part of a national political organisation and concentrate on building up a State party devoted to issues and problems concerning the State — like the DMK in Tamil Nadu? This may not automatically ensure their return to power in the next Assembly elections, but with the disintegration of the Swatantra party in the State it does open up the possibility to them of assuming the role of the main opposition to the Congress(R). This is not an altogether unpromising role; rid of the liability of association with the Congress(O) and the image it has created for itself through its 'grand alliance' strategy and its collapse in the Lok Sabha elections, they may be able to retain and even win back some of their erstwhile support, especially since the Congress(R) in the State has not been able to get over its leadership problems. At the same time, if the new party could build up a convincing image for itself of a State party, it could attract a following from the present ranks of parties like the Swatantra and the PSP which are plainly faced with the prospect of being pushed into the political wilderness. The feeling, created after the Congress split, of Gujarat being 'neglected' by the Centre should provide a political climate not unfavourable to such a venture on the part of the State Congress(O) leadership.

One of the many sweeping conclusions hastily accepted after the last Lok Sabha elections was that the results of the poll reflected the political demise of essentially regional parties. The fate of the Akali Dal in Punjab, the BKD in UP, the Bangla Congress in Bengal and so on was held up in support of this assertion. To that extent the elections were supposed to have reversed the trends towards fragmentation of political loyalties and support revealed by the 1967 general elections. There is, however, room for argument that what happened in 1967 was perhaps more typical of what may be expected of the political system in future and that it was this year's election results which were in the nature of a freak. In any case, there is little ground for reading into them a defeat for the regional parties specially; all parties, whether national or regional, with the possible exception of the CP(M) in West Bengal, crumbled before the onslaught of the Congress(R). Indeed it can as well be argued that the elections exposed the essentially regional character and support-base of supposedly all-India parties like the CP(M) or Jan Sangh.

It remains to be seen whether the apparent coherence and stability imparted to the political system by the massive success of the Congress(R) in the last elections is something more than a nine-days' wonder. But the circumstances in which the elections were fought were special enough to preclude any long-term conclusions being drawn about how far the cultural, linguistic, economic and other differences within our plural society, which had till the other day seemed to so strongly influence the political system, have been altered. It still seems a plausible hypothesis that the Congress(R) is likely to be most effectively challenged by local or regional parties; and if it is so challenged

India and Ceylon

Generation Gap ?

A Correspondent writes:

IN sharp contrast to the hysteria which has convulsed our elitist 'intelligentsia' over Bangla Desh, there has been almost a deafening silence over the killings, mostly of young revolutionaries, in another neighbouring country — Ceylon. Those reactions that there have been are invariably sympathetic to the 'dilemmas' of the United Front Government of Ceylon. Our Government's reaction was indecently hasty. No sooner had Sirimavo Bandaranaike asked for military aid and armed personnel, than did Indira Gandhi oblige. In fact, some reports from Ceylon claim that if Indian Air Force planes had not landed with our old stocks of ammunition for the .303 rifles and Bren guns of the Ceylonese Army, it is quite possible that the widespread and spirited attacks of the Janata Vimukthi Peramuna, during the first few days after the beginning of the insurrection on April 5, would have overwhelmed the forces of the establishment.

Yet this major new initiative, which distinctly contradicts all our previous foreign policy tenets, was taken without any doubts. We have always held that no country, and certainly not this one, should interfere in the internal affairs of another and we have never sent in Indian armed forces personnel (except for UN operations) to take sides in an internal struggle. Even the Ceylonese Commander-in-Chief, General Sepala Attiygalle, has admitted that his army was unable to find any evidence of external aid to the JVP forces.

But taking into consideration the interests of the Government of India, the decisiveness of its actions in the Ceylonese case should occasion no surprise. After all, like Sirimavo Bandara-

naik, Indira Gandhi did not hesitate to use slogans like "Garibi Hatao!", knowing full well that it was beyond the resources of the Government or the country to remove poverty by fiat. Of course, this slogan could also have been taken to mean a serious attempt at redistributive economic justice, whereby the top ten per cent of the population would have been deprived of some of their *lumpsum* which could then be invested for the good of all. As recent economic studies have suggested, that is the only way to marshal scarce capital resources. But again, considering the support structure of the Congress(R), it would be an impossible task for the Prime Minister to make a serious attempt at even marginally disinherit the top ten per cent. Keeping these factors in mind, South Block has predictably shown much sympathy for the situation that the Bandaranaike Government finds itself in.

Of course, in the case of Bangla Desh, the Government has been as, if not more, sympathetic to the Awami League and its call for East Bengali independence. But apart from expressions of sympathy, the Government's actions concerning Bangla Desh have been considered, cautious and notably indecisive, while all the while the brutal suppression by West Pakistani troops of the helpless people of East Bengal continues unabated. This indecisiveness, like the decisiveness in the case of Ceylon, is again the result of a careful weighing of the ruling group's interests. West Pakistani troops are no real danger to the Government of India in comparison to the potential ideological threat which might have been posed by a revolutionary Government in Ceylon that could have made socialism into something more than a slogan. Also significantly, the Soviet Union, the United States and all the other enthusiasts of 'stability' sent prompt help to the Bandaranaike Government,

but in Bangla Desh's case they have shown a relative reticence. So we are in good company in Ceylon as well as in our non-actions regarding Bangla Desh.

Parties like the Jan Sangh and Swatantra have been in broad agreement with the Government's stance in both cases, Ceylon and Bangla Desh, though they have tried to make some political capital by pointing an accusing finger at the results of the espousal of socialism in Ceylon and by pressing the Government to give more help to the Provisional Government of Bangla Desh. But far more blatant in their soulless silence, has been the response of the CPI and the CPM to the attempted JVP revolution in Ceylon. The CPI is of course so wedded to Moscow's *status quo*-ism that it is totally incapable of independent thought, leave alone action. The Moscow piper has called the tune in all of the CPI's positions, from the decision to back Congress(R) in the last election to the Soviet invasion of Czechoslovakia. In Ceylon's case also, the CPI predictably remains faithful to the Kremlin. But it is very likely that more than Moscow's edict worries the old men who lead the CPI. This is the spectre of the growth in parts of India of a revolutionary socialist party, which like the JVP in Ceylon, is unwilling to compromise with the established system and which is composed entirely of an impatient new generation of youth. The same spectre also probably haunts the old men of the CPM. As in Ceylon and India, in most Asian countries the eighteen to thirty year olds are becoming the demographically dominant age group. Perhaps Ceylon is a trend-setter, in that those who are beginning to dominate demographically will also seek to control the political decisions which so far have been made by the old, the prevaricating, the 'pragmatic' compromisers.

Small Banks

Service, Strength and Survival

IN getting together the small banks of the southern region for a two-day conference at Madurai last week, the Reserve Bank has done well — reminding itself and others that banking business in this country is not confined to the state-owned institutions, on whom the limelight has been blazing. It is also commendable that this belated communion with the small fry is to proceed on an "area basis". For small banks are essentially local in character and there would hence be significant variations in the approach, operations and problems of banks in different regions.

The familiar adjective "small" naturally applies to banks in terms of their resources. The public sector now covers all large Indian banks but there is at least one non-nationalised bank which cannot appropriately be called "small". The deposits of the Andhra Bank now exceed Rs 50 crores. All the rest of the 40-odd small banks come way below this deposit level. Actually, the aggregate amounts to only about 4 per cent of the total deposits of the banking system. But to ignore or forget them on this purely statistical score would be a grave mistake. Because of their origin, associations and structure, these banks are capable of reaching strata of society that large banks cannot easily get to. After all, the small banks were, until fairly recently, the only source of organised service in many places in the interior of this vast country. And in areas where no small banks had emerged, there were — and, to a considerable extent, still are — no banks. Again, these banks were performing the currently much-lauded function of serving the small man long before "priority sectors" were thought of. Indeed, but for the Reserve Bank's old policy of mergers and consolidation, a network of small banks might well have taken over, in some parts of the country at least, what is loosely termed as "social objectives". And this need not necessarily have been at the cost of the strength of the banking system.

But now the picture is not entirely happy. A few of the small banks have done exceedingly well. Their rate of deposit accretion, for instance, should put the large banks to shame. Their ability to win and sustain the loyalty of clients, the quality of their service and their branch staffing pattern — these perhaps are some of the factors that have contributed to these remarkable performances. And yet possessed with

practically the same basic advantages, other small banks are struggling for sheer existence. They seem unable to cope with the pressures piling up on them. With the all-out effort at branch expansion, larger banks are crowding into the good potential centres and this competition is taking away both customers and better quality staff. At the same time, the small banks feel the need to introduce some degree of sophistication in their operations, if only to keep up with the banking Joneses. Establishment expenses, with award-prescribed pay scales, mount up and are quite disproportionate to the return they are able to get from the type of staff they can attract and retain. Growth is the only solution to their difficulties but that growth is not easy of achievement. The Reserve Bank's meetings with small banks might help to bring some of these problems into sharper focus. But it is doubtful if that would be sufficient to suggest remedies. That would require deeper, more purposeful effort than seminar-type gatherings.

Shipping

What Price Foreign Credits ?

THE Union Minister for Shipping did well, at his press conference in Madras on May 15, to assure all assistance to the shipping industry. However, it would have been better had he spelt out what the Government proposed to do about some of the industry's immediate problems. The Fourth Plan envisages that by the end of 1973-74 the tonnage in operation would increase from its present level of 2.4 million GRT to 4 million GRT. After taking into account the tonnage on order and under negotiation and also the scrapping requirements of the industry, it is unlikely that the tonnage in operation by that date would exceed 3.5 million GRT. One of the major problems before the industry, therefore, is that of making the financial arrangements to acquire the balance of 0.5 million GRT.

As shipyards in most of the countries are over-booked, no new order would be ready for delivery before 1973-74. The gap of 0.5 million GRT will, therefore, have to be bridged by acquisition of second-hand tonnage. The requirement of funds for this purpose would be somewhere around Rs 60 crores, all in foreign exchange. Half or more of the amount would be required immediately for down payment.

Finding foreign exchange resources of this magnitude is well nigh impossible for the industry and the Government in

the existing circumstances. Unlike for new constructions, the down payments required for second-hand vessels will be over 40 per cent, a major part of which the Government will have to arrange for. Even for the balance 60 per cent, it is unlikely that foreign commercial credit will be available on the terms being offered by the Government of India. As per the present understanding among the OECD countries, shipping credits below 7½ per cent would not be made available to buyers on deferred payment; and the foreign commercial banks would not be ready to lend at anything less than 1-1½ per cent over the going Eurodollar rate. In order that the foreign bankers receive this rate of interest, the actual rate payable by Indian borrowers would have to be around 13 to 14 per cent (so that it adequately provides for taxation for the portion above 6 per cent). The other sources of foreign currency credit would be the Indian-based foreign banks and Indian banks abroad. However, with the restriction against keeping rupee deposits with the former and the limited availability of foreign currency funds with the latter, it is unlikely that the required foreign currency funds would be forthcoming.

It is, therefore, necessary that there should be some reconsideration of the terms offered for foreign currency credits. Particularly so since the net foreign exchange outgo by way of freight payments is at present around Rs 200 crores per annum. Against this background, if Indian Airlines could be allowed to borrow funds at 1.25 per cent above the Eurodollar inter-bank rate, the shipping industry with its high foreign exchange productivity deserves some consideration.

Industrial Licensing

Some Lubrication

A Correspondent writes:

NOW that there is what looks like a stable government in New Delhi, the Central Ministries are going through the motions of speeding up decision-making. This is a welcome change from the pre-election days when Ministers, not sure of their portfolios or even of re-election, marked time.

High on the list of issues to be tackled is that of the steel shortage. Production at the three Government-owned steel plants has been far below capacity. In fact capacity utilisation actually declined further in 1970-71. Bokaro is lagging behind schedule. It is reported that while the blast furnaces



"We can't be silent spectators."

would be ready according to the revised schedule, the coke ovens would not be! The Government is now allowing liberal imports of steel, with visible impact on the free market prices.

At the same time, after a delay of more than two years, the Government has agreed to the setting up of concast steel plants. The Government is also reportedly willing to approve local manufacture of sponge iron. One advantage of concast plants, which can use scrap, is their short gestation period. Production cost of such plants is high, but this can be met in the present era of steel shortage and high prices. Moreover, concast plants enable control of the composition of steel, making possible the output of the slightly higher-priced low alloy steels. The main hurdle to the programme, HEC's unsubstantiated claim to make such plants, has now been brushed aside, and import licences are to be issued for concast plants — at least till HEC actually manufactures these plants.

The Government is also apparently preparing to speed up licensing decisions. The banned list of industries in which (mostly because of over-expansion) no licences are to be issued, is to

be abolished. This is a notional change since in any case not many applications would flow in for these industries. At the recent meeting of the Standing Committee of the Central Industries Advisory Council the Minister for Industrial Development revealed that the flow of applications for industrial licences had improved and that the Government was considering measures to expedite their disposal. The number of applications received had more than doubled to 3,000 in 1970 against 1,402 in 1969. This does not represent any acceleration of the industrial tempo as almost a quarter of the applications related to sectors which had been in the delicensed category earlier.

The period in which an application is disposed of has, it is claimed, been reduced from 180 days to 131 days. This is still a far cry from the norms laid down by the Swaminathan Committee of the period specified in the Industries (Development and Regulation) Act. Further, tinkering with procedures will only lubricate the mechanism; what really matters is a rise in the demand for investment. This must await the budget, and the Government's decisions on its own investment.

than they would have on their own. True, normal considerations can be waived under certain circumstances, but are the prevailing circumstances such as to justify the banks leaning over backwards to accommodate the mills?

It is a tricky situation. Many of the leading mills fared well during 1970 and raised dividends. Textile prices recorded a sustained increase and high priced cloth sold well in a market totally denied cheap, controlled cloth. High prices have been justified on the ground that Indian cotton prices scaled unprecedented heights. Well, cotton prices have declined in recent weeks, and cheaper imported cotton is already in the docks. But cloth prices have not declined.

Lest the cotton mills industry be charged with rigging up the textile market, the ICMF press statement made the point that textiles had become temporarily unsalable on two counts: first, the uncertainty inspired by the proximity of the Budget and, second, the approach of the monsoon, which was the slack season for textiles. The ICMF forgot to mention one other bearish factor, namely, the inquiry by the Bureau of Industrial Costs into the mill industry's costs and selling prices. In sum, what the ICMF means by the drop in cloth offtake is that cloth prices cannot, in the prevailing circumstance, be maintained at their current high levels. But can the mill industry give one reason why it should not sell cloth below the current high prices and use the proceeds for buying cotton, Indian and imported? And why should the banks rush them credit ostensibly to buy cotton but clearly to enable them to withhold cloth from the market?

This is not to deny that the mill industry is in a mess. But, then, when was it ever out of it? Periodic efforts to put the industry on its feet have ended badly, including the recent take-over of 'sick' mills by the Government. Fear of unemployment in this labour-intensive industry has haunted the Government for years now. At one time massive bank finance was sought to be pumped into the industry by permitting revaluing of assets in the shape of land and buildings. The proposal was not pursued — on the ground that the rehabilitation of the mill industry was not a commercial banking function.

But now the industry is bent upon going to the brink. The inquiry by the Bureau of Industrial Costs notwithstanding, it wants to continue manipulating supplies and prices — at the expense of the consumer and with the

assistance of the public sector banks. By denying itself revenue from cloth sales, it can choke up cloth output and let cotton pile up in the docks.

In Maharashtra and Gujarat, in particular, the production choke will have an impact not only on employment in the cotton textile industry but on the fortunes of the cotton farmer as well. The results of the Maharashtra State Co-operative Marketing Federation's bid to support indigenous cotton prices have been dismal. MSCMF has not only failed to stem the decline in cotton prices — how could it with arrivals of imported cotton? — but is now saddled with stocks of cotton blend which are just not in demand, even at a discount. True enough, the cotton grower has had his pound of flesh but his political pull cannot be underestimated in States where elections are due in a few months.

The complex tangle of mills, their labour and cloth and cotton prices, needs a probe in depth — and a far greater exercise of Government initiative than has been displayed so far. Too much reliance has been placed on *ad hoc* measures: additional bank credit to mills to buy cotton and textile stores and to trade to hold stocks of cotton; a messy price support programme for cotton; a perfunctory scheme of price control to ensure cloth at reasonable prices to the consumer, and so on. The least that should be done from now on is to insist on a *quid pro quo* from mills for funds made available — not just by the banking system — by a special body which should be held accountable for lapses by the mills. At any rate, the policy of additional bank assistance and take-over of sick mills has been played out.

Cashew

Crisis for Whom?

PRESS reports have constantly hinted at links between the so-called closure of a majority of Kerala's cashew processing units, on the one hand, and the State take-over of raw cashew imports and 'irrationally high' wage structure for the industry, on the other. Yet, figures provided by the Kerala State Cashew Development Corporation, which have gone uncontested, indicate that there has been no shortage of raw cashew supply. In fact, the Corporation was launched in 1969 not primarily with the idea of taking over processing units, which it will now do, but to relieve the conditions of import. The cashew industry is based on re-

export. The industry is almost entirely concentrated in Kerala — around Quilon. More than two-thirds of the raw nuts it uses are imported from East Africa, mainly Portuguese Mozambique and Tanzania. It was to do away with the sharp competition among importers and to provide a monopsonic buyer who could also exact better conditions regarding quality supply, that the Corporation stepped into import trade. Raw nut distribution among the 200-odd cashew processing units in Kerala has been on the basis of export levels; but the State Government has been trying to switch over to the basis of 'registered labour in the processing factories'. Evidently, it is this that has hurt the factories the most.

Consequent to the Minimum Wages and Factories Act and the enforcement of standards for payments and conditions of work, cashew manufacturers have tried to circumvent their statutory obligations. Hence the growth of the *kudivaruppu* which are 'cottage' processing units that are in a better position to 'sweat' labour. So long as private traders imported raw nuts, cashew manufacturers were assured of their raw supply even if it was at a somewhat higher price; their processing costs could be lower in the unorganised sector — it is said by Rs 15-20 per bag — and they could still maintain both profit and price. But distribution of raw nuts on the basis of 'registered' labour could expose the doings in the unorganised sector. The mass 'closure' of mills (only about 42 were reported working against 225 last year) may thus amount to an organised attempt by the industry to force the issue, since, for the State, cashew manufacture and export are an important source of employment and, for the Centre, a significant source of revenue.

For all the noise the industry has made regarding import difficulties on the Corporation's entry into the field, exports of processed cashew fell only marginally in 1970. The slight fall could be explained with reference to the fact that the world suppliers of raw cashew — Mozambique, Tanzania, Brazil — are themselves building a processing industry, and exports by these countries have increased sizeably. Between 1964 and 1967, Mozambique's exports of processed nut increased from 3,500 tonnes to over 8,000 tonnes; Tanzania's from 48 tonnes to 1,436 tonnes; and Brazil's (which has an earlier record of manufacture) from 1,110 tonnes to 1,500 tonnes; during the same period India's exports fell from 52,645 tonnes

to 52,300 tonnes.

The Kerala cashew industry's gambit is, in the circumstances, worse than irresponsible. Cashew is a sophisticated food item whose export promotion would require careful marketing effort; it exports are mainly to the discriminating markets of the US and USSR, and in an environment now of emerging competition. But to bring the manufacturers to heel, Kerala has asked the Centre for a grant of Rs 9 crores to continue state imports and state take-over of closed-down units. In the midst of the talk of financial stringency for the coming year, will the Centre commit itself to that? Failing that, the compromise with the manufacturers may very likely take the form of going back on the statutory obligations on minimum wage and working conditions. The non-Marxist unions have already shown a willingness to comply — after all, these workers are said to be among the weakest sections in the society. Has it been a crisis for the industry, or for the over one lakh unemployed due to the closures?

Hindustan Aluminium

Thriving on Tax-Free Profits

HINDUSTAN Aluminium Corporation has again turned out good results for 1970 — as expected of it. Primary aluminium production increased from 72,231 tonnes in 1969 to 78,191 tonnes in 1970; fabrication (into proper rods, rolled products and extrusions) increased faster, from 35,000 tonnes to 43,227 tonnes. As a result, sales, net of excise duty, increased from Rs 34.27 crores to Rs 39.82 crores. Profit increased from Rs 2.46 crores to Rs 6.99 crores.

The company's balance-sheet shows its strength. Gross fixed assets increased from Rs 51.45 crores at the end of 1969 to Rs 53.80 crores at the end of 1970. The company had, on the same date, cash and bank balances of Rs 8.72 crores.

With the clearance of its application for expansion of capacity to 120,000 tonnes, the company is taking steps to achieve a capacity of 100,000 tonnes by 1972. Expansion has been the company's major strategy: in less than a decade, it has increased capacity fourfold. In the process it has made profits of almost Rs 19 crores — and has not had to make any provision for taxation! Most of the expansion has been financed with borrowed capital — and one preference issue of Rs

BUSINESS

More Bank Credit, or Else...

THE pampered cotton textile industry is at it again. Its target this time is not the Reserve Bank. The attack is now against the commercial banks. The industry got the Reserve Bank to tell the banks to pull their punches while implementing its own credit control directives on advances to the textile industry and trade. It is not known if the hint to banks to tread softly covers the Reserve Bank's direction to bifurcate cash credit limits and get the trading limit component converted into dated bill finance limits. It is to be hoped that the Reserve Bank has not relented on this count.

Last week the Indian Cotton Mills' Federation issued a press statement — with a request that the statement not be sourced to it — alleging that banks were denying credit to mills for lifting imported cotton, stocks of which were allegedly piling up at the Bombay docks. The statement suggested that banks were being cussed, despite the Reserve Bank's offer of refinance at the Bank rate for covering credit required for

'bunching' of imports. The bulk of the 11 million bales of imported cotton was due to arrive between now and August. Tight-fisted bankers, the allegation went, were pushing the cotton mill industry into an avoidable crisis.

Whether or not banks resort to Reserve Bank refinance to support the mill industry is irrelevant. The busy season has ended and the resource position of banks is no longer tight, as reflected by the inter-bank call rate which is now below the Bank rate. Banks are not fighting shy of financing textile mills because they are short of resources. The ICMF press statement conceded as much when it suggested that banks were denying mills additional credit on limit considerations.

The issue then is this: mills say they want more credits; banks say that they have drawn as much credit as banks are willing to give on normal banking considerations. Actually, given the mill industry's performance during the last five years, it is just likely that banks have given it far more accommodation

2.50 crores. This issue clearly violated the 1:3 balance between preference and ordinary share capital laid down under Capital Issues Control regulations. Obviously, the Birlas can always get exemptions from our committed civil servants!

Aluminium is the only non-ferrous metal of which India has large ore reserves. Yet progress in aluminium has been slow — thanks to lethargy in the public sector Korba project. The result is that exports of aluminium had to be banned in 1970. Moreover, an informal price freeze had also to be introduced. Clearly, rather than siphon off producer's surpluses into public revenue through taxation, the Government prefers to subsidise consumers. Again, the Government continues to permit further fabrication by primary producers, thus inhibiting the development of a free market in primary aluminium and the growth of independent entrepreneurship in fabrication.

Swadeshi Polytex

No End to Polyester Fibre Shortage

WHEN polyester fibre capacity was first established in India in the sixties, it had been naively hoped that fabrics from this synthetic fibre would be less expensive than woollens. Nothing of the sort happened and polyester fabrics to this day command fancy prices. For this the blame has been passed on by the spinner (the sole polyester fibre company to date being CAFI) to weavers who, in turn, have pointed an accusing finger at dealers. In passing, it should be noted that the cotton mills which have gone in for mixed fibre fabrics have been a major beneficiary of polyester, inasmuch as they have made consumers pay for the cotton content of mixed fibre fabrics at the rate of the high value polyester content.

The consumer is unlikely to get a lucky break from the entry of Swadeshi Polytex into the manufacture of synthetic fibre. True, the Jaipurias, promoters of Swadeshi Polytex, also control cotton textile mills. The point to note is that even had there been no family disputes the fibre company and the mill company would each retain its share of the maximum mark-up the market can bear. There is nothing to stop them from doing so in a market that is short of both cotton textiles and synthetic fibre fabrics. The situation is likely to remain unchanged with the entry into polyester fibre manufacture of other mill compa-

nies like Ahmedabad Manufacturing and Calico Printing, for example.

The annual supply of polyester fibre is slated to rise to 30,500 tonnes in a few years from the present 4,500 tonnes. CAFI is expanding capacity to 6,100 tonnes a year. Indian Organic, AMCP, Punjab State Industrial Development Corporation and Swadeshi are each slated to establish a capacity of 6,100 tonnes a year. Swadeshi will be the first of the new entrants. Oversupply of polyester fibre is ruled out by Swadeshi. In the prospectus for its public issue, which opens for subscription on May 25, the directors of Swadeshi Polytex state that even when the entire envisaged capacity of 30,500 tonnes is established, the supply of polyester fibre would fall short of demand. Underscoring this optimism is the promise of "modest" maiden dividend for the year to September 1975.

Swadeshi's polyester fibre project, involving an outlay of Rs 12.72 crores, including a working capital of Rs 2.22 crores, is located at Ghaziabad and is scheduled to commence commercial production in early 1973. Expenditure on plant, machinery and equipment is estimated at Rs 7.46 crores, including an import component of Rs 1.55 crores. The estimated total foreign exchange expenditure is somewhat higher because of insurance and freight and fees for process and engineering services. Imported plant and knowhow is being obtained from Vickers-Zimmer. Presumably, there are to be no foreign investors in the company's equity. Tata Consulting Engineers have been retained as consultant and Siemens India is responsible for engineering and installation of electric instrumentation and control facilities.

The project is to be financed as follows: Rs 3.30 crores of ordinary and Rs 1.10 crores of preference share capital, term loans and debentures of Rs 6.49 crores and cash credit from banks of Rs 1.65 crores. The term loans include foreign exchange loans of Rs 1 crore from Industrial Finance Corporation and Rs 1.29 crores from ICICI. Just over a third of the total outlay is covered by equity capital. The share of debenture capital is not given but is believed to be of the order of Rs 1 crore to be subscribed by LIC.

Of the Rs 3.30 crores of ordinary share capital, Rs 1.65 crores have been subscribed to (and partly paid up) — Rs 65 lakhs by the directors, their associates and nominees and Rs 1 crore by Swadeshi Cotton Mills. The balance of Rs 1.65 crores is being offered to the pub-

lic for subscription along with 9.5 per cent redeemable preference shares amounting to Rs 1.10 crores. The entire public issue has been underwritten. The public sector financial institutions, including the general insurance companies, have underwritten Rs 109.50 lakhs of ordinary shares and Rs 90 lakhs of preference shares. The subscription by Swadeshi Cotton to Swadeshi Polytex shares is the subject of a legal dispute. The financial institutions aiding Swadeshi Polytex have taken suitable guarantees from the directors with regard to Swadeshi Cotton's investment as well as the partly paid up subscription to Polytex by them and their associates.

Guest, Keen, Williams

Changing Gear

AFTER a long spell of poor results, Guest, Keen, Williams is at last beginning to see the light at the end of the tunnel. Sales increased from Rs 32.03 crores in 1969 to Rs 42.59 crores in 1970 and pre-tax profit jumped from Rs 1.61 crores to Rs 7.12 crores. This improvement is the result of a major reorganisation of the company's activities. The closure of the Railway Engineering and Track Department in 1968 must be seen in retrospect to be a wise decision, considering the plight of other suppliers to the railways. The other activities are now organised in four departments.

K C Maitra, chairman, refers to the slow pace of economic growth in his address to shareholders. He complains that progress "in basic raw materials and heavy industries remains sluggish" and concludes his review of the broad trends in the economy: "we appear to be, by and large, in an era of political stability combined with uncertainty of the pace and direction of economic growth". Being in Bengal and in iron and steel, he also devotes some attention to labour problems. Work on the second Howrah bridge, he regrets, has still to commence.

Maitra is also concerned about some of the policy trends. He fears that the monopoly regulations will hamper the progress of "existing and efficient" units. Moreover, being a large stamping producer, he looks askance at the issue of stamping licences to outsiders. Yet he views the future with confidence. His strategy is to concentrate on emerging growth activities and to build up close relations with customers to provide them efficient service. The results for 1970 show that Guest, Keen, Williams has hit upon the right recipe for progress.

Making Monopolies Commission Irrelevant

A N Oza

AFTER a year of inactivity, the Monopolies and Restrictive Trade Practices Commission (MRTPC) seems to be flooded with work. Beginning with the reference to it of Century's expansion proposal, four other references have been made, all in a fortnight.

With the exception of the reference in respect of Century's expansion proposal, the other cases which have been referred to the MRTPC suggest that the Government finds the Commission a useful device for shirking its responsibility to take decisions. All the four references relate to Chapter III of the Act which contains the provisions for control of concentration of economic power. Two of the references relate to proposals for merger or amalgamation which are subject to control under Section 23 and the other two are in respect of proposals for substantial expansion under Section 21.

Even a cursory reading of the public notices issued in connection with these references suggests that none of the proposals is really significant from the point of view of concentration of economic power to the common detriment. The Government could have easily taken decisions on them without wasting the MRTPC's time. The two merger proposals are: (i) merger of a J K mining company, Madhya Pradesh Industries, with two other relatively small J K companies, one of which was a managing agency till recently (J K Agents) and the other is engaged in investment and finance (Bengal and Assam Investors); and (ii) amalgamation of Larsen and Toubro, a large agricultural and other machinery manufacturing concern, with Willcox Buckwell India which has distribution rights of agricultural, earthmoving and other equipment of some renowned foreign manufacturers.

True, both these proposals, by virtue of their involving companies which are subject to the conditions of Section 20, come within the purview of the anti-concentration provisions of the Act. But the first proposal, insofar as it involves only a merger of companies already tightly controlled by the same group, will have no effect by way of enhancing the economic power of the J K group. The concentration ratio of the group will remain unchanged after the merger. Also, as the companies involved are engaged in unrelated industries, their merger is not likely to have any anti-com-

petitive effects. In any case, given the small size of the merging companies, this is a trivial proposal from the viewpoint of controlling concentration or even monopoly. Similarly, the amalgamation of L and T with Willcox Buckwell is not significant because the latter company is already a nearly wholly-owned subsidiary of L and T. The amalgamation will not, therefore, enhance the concentration ratio or the economic power of L and T. Nor can any further anti-competitive effects result since the two companies are already vertically integrated.

The two proposals for expansion referred to the MRTPC relate to Grindwell Abrasives and Cellulose Products of India. Neither of them is listed as in any way linked with any of the large groups according to the Licensing Committee Report or the Monopolies Inquiry Commission Report. Both claim that they have no inter-connection with any other concern. In the circumstances, the proposals can come within the purview of anti-concentration controls by virtue of these companies being dominant firms with assets worth more than Rs 1 crore (clause b of Section 20). But if they are dominant undertakings, their expansion proposals need to be examined more from the viewpoint of their effect on competition in the market for their products and less from that of concentration of economic power. But the effects of either proposal on market competition cannot be assessed without examining whether other rival producers, existing or new, have also applied for a licence for the same purpose. If they have, then the Licensing Committee should have examined this aspect before sanctioning the applications. If there were no other applications or if the MRTPC is not given the chance to investigate the cases of other rejected claimants for the same licence, the Commission is left with hardly anything to investigate. It may merely have to endorse the decision of the licensing authorities.

The references made to it so far show that the MRTPC is going to be tied down to investigating proposals for expansion, mergers and new undertakings from the standpoint of concentration of economic power. Given the number of applications for industrial licences for expansion or new units pending, the

Licensing Committee, newspapers reports suggest, will have to clear them at the rate of some 100 to 125 applications a month. Of these, if 50 per cent are sponsored by large houses and independent large and/or dominant companies and if the Government refers even 10 per cent of these to the Commission — the trivial nature of the recent references shows that the Government is inclined to refer almost every proposal which technically comes within the purview of the Act — the Commission will have its hands more than full with just concentration inquiries.

Examining licence applications from the concentration angle is, however, something which can be done better at the licensing stage. As the cases referred to the MRTPC so far illustrate, all the Commission will do is to duplicate the work done by the Licensing Committee or, in the case of mergers, by the Company Law Board. Under the Act it is not obligatory for the Government to refer every proposal for expansion, merger or new undertaking, even if technically covered by Act, to the MRTPC. The Government was thus expected to be selective in referring cases to the Commission.

Moreover, the Commission's investigations and recommendations can be useful only if it is called upon to investigate proposals before the Licensing Committee has taken its decisions on them. Only then can the MRTPC examine a particular proposal in relation to the rival claims for licence. Otherwise, the MRTPC might be put in the awkward position of having to suggest reversal of a Government decision already taken. Also, government officials appearing before it would argue in support of the proposal under consideration since it would have already been approved by the Government.

Surely, it cannot be the Government's intention to keep the MRTPC busy but ineffective. The first spurt of activity does, however, suggest that the Commission is going to be bogged down in concentration inquiries and might never find the time to work on the other two, and no less important, objectives of the Act — control of the working of existing monopolies and of restrictive trade practices. Actually, from the point of view of safeguarding the interest of the public as consumers (through reasonable prices and lower costs) and as small traders and small producers (through removal of barriers against entry into a trade) these two objectives are far more important.

To Socialism, but How?

Romesh Thapar

WHAT is more significant than the act of taking over General Insurance, is the lack of reaction to the act. Among articulate sections there is a fairly sophisticated understanding of the messy nature of this insurance activity. It is shot through with complexities, the like of which would defy a governmental system of scrutiny and accountability.

The betting is that within the next five years, general insurance operations will be confined only to large, tangible assets which have to be protected, assets which can be easily valued and claimed. Service to the small man is precisely what public sector general insurance will not be able to provide. More resources down the drain, whatever is said.

Something of this kind of reasoning had prevailed at the time of the take-over of Life Insurance — and the mess of general insurance was left in a messy private sector. But these days who cares to go back to the solid home-work done in many areas in the old days? It is enough for political morons to mobilise behind a slogan and get a hearing.

The take-over was part of the so-called ten-point programme — that supposedly bold step to socialism. However, quite a large number of observers had assumed that after gaining an overwhelming majority in Parliament, the Congress party would give up gimmicks and think of more solid economic transformations. Wishful thinking, obviously.

Not without reason, the speculation is revived as to whether the present leadership of the ruling party at the Centre is capable of taking a solid look at the battered framework of India's patch-work socialism. Will the opportunist political calculations of the instant radicals of the party prevail or is it going to be possible

to end the dangerous nihilistic bankruptcy of the protagonists of the non-capitalist path and put together a growth model which impacts the life of people at the lower depths.

Such a growth model is not built on easy take-overs of defunct private business operations, or on the espousal of illegal *jhuggi* schemes, or on perspectives which are tied up with the manufacture of the people's car, or on the prompt patronage offered to every durbari-type who mouths socialistic phrases, or on massive ministerial corruption which is rationalised as providing finances for an allegedly socialist "line" (that is when the finance is not swallowed by the receiver!).

These facets of the present-day debate on socialism in our country illustrate the cynicism of the protagonists for socialism. Fortunately, and unlike some neighbouring countries, we have not as yet described ourselves as a socialist land. This might have polarised our political life, between Right and Left, on the basis of mutual bankruptcy — and sparked a spreading violence. Indeed, the CPM-backed government of West Bengal did precisely that. The result: Naxalism.

The leaders of the ruling Congress party are only too anxious these days to make clear that they are merely *striving* for socialism. But even in this grey area there is danger lurking. Outstanding political-economic thinkers, basing themselves on the results of repeated practice, have pointed out that in any attempt to move towards social ownership of the means of production the socialists must be clear as to their hegemony over the economy or what we used to describe as control over the

"commanding heights". The logic is simple, private economic operations cannot function in insecurity. Panic and collapse can result from haphazard nationalisation moves — unless the socialist sector's dimensions are precisely demarcated every ten years or so when new levels of socialism are sought. Presumably the Industrial Policy Resolution of 1948 was intended to do just this. But these days we have no such understanding.

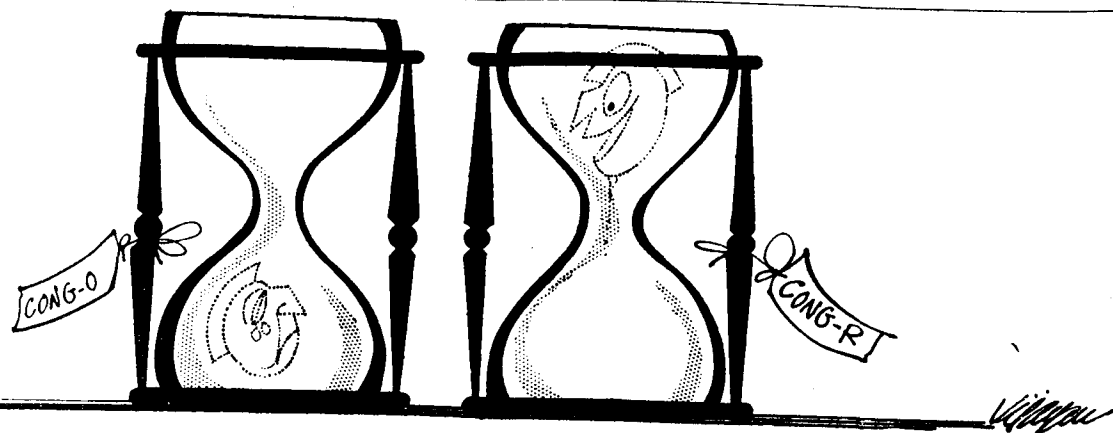
The time has come for another exercise in demarcating the roles of public enterprise in an economy which is "mixed" in order to guarantee dissent. There could be no better time than Budget time. An exercise of this kind would provide necessary discipline to the instant radicals and would also reduce the fear prevalent in the panicky sectors of the business world. Public and private sector planning would immediately benefit from guidelines which are more or less sacrosanct.

It is necessary to say these obvious things because we fail to realise the huge benefits which result from more ordered and systematic thinking.

It would be a shame if after getting the massive political sanctions for economic coherence, we fritter away our energies in an economic style more appropriate to boy scouts and girl guides (someone seemed to say bul-buls!). And the sooner the better. Because a crisis like the one Pakistan is engineering in the East may take us back to the days of alms-bowls and breast-beating.

Tailpiece: Overheard. "Whatever happened to Krishna Menon at the communist world peace meet in Budapest. He forgot his passions on Bangla Desh and subscribed to a resolution milder than anything ever penned by the followers of Marx."

May 17



Further Retreat

Nishtar

Misplaced Emphasis

THE stock market continued to wear an uneasy look throughout the week and it was forced to beat a further retreat under pressure of light but persistent selling. Despite a modest rally near the weekend, net changes over the week showed widespread losses. Activity, however, was on a considerably reduced scale as operators preferred to mark time in view of the proximity of the Central budget.

The market has drifted lower despite the steady flow of pleasing corporate news. Technical considerations did not seem to favour a rise. Political uncertainties and developments on the international monetary front also made for caution. But the market would not perhaps have developed the pronounced weakness it did if sentiment had not been unsettled by the surprise announcement about nationalisation of general insurance. The market does not have much stake in shares of general insurance companies — only a few companies have their shares listed on the stock exchange — but the take-over of general insurance has had an adverse psychological impact as it is taken as an indication of Indira Gandhi's government's determination to redeem its radical promises at the earliest. This has given rise to all kinds of disturbing conjectures about the shape of the budget Chavan is going to present on May 28.

In his interim budget speech Chavan had clearly indicated the Government's intention to augment the provision for the Centre's Plan outlay for 1971-72 in the budget to be presented in May. Recent developments, especially the influx of refugees (estimated around 3.8 million), have imposed an additional strain on Centre's budgetary resources. Both tax and non-tax revenue sources will need to be exploited in order to be able to finance the stepped-up development effort. How the Finance Minister will use his fiscal brush to brighten the economic and industrial landscape is anybody's guess. With the overwhelming majority that the ruling party now commands, it is to be hoped that the fiscal policy will promote savings and improve the climate for investment which alone can help achieve accelerated industrial growth.

CAPTAIN Ranjit Singh, Chairman, Indian Cotton Development Council, stated the other day that the "prevailing prices are not favourable" to cotton growers and that the farmers will be "seriously hit" if prices are allowed to dip further. He wanted the Cotton Corporation of India to play a more effective role in stabilising prices at reasonable levels by effecting purchases at fair prices and building up stocks of its own.

What is one to make of the ICDC chief's concern for growers when prevailing cotton prices, which, standing almost halfway between the fantastically high levels recorded in the last week of January and subsequent lows, are still far costlier — Rs 800 to Rs 1,000 a candy — than comparable foreign varieties. There is no evidence to suggest that cotton production has ever suffered for want of remunerative prices. Because of the continuously growing imbalance between demand and supply, resulting from virtually stagnant production and huge expansion of spindleage, cotton has always been in a perpetual sellers' market.

If cotton production has averaged barely around 58 lakh bales over the past six years or so, and the 1970-71 crop is estimated around 53 lakh bales, it is neither because of unremunerative prices nor due to inadequate area under cotton; India has the largest area under cotton in the world — one-fourth of the total world acreage. The stagnation in cotton production is due essentially to the disappointingly low yield per acre.

The suggestions made by the ICDC chief for stepping up cotton production run along all-too-familiar lines. This is not surprising. What needs to be done to improve the yield is sufficiently well known. The question is how to get things done. The problem of increasing yields through various inputs — better seeds, better irrigation facilities, fertilisers, pesticides, better implements — is essentially organisational. The results achieved by the Indian Cotton Mills' Federation's cotton development projects have conclusively proved that even under adverse weather conditions, the yield can be substantially raised by anything between 50 and 125 per cent in

the irrigated areas and by 50 to 80 per cent in the unirrigated areas if farmers practise improved methods of cultivation.

The development of a new variety of cotton — Hybrid-4 — holds out the hope of a "white revolution" in the not-distant future. Hybrid-4 is credited with a record yield of 87 quintals of 'kapas' per hectare in Bellary district. The average yield from this strain is placed at 35 to 40 quintals per hectare, as against 9.25 quintals from other varieties. The main limiting factor in extending the cultivation of Hybrid-4 is the availability of seed. The seed production is now mainly confined to Gujarat, but a modest beginning has been made in Maharashtra and Mysore also. It is proposed to cultivate about 100,000 acres with this variety in 1971-72.

Market-wise, cotton prices have displayed a steadier tendency this week. Turnover has been somewhat better. The Reserve Bank has postponed by one month the escalation of the minimum margin on bank advances to the trade against Indian cotton and 'kapas'. The minimum margin was slated to rise from 60 per cent to 75 per cent with effect from May 31. The rise will now take effect from June 30, covering cotton harvested or marketed between October 1970 and January 1971.

Irregular, Steadier

AFTER a further early rise, oilseeds and oil prices moved irregularly lower and closed almost halfway between the week's high and low points. Early improvement in castor and linseed futures was due both to short covering and replacement buying. Higher levels, however, attracted stale bull liquidation. Fluctuations were guided essentially by the changing moods of a few big operators. Spot prices moved in a narrow range. Offerings were satisfactory but so was the offtake.

The vanaspati industry has requested the Government to reduce vanaspati prices for the next fortnight — from May 23 onwards — by Rs 227 a tonne in the southern zone, by Rs 140 in the northern and eastern zones and by Rs 80 in the western zone, in order to maintain natural inter-zonal price differentials thereby eliminating unhealthy competition among factories located in different zones. The industry has also requested the authorities to make suitable adjustments in the percentage use of soyabean oil.

There has been a lull in export activity

in oilcakes. According to inquiries with informed sources, the Finance Ministry has again turned down the trade's plea, which had the support of the Ministry of Foreign Trade, for relief in export

duty on groundnut extractions. Nor is the Finance Ministry inclined to allow export assistance to make good the prevailing disparity between domestic and overseas prices.

COMPANIES

By Turnkey Jobs and Exports

Hansavivek

KAMANI ENGINEERING's exports aggregated Rs 818 lakhs in 1969-70; in 1965-66, the company's exports were only Rs 16 lakhs. In recognition of its achievement, the Engineering Export Promotion Council awarded the company a certificate for outstanding export performance. FICCI honoured it similarly. The company has maintained its lead in the export of transmission line towers and overseas turnkey projects. One such project, of about 500 km of 220 kV transmission line in the Middle East, has been awarded to it recently despite keen competition from the West; two more are expected from S E Asia and North Africa. Total value of these orders will be about Rs 15 crores. The company has made some pioneering, innovative efforts to expand and diversify its activities. It has developed certain structural items required in aviation and certain specialised items needed for rural electrification. The project for setting up a rolling mill is making progress, and is expected to be commissioned before the end of the year. This would enhance KEC's capacity to take up larger export commitments.

During 1969-70, the company maintained production of towers and other structures, despite acute shortage of steel and bolts and nuts. Construction of the hydro-power station at Ukai was undertaken as a turnkey job — involving deep rock excavation, heavy civil engineering work, mechanical erection, and commissioning of equipment including turbines and generators. The railway electrification work on the Baroda-Ahmedabad section is in its final phase. Production of road rollers was 59 units against 22 in the previous year. Commenting on the current year's prospects, P R Kamani, chairman, says that "we are better placed to meet the challenges of the future and our outlook for the days ahead is one of sturdy optimism".

KILLICK NIXON's production of steel

files was lower than in the previous year. With a substantial increase in exports at lower prices, however, stocks were reduced to release working finance. Production costs were brought down by reorganising the factory and reducing the work force. Since the end of the year, domestic selling prices have been enhanced to improve the viability of the unit. The engineering and Efco works had plenty of business, but trading conditions became difficult owing to a shortage of special steels, shortage of sophisticated components, and high prices of raw materials. The steel sales division negotiated the largest single order with STC, for tool and alloy steel valued at about Rs 1.75 crores. The company has been appointed consultant by STC for the sale of this material to consumers throughout the country. The principals, I H C Holland, have agreed to extend the company's agency to cover the whole of India and for all their products. Sales of aircraft spares could not be maintained since Government granted import licences to actual users. The agency department showed a sizeable growth of turnover, particularly in pressure cookers. Further, Killick-branded products including electric toasters were introduced. More new products in the domestic appliances field are to be introduced shortly. Performance of the shipping, clearing, and forwarding departments was satisfactory, and it is likely to be bettered this year because of the increase in freight rate in the India/UK services. Exports showed further rise with increased business in steel files and precious and semi-precious stones. Among the subsidiaries, Killick Caribonium cleared all arrears of preference dividends, and paid a modest dividend on equity; Killick Slotted Angles wiped off accumulated losses; but Killick Akrekar suffered a setback. Snowcem India registered further increases in production, market share, and profitability.

EMPIRE DYEING AND MANUFACTURING has finalised a scheme for amalgamating Garlick and Company, makers of cranes, drilling machines, hoists, stone crushers, road rollers, arbor presses, sugar processing equipment, and paper and pulp machine. Garlick has a factory on a 34-acre site at Ambernath near Bombay, and another on a 14-acre plot at Madras. At Jacob Circle in Bombay, where the original factory was located, now only a foundry and offices exist. This last site has to be vacated, as it falls within the 'green belt'; the company will demand fair compensation for surrender. In 1970, Garlick's turnover was Rs 2.35 crores and gross profit about Rs 15 lakhs. Price consideration for the take-over has been fixed at 1.10 lakh fully-paid equity shares of Rs 15 each in Empire Dyeing. Various legal procedures will have to be gone through before the amalgamation is complete. The company has also obtained an industrial licence to expand production of its Vitrum glass division by 12,000 tonnes of glass hollow-ware per annum. Import licences worth over Rs 40 lakhs have been obtained for import of essential plant from the US for the expansion. Total capital cost of the project is estimated at around Rs 1.65 crores. The management expects the expanded capacity to start producing by December next year. Meanwhile, negotiations are going on for purchase of an additional 30,000 sq metres of land adjoining the glass unit. As much as possible of the expansion is to be financed by internal resources. Last year, the company raised about Rs 24 lakhs of additional finance through a 'rights' issue which was oversubscribed. It is now proposed to meet the additional capital expenditure by issue of (a) 'rights' equity shares, of the aggregate value of Rs 40 lakhs inclusive of premium, if any, on such shares, (b) 30,000 cumulative preference shares of Rs 100 each and (c) probable issue of debentures of the total face value of Rs 1.60 crores. This would also help the company to achieve a more favourable debt : equity ratio. The company's proposal to issue bonus shares on a one-for-one basis was turned down by the Controller of Capital Issues by the terms of the revised guidelines for bonus issues which prohibit more than two bonus issues within five years.

SWADESHI POLYTEX, promoted by Swadeshi Cotton Mills of Kanpur, is making a public issue of Rs 275 lakhs, comprising 16.5 lakh equity shares of Rs 10 each and 1.10 lakh 9.5 per cent

redeemable cumulative preference shares of Rs 100 each, for its Rs 12.75-crore project for production of 6,100 tonnes of polyester fibre per annum at Ghaziabad near Delhi. The public issue has been underwritten by IDBI, LIC, ICICI, UPSIC, IFCI, UTI, National and Grindlay, insurance companies, and brokers. The rupee loans will be obtained from IDBI, IFCI and LIC, and the foreign exchange loans from IFCI and ICICI. The promoters, directors, nominees, and associates, have been allotted 16.50 lakh equity shares of Rs 10 each. The company's technical collaborators are Vickers-Zimmer AG of West Germany who have designed, fabricated, and erected synthetic fibre plants for various manufacturers in the world — including Monsanto, Allied Chemicals and Dow Badische in the US, and Garware and Nirlon in India. The plant is expected to be completed by the end of 1972, and commercial production will begin in early 1973. The directors expect that the company should be able to pay a maiden equity dividend of "not less than 10 per

cent" for the financial year commencing October 1, 1974, and increase it subsequently. The subscription list will open on May 25 and close on May 31 or earlier, but not before May 27. Applications 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 preference shares. A sum of Rs 2.50 per equity share and Rs 25 per preference share is payable on application, and a similar amount on allotment. The balance will be payable in two calls on or after October 1.

CEAT TYRES OF INDIA's chairman, P A Narielwala, expects that the Government would permit existing tyre companies to expand production capacities to avoid tyre shortages. A number of 'letters of intent' have been issued for establishing new automotive tyre factories in the country. While it is not yet known how many of these would be converted into industrial licences, demand will in the meantime outstrip the increased production anticipated from

existing units. The company is at present busy raising capacity to 6.5 lakh tyres and tubes per annum, and expects to commission the increased licensed capacity from 1972. He advocates timely imports of natural rubber and increase in the cord conversion capacity of industrial yarn manufacturers in view of the anticipated increases in tyre production. He also suggests that Government should decide soon to produce nylon tyre cord on a commercial scale, even if by importing caprolactum initially, to meet users' preference for nylon tyres in the export markets as well as in the country. Narielwala complains that, the company's technical service agreement with Ceat International which expired in 1968 has not been renewed so far for want of Government's approval, although the collaborators continue to render technical help and keep the company informed on the latest developments in rubber technology. He contends that the company's products enjoy high reputation for their quality because of the technical assistance extended by the collaborators.

The Week's Companies

(Rs in lakhs)

	Kamani Engineering		Killick Nixon		Empire Dyeing	
	Latest Year 30-9-70	Last Year 30-9-69	Latest Year 30-11-70	Last Year 30-11-69	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	112	112	125	125	51	27
Reserves	78	59	86	85	81	53
Borrowings	1223	587	286	282	154	206
of which Term borrowings	35	47	46	53	—	—
Gross fixed assets	305	278	145	142	254	200
Net fixed assets	228	215	67	75	147	116
Investments	2	2	256	225	—	—
Current liabilities	409	356	187	153	161	134
Current assets	1570	874	360	345	299	303
Stocks	419	400	132	123	46	52
Book debts	1121	456	220	214	240	234
Net sales	1423	749	463	193	425	359
Other income	290	63	110	84	207	166
Raw material costs	1050	371	54	27	219	189
Wages	223	203	119	56	142	117
Interest	67	41	28	21	16	15
Gross profit(+)/loss(-)	41	—11	28	23	92	62
Depreciation provision	15	13	7	7	24	20
Tax provision	—	—	9	5	36	25
Net profit(+)/loss(-)	25	—24*	12	11	32	17
Development rebate provision	—	—	—	—	8	3
Transfer to reserves	15	6	—	—	18	9
Dividend						
Amount	P 2 E 7 P7&9.5	P 2 E 4 P7&9.5	12	12	6	5
Rate (per cent)	E 9 3.28	E 6 —	10	10	20	20
Cover (times)			1.00	0.91	4.00	2.80
Ratios (per cent)						
Gross profit/sales	2.88	—	6.05	11.91	21.64	17.27
Net profit/capital employed	1.77	—	2.41	2.23	11.18	5.94
Inventories/sales	29.44	53.14	28.51	63.73	10.82	14.48
Wages/sales	15.67	27.10	25.70	29.01	33.41	32.59

* Loss is adjusted against excess depreciation amounting to Rs 37 lakhs in respect of previous years written back.

NEW DELHI

The Joys of Planlessness

WHILE C Subramaniam, as the new Planning Minister, has started off with a spate of statements and remarks about revising and reshaping the Fourth Plan to conform more closely to the election manifesto of the ruling party, the various Central ministries do not appear to have taken note of his presence in the Government as the boss for planning and supervision of plan implementation. They appear to be proceeding on the assumption that the shackles, if they may be so described, and the commitments that the existence of a plan imply, need not bother them and their work any longer.

As things stand, Subramaniam finds himself in a rather difficult position. The Planning Commission will take another week or two to be constituted. He has to undo the situation created by the Presidential Order on the setting up of the Planning Ministry, drawn up by the Cabinet Secretariat, which had actually written off the Planning Commission. Admittedly, the planners and the annual plan can have little influence on the budget for 1971-72 to be presented in the last week of this month. Whatever exercises in revising and reshaping the Fourth Plan the Planning Minister may have in mind can be carried out only later, if at all.

ABNORMAL SITUATION

Meanwhile, everyone who attended the press conference hastily organised by Subramaniam immediately after his return from abroad was struck by the absence of precise and positive ideas about what is intended to be done. Vague observations about a new approach or about introducing a rolling plan or making the plan period elastic left no one any the wiser. Evidently, on this occasion Subramaniam had not done the minimum amount of home work necessary, which was rather uncharacteristic for him. His remark that he proposed to change the style of working of the Planning Commission so that no Member of the Commission held a portfolio and the Commission functioned as a body was widely noted. However, under questioning he conceded that individual Members may be experts in particular fields and may be called upon to give special attention to those fields. But was he not aware that this was the

position in the past also and that the Commission, in making its recommendations to the Government or in arriving at a judgment, always functioned as a body?

Till the Planning Commission is finally constituted, an abnormal situation must prevail in Yojana Bhavan. This situation has existed for several weeks now and it certainly tells on morale. On top of this has come the team of management consultants set up at the instance of the new Planning Minister. The four-man team headed by P L Tandon has been engaged to look into the internal organisation of the Commission and to recommend modern methods of management which might be introduced into its functioning. The tremendous influence that management experts exercise on C Subramaniam is common knowledge. At one stage he is known to have drawn up a whole scheme for revitalising the Congress party organisation on business lines, relying for the purpose upon management expertise drawn from business houses! It is no surprise, therefore, that he should experiment on those lines with Yojana Bhavan now placed under his charge. But this has certainly caused misgivings in different quarters about the future of the planning set-up, specially after the manner in which the previous Commission was bundled out and the Planning Ministry under C Subramaniam created.

The team's first exercises have only provoked some laughter in Yojana Bhavan corridors. The major issue raised by

the team with the senior officers of the Commission and which left many of them completely perplexed was that of what should be the 'culture' of the Planning Commission. This was regarded as vital since, according to the members of the team, all institutions, and even countries, have to have a culture. Planning Commission too must have its own 'culture', whatever that may mean!

'PRAGMATIC' IDEAS

As stated earlier, the Central ministries are suddenly feeling free with initiative and decision-making entirely in their hands and no obligation to anything like a Plan. The Steel Ministry has decided that licences should be issued to private parties to set up continuous casting steel plants, besides special steel plants on electric furnace technology. A less 'committed' Minister than Mohan Kumaramangalam who heads the Steel Ministry might have hesitated to do this lest he be charged with undermining the Industrial Policy Resolution which reserves steel for the public sector. The economic rationale of the decision has not been spelt out, but the suggestion that these new plants, which will be allowed to import equipment, will relieve the current shortage of steel in the country is certainly far-fetched. After all, even these six plants will take two to three years, probably more, to be erected and commissioned. The answer to the current shortage can only be better utilisation of existing capacity, mainly in the public sector. What is being done in that direction remains as vague as ever. The construction of Bokaro too remains bedeviled with bottlenecks and delays.

The other vital ministry, Petroleum and

Chemicals, which is getting out of the confusion created when the Council of Ministers was first constituted after the mid-term elections, with a new Minister of State being given independent charge, appears to be toying with the same kind of 'pragmatic' ideas as the Steel Ministry. Confounded by the sharp increase in the price of imported crude right in the midst of its strenuous exercises to secure marginal reductions in these prices, it now says that it has woken up to the need to quickly step up the pace of exploration and production of crude oil within the country. This effort is, however, conceived in characteristically bureaucratic style. The chief agency responsible for exploration and production of crude, ONGC is being kept without its chief executive for the last several months while manoeuvres are going on to find a suitable civil service officer acceptable to the present bosses in the Ministry. The former chairman, an ICS officer himself, was able to stand his ground in his dealings with his counterparts in the Ministry and was eased out after some inconvenient friction. Since then there has been much talk of a 'new' exploration policy being given final shape by the Ministry for the ONGC.

HEADING FOR LARGE IMPORTS

The so-called new policy does not appear to have anything very much new about it except some words and expressions like 'flexibility' and 'pragmatism' which get currency in such situations. The idea behind it all appears to be to revive proposals which will carry an element of foreign participation, particularly from Western quarters, while the Russians remain fully entrenched in the ONGC. This has to be done because the Ministry at one time took a great deal of credit for putting its foot down on foreign collaboration proposals even if this meant delaying the exploration programme in this important field. It is now suggested that the recent crude price hike in the international markets has added a new urgency to producing more crude within the country. Since the latest method and techniques would have to be applied to get speedy results, foreign participation might have to be considered.

However, as in all other sectors, in petroleum too the present picture is one of large shortfalls and lags all round. Refinery capacity which had appeared to be quite comfortable so far is likely to become over-stretched very soon. The projects in view are all getting delayed. Koyali is plagued by short supply of

crude and Haldia is running behind schedule by more than a year. The pipeline from Haldia to Barauni, which may provide crude for better utilisation of the Barauni refinery, is also behind schedule. The projected refinery in the north-west is still at the stage of conception. There is thus every reason to fear that after attaining near self-sufficiency in petroleum products, the country might once again slip into shortages and dependence on large imports, as has happened in the case of steel.

The position with regard to production of crude is cause for even greater worry. There has actually been an absolute decline in production. The pro-

duction potential built up by the ONGC is claimed to be 4 mn tonnes per annum which could be increased to 5 mn tonnes per annum by 1973-74. But the actual production during the current year might not be more than 3.7 mn tonnes. It stood at 3.68 mn tonnes in 1969-70 and came down to 3.64 mn tonnes the next year. Among the reasons given for this is that the Rudrasagar field in Assam has had to stop production owing to despatch difficulties. In the Gujarat fields, the effects of depletion of reserves under exploitation have begun to show. Meanwhile, the costs of exploration are going up because more difficult areas have to be tapped.

MADHYA PRADESH

Search for Regional Identities

Balraj Puri

THE regional and political balance in Madhya Pradesh, the largest of the States, has been hardly disturbed by the mid-term Lok Sabha poll. The relative strength of the two main parties, Congress(R) and Jan Sangh, measured in terms of seats won and votes polled, has not changed significantly since the last general elections in 1967. The two parties have also retained their supremacy in their respective traditional strongholds — Congress(R) in Mahakoshal and Jan Sangh in Madhya Bharat.

Congress(R) won 21 seats this time against 24 won by the undivided party in 1967, while Jan Sangh marginally improved its position from 10 to 11. In terms of popular votes, both parties improved over their last performance by almost the same margin, viz, around 5 per cent points. The Congress vote improved from 38.67 lakhs (40.60 per cent) to 40.20 lakhs (45.58 per cent) while that of Jan Sangh went up from 28.69 lakhs (28.28 per cent) to 29.64 lakhs (33.57 per cent).

While the balance of political forces in the State has thus not been much upset, their polarisation has become sharper — evidently at the cost of the smaller parties. Congress(O), PSP, CPI, CPM, Swatantra and RPI failed to secure a single seat. In terms of votes polled too, the performance of these parties has been poor. Congress(O) got just 2 lakh votes (2.27 per cent). PSP's share declined from 4.64 lakh votes (5.02 per cent) in 1967 to 1.07 lakhs (1.22 per cent) in 1971. SSP suffered a decline from 3.38 lakh votes (3.65 per

cent) to 1.39 lakh votes (1.57 per cent), CPI from 1.31 lakhs (1.4 per cent) to 88,411 (1 per cent) and Swatantra from 2.54 lakhs (2.7 per cent) to 8,242 (0.09 per cent).

The extent of polarisation is obvious from the fact that in most of the constituencies, the contest was straight or nearly straight. There were either only two candidates or the other candidates were so inconsequential that they lost their security deposits. There are only two constituencies, Balaghat and Tikamgarh, where the third candidates were able to save their deposits.

STEADY PATTERN

The regional break-up of the election results further confirms the steady pattern of MP politics. The three important regions of the State — Mahakoshal, Madhya Bharat and Vindya Pradesh — have become even more closely identified with Congress(R), Jan Sangh and the Maharaja of Rewa, respectively. In Mahakoshal, Congress(R) swept the polls and won all but the Bastar seat which was won by an independent supported by Congress(R). Jan Sangh and a Jan Sangh-supported SSP candidate won all the seats but one in Madhya Bharat while all the seats except one in Vindhya Pradesh were won by candidates supported by the Maharaja of Rewa.

The following of the Jan Sangh is particularly steady in all the regions. In Madhya Bharat its popular vote was 16.79 lakhs against 16.46 lakhs in 1967 (both figures include the votes of Rajmata Vijayaraje Scindia who changed party

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

labels). In Mahakoshal the votes of the party in the two elections were 11.99 lakhs in 1967 and 10.31 lakhs in 1971. The difference between the two figures is almost exactly accounted for by the votes polled by the party in the two additional seats it had contested in 1967. Again, in Vindhya Pradesh the party polled 2.37 lakh and 2.15 lakh votes in 1967 and 1971, respectively.

SCHEDULED CASTES AND TRIBES

There is a high proportion of scheduled tribes (20.6 per cent) and scheduled castes (13.1 per cent) in the population of the State. Out of the 37 parliamentary constituencies, 13 are reserved for them. Though Congress(R) has an edge over Jan Sangh in the number of seats won and votes polled in the reserved areas, it has not improved its performance over 1967. Its tally of reserved seats at 7 remains the same as also its share of votes in these constituencies which is 11.31 lakhs this time against 11.79 lakhs in 1967. Jan Sangh's popular vote in the reserved constituencies has declined slightly, from 8.57 lakhs in 1967 to 7.42 lakhs, but this is accounted for by the fact that it contested 10 reserved seats against 12 in 1967. It lost two seats out of the four it held last time but gained one. Significantly, again, the two seats it lost were in Mahakoshal while all the three seats it won this time, including the one gained from Congress(R), was in Madhya Bharat. The alignments of reserved constituencies with the parties are thus not much different from those of the regions of which they form a part. The only exception is the Tikamgarh reserved constituency in Vindhya Pradesh which Congress(R) was able to retain against the Maharaja of Rewa-Jan Sangh combination.

Interestingly, the difference between the Congress(R) and the Jan Sangh share of votes in the scheduled caste constituencies is almost the same as that in the total votes for the State as a whole. Congress(R) got 51.64 per cent of the votes in the scheduled caste constituencies against its share of 45.68 per cent in all the constituencies whereas Jan Sangh's share in the reserved seats was 38.86 per cent against 33.57 per cent in the total. In scheduled tribes constituencies, however, both the parties fared worse than their average overall performance. Thus while Congress(R)'s share of the votes in these constituencies dropped to 37.44 per cent, that of Jan Sangh declined to 28.75 per cent. The difference between the Congress(R) vote in the tribal constituencies and its over-

all average is sharper than in the case of the Jan Sangh (8.14 per cent points against 4.82 per cent points). There is no evidence to suggest that either scheduled castes or scheduled tribes have overwhelmingly voted for any particular party. Regional loyalties have divided castes and tribes, though a portion of the latter has also shown a little autonomy by not voting for the parties identified with each region.

The sprawling state of Madhya Pradesh, extending over an area of over 4 lakh square kilometres with a low population density of 73 persons per square kilometre, has so far not been able to develop a personality of its own. Composed of diverse and heterogeneous areas, the State is surrounded by and exposed to the influence of seven other States. The geographical situation of the State and the different historical backgrounds of its regions continue to prevent the growth of a composite and homogeneous entity. Meanwhile, the three regions, in search of their respective identities, rallied around three different political foci.

REGIONAL DIFFERENCES

Mahakoshal is the biggest region — more than half of the State in population and area. Though economically backward, it is the politically dominant region on the strength of its numerical superiority. And Congress(R) has become the instrument for maintaining this political supremacy. Also, as an erstwhile central province directly under the British administration, it was a vital centre of Congress activity for decades, even before Independence. The post-Independence party thus inherited a trained cadre of party workers in the region. The Congress support in the region is almost steady. Its popular vote in the mid-term poll is 22.89 lakhs against 21.65 lakhs in 1967. The difference is partly accounted for by the votes polled by the Congress(R)-supported independent candidate in Bastar which the party had contested in 1967 on its own.

However, the large tribal population of the region does not seem to have been fully integrated with the rest of the population. Their discontent is reflected in the fact that while the Congress(R) candidates have been returned in all constituencies of the region but one, it is in the tribal constituencies that it faced the stiffest resistance. The lone seat it did not contest was that of Bastar, reserved for scheduled tribes. Out of the seven reserved seats, the contest was close in four, i.e., the margin of victory was less than 24,000 votes. In

three constituencies it was less than 9,000. In all other constituencies in the region, reserved or unreserved, the margin of Congress(R) victory was above 25,000 votes.

PROTEST AGAINST DOMINATION

Madhya Bharat, which is economically and industrially the most advanced region of the State, expresses its protest against Mahakoshal-based political domination of Congress(R) through the instrument of Jan Sangh. Moreover, as a region of princely States, it had no firm tradition of pre-Independence Congress or Praja Sabha activities. On the contrary, Hindu Mahasabha and later Ram Rajya Parishad had been fairly active in the region. The presence in the Jan Sangh camp of Rajmata Vijayaraje Scindia of Gwalior, as the tallest figure of the region, further makes it a focal point of regional protest. However, there are wheels within wheels in this region also. Indore, for instance, is yet not fully integrated with the region due to the traditionally fierce rivalry between Scindias of Gwalior and Holkars of Indore, which was reflected in the controversy over the location of the capital when the Madhya Bharat Union came into existence in 1948. The non-conformist voting behaviour of Indore resulted in the sole victory for Congress(R) in the region. Interestingly, out of the three closely contested seats in the region, where the margin of Jan Sangh victory was less than 9,000, one is reserved for scheduled castes and another for scheduled tribes. The two constituencies along with Indore, constitute an area that is out of tune with the regional identity of Madhya Bharat.

The Congress suffered the most conspicuous decline in Vindhya Pradesh. It lost four out of the five Lok Sabha seats the undivided party had won in the region in 1967. Its popular vote fell from 6.33 lakhs in 1967 to 3.99 lakhs in 1971. A material change in the situation is, of course, the change in the attitude of the Maharaja of Rewa, who had supported Congress(R) in 1967 and opposed it this time. The erstwhile State of Rewa is the most important state of the region which itself is a product of the union of Bundelkhand and Bughelkhand areas. Vindhya Pradesh is the smallest and the most undeveloped part of the State on its north and north-west end. Except in the fortuitous circumstances when G N Singh became Chief Minister of the State, it has had little chance of asserting its rights and personality against the other numerically far bigger regions. But the brief spell of Singh's

rise to power must have whetted the aspirations of the region, followed by inevitable disillusionment. It was this political atmosphere which the disgruntled rulers were able to exploit. However, old dynastic rivalries between the former States that comprise the region stand in the way of complete consolidation of an integrated regional personality, under Rewa's leadership. Thus while Congress(R) vote has sharply declined as compared to 1967 in four constituencies of the region, in the scheduled caste constituency of Tikamgarh it has risen. As scheduled castes have shown no special preference for Congress(R) in the rest of the State, the Congress(R) victory in this constituency might not be entirely due to the preference for it by the scheduled castes. Local factors — anti-Rewa sentiment, for instance — might also have influenced scheduled castes and caste Hindus alike in the constituency.

The revolt of the resourceful princes and the active campaign by the trained cadres of Jan Sangh have certainly helped to sustain the strength of the opposition at the hustings. But it is not without significance that all the princes and Jan Sangh candidates were routed in the dominant region of Mahakoshal. That their success was confined to the have-not regions of Madhya Bharat and Vindhya Pradesh indicates that regional factors outweighed power of organisation and resources.

COLOMBO

Revolution Replaces Rhetoric

(By a Special Correspondent)

FOR twenty years Ceylon has exemplified an unusually stable democratic government. Now, suddenly it is in the midst of violent revolution. The ballot has given way to the bomb. And genteel parliamentary debates have yielded to bloody jungle warfare. However premature it may be to make final assessments about its nature and impact, this dramatic change clearly demands some immediate comment.

Despite sweeping election promises of radical social and economic reform, the United Front Government of Sirimavo Bandaranaike has had few, if any, concrete accomplishments to show for its year in power. The economy has sunk to new depths of stagnation, while prices have reached new heights of inflation. Vital foodstuffs have been in continuously short supply. A small upper

Again, caste, class and ideology must also have played their part. Thus Muslims in Bhopal and elsewhere, trade unions in constituencies like Indore, "rice kings" in Chhatisgarh and "bidi kings" in Jabalpur, Brahmin-dominated caste coalitions in Mahakoshal, Jain-Bania commercial interests in Madhya Bharat and anti-Rajput line-up in Tikamgarh are some of the factors that are likely to have influenced the behaviour of voters to some extent. But some of these factors have helped to further stimulate the dominant urge of the voters to establish an identity of their respective regions and thus are merely an explanation of the phenomenon we have discussed above. These factors are also partly an outcome of the regional alignment of forces. In any case, no significant new clue is offered by them in understanding the broad post-election pattern of MP politics. Even the voting behaviour of sub-regions and tribal groups can be better explained in terms of their maladjustment with the regions of which they formed part than by any other factor. Regionalism and tribalism do, however, get rationalised in ideological and political divergence.

As long as the present structure of MP lasts, this divergence between its principal regions is likely to persist. In the Assembly elections, it should become even sharper, as local issues would come more to the fore then.

middle class elite has lived in luxurious isolation, while the majority of the population has continued to face the chronic plagues of unemployment and peasant landlessness. Critical observers have long heralded a day of reckoning. It finally arrived on April 5, with a massive attack by the revolutionary Janatha Vimukthi Peramuna (People's Liberation Front).

Within hours, JVP forces controlled the interior of the island from Anuradhapura in the north to Matara on the southern coast. Communications were cut. Food supplies dwindled in the capital city of Colombo. The Government was stunned by the sudden victories of insurgent forces, although it had begun preparations for trouble following a bombing of the American Embassy on March 4. Parliament con-

vened on April 6 and promptly adjourned to places of hiding. The Prime Minister herself fled to an undisclosed location and did not issue a statement for three days.

During the past three weeks, the 22,000 personnel of the Government forces have fought a bloody campaign to restore vital communications. Many rural areas, however, remain under the control of revolutionary forces.

The precise strength of the JVP forces is unknown, but conservative estimates place it at 20,000 men. Young and educated, the revolutionaries are drawn almost exclusively from the Sinhalese community which comprises 69 per cent of the island's population. A large percentage come from lower caste rural backgrounds. Dissatisfied with the lack of opportunity open to them in Ceylon's highly elitist society, they scorn the socialist rhetoric of the Bandaranaike Government.

INCOMPLETE MANIFESTO

Although they have yet to produce a complete manifesto, the leaders of the JVP espouse the general philosophy and tactics of the Cuban revolutionary movement. While concentrating their energy in rural areas, they have avoided a serious attack on the capital. In keeping with the Cuban pattern, they will wait for the Government to collapse before moving in for a final victory.

The well-financed and surprisingly well-organised JVP has bewildered the Government with a series of co-ordinated attacks and sophisticated diversions. Disguised as policemen and Buddhist monks, JVP forces have commandeered trucks and buses and slipped through Government dragnets. Their arsenal of weapons ranges from crude hand-bombs and dynamite to late model automatic rifles.

The Government at first suggested that "imperialist" forces were behind the JVP, but it now suspects other "evil minds". It has expelled the North Korean diplomats whom it had, ironically enough, invited to Colombo shortly after the May 1970 election. And there are persistent rumours that Chinese diplomats are under close surveillance.

But whether or not it has received foreign assistance, the JVP has obviously won the support of a considerable segment of the population. In a society where familial ties are strong, children rarely act without at least some tacit support from their parents. It is not merely coincidental that the Bandaranaike strongholds of 1970 have become JVP strongholds in 1971. Peasants who

voted for the Bandaranaike coalition are displeased at the lack of progress which they have seen. Landlords still retain their vast holdings. The children of the elite still obtain prestigious Government employment. Even in urban areas such as Colombo one rarely hears an outright denunciation of the revolutionary movement. The population is tired of Governmental ineptitude and clearly resents the brutality which the armed services have used to suppress the terrorists. The mutilated bodies which float quietly in Ceylon's picturesque waterways do not generate much support for a government which claims to have the situation "well under control".

If there is a criticism to be levelled at the JVP, it lies in its conspicuous failure to organise support among the Tamil community. (The older group, the Ceylon Tamils, together with the relatively recent Indian Tamil immigrants, comprise 22 per cent of the population.) Tamil areas such as Jaffna and Trincomalee have remained quiet. Indeed the Tamils seem to enjoy watching the Sinhalese (with whom they have a history of conflict) kill each other off. It is difficult to predict the precise effect that this will have on the success of the revolutionary movement in Ceylon. Suffice it to say that Tamil quiescence has helped the Government to a considerable degree.

CUBAN CURRENT

In many ways the political scenario in Ceylon resembles that of Cuba in 1958; educated revolutionaries, capitalising on peasant discontent and weak government, descend from the hills to capture power. Yet, in the short run at least, such an outcome seems doubtful. Despite its weakness, the Government shows no signs of giving up the struggle. If the JVP looks to Cuba as its model, the Ceylon Government looks to South Vietnam for its own inspiration. "We have learned too many lessons from Vietnam and Malaysia. We must destroy them completely", Lt-Colonel Cyril Ranatunga told Associated Press correspondent Mort Rosenblum.

Foreign assistance is another important factor militating against a JVP victory. Britain, the United States, India, and the Soviet Union — whatever they may think of the Leftist rhetoric of the Bandaranaike Government — have no desire to see a potentially pro-Peking government in Ceylon. India promptly sent five destroyers, several helicopters, and a shipload of vital foodstuffs to Colombo. Britain has airlifted light arms and negotiated on

behalf of the Ceylon Government for six American helicopters. The Soviet Union has sent helicopters, MiG-17 jet fighters, and technical advisers.

With this dramatic assistance, it seems likely that the Ceylon Army will be able to suppress the revolutionary movement for the time being. In return for this service, the conservative leaders of the Army will undoubtedly extract important concessions from the socialist leaning Bandaranaike cabinet. It seems probable that they will demand the ouster of such radical leftists as the controversial Finance Minister, N M Perera, and the Minister of Housing, Pieter Keuneman. In addition, they may well prevent passage of many socialist measures which are now before Parliament.

The future prospects of democracy in Ceylon are not bright. The military may find itself with little alternative but to seize power. Assuming that the revolutionary forces which have been set in motion continue to maintain their vitality, the ruling elite will not survive without a radically more authoritarian regime to support it. Already the Government has imposed a lengthy curfew and restricted the activities of the Press. Schools and universities have been closed and it is unlikely that they will reopen in the near future. "Rehabilitation camps" are being prepared to educate suspects who have not been involved "directly" with the insurgent movement. Given continued revolutionary activity, increasingly anti-democratic measures seem inevitable.

Some observers have voiced concern that the Sinhalese elite may, in a desperate effort to bolster its position, attempt to divert the energies of the revolution into communal conflict. The Tamil President of the Ceylon Trade Unions Federation, C Shanmugathasan has been placed under preventive detention for pro-Peking activities and could perhaps become an ethnic scapegoat. Given Ceylon's history of communal strife, this possibility cannot be dismissed out of hand. But four factors make it highly improbable. Firstly, communal tensions have been on the wane in Ceylon for several years, as the Government has gradually reached a compromise on language disputes. Secondly, direct communal appeals are inherently repugnant to the liberal ethos of the ruling middle class elite. And while changing realities have often overcome genteel scruples, such a violent turn-about cannot be expected as a matter of course. Thirdly, an effective communal diversion would obviously require

the support of the revolutionaries themselves. It is doubtful, to say the least, that they would co-operate. Lastly, should the elite inspire communal passions, there is no guarantee that they can keep them under control. Communal conflict might well result in even greater disruption, confusion and bloodshed than the society now faces.

But whatever course of action the elite chooses to follow, it is probable that revolutionary activities will continue. Now that one oppressed group has taken up arms against the system, others may well follow.

AWESOME POSSIBILITIES

Currently unfavourable economic trends are bound to exacerbate an already tense situation. Falling prices in international markets for tea, Ceylon's leading export, will mean less foreign exchange for foodstuffs, Ceylon's leading import. As the population expands, insufficient investment in the industrial sector (even more likely under the present conditions) will lead to increased unemployment. Without major expropriation and land reform, the vast plantations will continue to rob the peasant of land.

Nearly 80 per cent of Ceylon's population is literate, an impressive figure matched in Asia only by Japan. Educated men demand employment; Ceylon's weak economy cannot offer it. Educated men demand equal opportunity; Ceylon's elitist society denies that too. Under these conditions, the possibility of a successful rural based revolution cannot be ruled out. Indeed, it appears to be historically inevitable.

For twenty years Ceylonese politicians have tried to restrain the forces of change. They have played the prevaricating game of promising revolution and delivering mild reform. Several times the situation has threatened to get out of hand. The Prime Minister's late husband, Solomon Bandaranaike swept to power in 1956 on a reactionary 'Ceylon for the Sinhalese' platform. Two years later the country was torn apart by spontaneous communal rioting.

Now once again the passions of the masses have superseded the rhetoric of the politicians. Whether or not Government forces successfully contain the present wave of unrest, one thing seems clear: that the image of Ceylon as a stable democratic republic has been shattered once and for all. Ceylon has at last entered the revolutionary age with all the awesome possibilities for good and evil which that implies.

Ceylon's Twisted Social Evolution

V Subramaniam

THE insurrection against the Government of Ceylon organised by educated unemployed youth groups has been jokingly called a revolution against a revolution and a Left-wing threat to a Left-wing government. Such quips have a deeper element of truth than the quipsters realise. This element is related to the peculiarly aristocratic background of the Leftist leaders in power, the welfare policies inaugurated in Ceylon long before a socialistic government came to power and the inhibited nature of Ceylon's social evolution.

Historically, Ceylonese society was influenced by British rule in a completely different way than any other colony. In India and in the African colonies, British rule gave rise to an educated derivative middle class — drawn from elements which were not socially dominant before the British. In India, the feudal nobility of zamindars and maharajas receded into the background as an educated middle class grew out of the literate castes of Brahmins and Kayasthas till then holding a secondary place in political life. In Africa too, the middle class was formed mostly from outside the ranks of the old elite that is the chiefs.

RESERVED POSTS

In Ceylon, however, the old landed class among the Sinhalese was allowed to transform itself into the new professional and estate-owning middle class as Ivor Jennings casually remarks in his "Government of Ceylon". There were several reasons for this. In the first place, there was little resistance from this group to British conquest. The coastal elite welcomed the British against Dutch rule and the upcountry elite did so against an old fashioned feudal ruler of Indian stock. The British rulers too had a special soft corner for Ceylon as became clear from the recommendation of the Colebrooke Commission in the last century to make Ceylon into a haven of Western civilisation from where it could be radiated to the rest of Asia. C H Cameron, a member of the Commission, said: "The peculiar circumstances of Ceylon both physical and moral, seem to point it out to the British Government as the fittest spot in our Eastern Dominions in which to plant the germ of European civilisation whence we may not unreasonably hope that it will spread over the whole of these

vast territories". Though such romantic hopes were toned down later, Ceylonese education was tied to the British very early, while Indian education followed its own path. The landed classes took to English education and English mode of behaviour avidly and crowded the professions.

The Colebrooke Commission in 1832 also recommended that the higher Civil Service be thrown open to the natives, and this was done in slow stages. There were two Ceylonese in the Civil Service, in 1844. Between 1870 and 1880 identical papers were set in Ceylon and London. Even as early as 1891 a lower division of the Civil Service was created with posts reserved for Ceylonese and later, some posts in the higher Civil Service were reserved as the local division. It can be seen that the British in Ceylon granted a share of the higher administrative services to educated Ceylonese from the very early days. It was typical of Ceylon that one of the chief sponsors of the Ceylon National Congress, P Arunachalam, took the simultaneous examination for the Civil Service in Ceylon and served many years in its ranks. It was typical of India that the main sponsor of the Indian National Congress, S N Banerjee, went to London to compete and get into the Indian Civil Service, and was dismissed from service in India at the earliest opportunity. The lack — in Ceylon — of an angry unemployed *literati* based on local universities made all the difference between the course of political history in Ceylon and India. The new middle classes in Ceylon had ample opportunities in Government Service and in the plantation economy.

There was also an inordinate delay in the formation of a Ceylonese working class as labour in the tea plantations and in the Colombo docks was drawn from India. This helped the middle class feel both safe and generous in an unrealistic way. Strong Left-wing leaders such as N M Perera and Colvin R De Silva (both in the present cabinet) showed an unrealistically patronising attitude to the Indian workers as Indians even as they fraternised with them as the class they would have liked to lead. In short, the smooth transformation of the old landed class into the new middle class and the absence for long of a substantial Ceylonese working class — made middle class political leadership socialist

in theory and smug and inexperienced in practice. (Both Perera and De Silva were particular about their academic backgrounds. Perera was careful to remind me politely that he was a D Sc not a Ph D of London University. When the Ceylon Indian Congress started their satyagraha just before the elections in 1953, he told me that this had reduced the chances of his party, the Lanka Sama Samaj Party, in winning several seats — a curiously anti-working class stance for a Leftist). In the early fifties when both Perera and De Silva were in the opposition, the talented cartoonist Collette used to make mincemeat of their theoretical socialism. When the workers in Perera's large tea estate struck work, Collette drew a cartoon of Perera, looking up socialist theory on the question of a socialistic-capitalist *versus* his workers. Similarly when De Silva, a prosperous barrister, suggested an income ceiling of Rs 2000 per month in 1953, Collette's cartoons were most penetrating and perceptive.

DELIBERATE INHIBITION

Social evolution was also deliberately inhibited in Ceylon for a long time through the restriction of university education at entry point through an entrance examination so as to coincide with the number of jobs available. (See *The Ceylon Economist*, Vol I, No 3, February 1951, "The University in the Island's Economy", a lecture delivered to the University of Ceylon's Economic Society by Ivor Jennings. Two extracts read "but the only effective method is to relate present demand to present supply and our present output of graduates is 300 but it is rising rapidly and will probably reach 450 when it becomes stabilised. By that time, of course, the demand may have increased. It may, however, have fallen. As soon as we have a depression all those who criticise us for producing too few graduates will turn round and read us for producing too many". See also *Ceylon Teacher*, Vol XVIII, No 96, October 1954, pp 593-594 and 599-600). We have noted earlier how the small middle class of Ceylon was carefully pampered with jobs in the Civil Service by the British. This policy continued after independence through restricting university education and by the substantial emigration of educated Ceylonese to Britain and Malaysia for jobs.

Several welfare services were provided in Ceylon during the colonial period itself and also continued after independence — without immediate financial strain. Thus, at the conclusion of a rice-

rubber barter agreement with China in 1953, the Ceylon Trade Minister glibly claimed that Ceylon with all its welfare services was more socialist than China.

In the sixties there were many marked changes. Free school education had created a large population of school leavers, very few of whom could gain entrance into the single university in Ceylon and this, along with nationalist pride, led to the creation of three more universities. This led in the late sixties to a swelling population of unemployed graduates. The welfare services began to break down with the increase in population and in popular demand for them — even while inflation made it more difficult to maintain these services. (Health and education services were created in the colonial period with no idea of the possible increases in their demand or cost. In the case of education,

costs had to be whittled down in the late fifties. But such services by themselves were not considered socialist).

By the end of the sixties, Ceylon had its own working class, its educated unemployed, mounting inflation and a stagnant tea industry. A socialist policy naturally appealed to the electorate which returned Sirimavo Bandaranaike's Left-wing coalition to power in 1970. This coalition has been shown to have two major weaknesses. The first, common to socialist governments all over the world, is inability to match their promises with performance. The second, peculiar to Ceylon, is the aristocratic or higher professional background of its present Left-wing leaders who have no real emotional experience of real native working class movements, being faced suddenly with a tough situation due to the twisted social evolution of Ceylon.

BRUSSELS

Politics of the Currency Crisis

IN a talk which she recently gave at London's Chatham House Susan Strange noted that "economists are justly proud of their devotion to logic and of what they call the 'rigour' of their subject". But she felt they "often lack... political commonsense", even to the extent of being quite unaware sometimes of the political objectives being pursued at any given time. (The title of her own talk was "Sterling and British Policy: A Political View".)

The flood of newspaper comment on the latest currency crisis suggests that this shortcoming extends to most of those who comment on economic events for a living. In the present case political causes are hinted at, the French aversion to doing anything likely to help the Americans is mentioned, there are references to the special relations between Bonn and Washington — but none of the political factors behind the currency crisis which has split the EEC are brought into the open.

POLITICAL DIFFERENCES

And yet it is clear that the sharp struggle between the French and Germans, which dominated the 20-hour, night-long session of the EEC's finance ministers, was over political as well as economic issues. Each side obviously expressed its point of view in purely monetary terms, the immediate point at issue being the measures needed to meet the currency crisis. But the arguments

invoked by each side reflected very different political attitudes towards the US and the role of Western Europe *vis-a-vis* the two super-powers.

GERMAN APPROACH

Such political considerations seem, indeed, to have been uppermost in French minds — which perhaps was to be expected as their currency was not under any great pressure. The German approach, on the other hand, was mainly technical, if only because the continued massive inflow of dollars posed a serious threat to the efforts of the German government to control inflation. (The outcome of the meeting of finance ministers might have been very different had M M Schiller and Giscard d'Estaing been left to work out a solution between themselves, for both are economists rather than politicians. But clearly the strings were pulled on the French side by President Pompidou, the one-time banker with a highly developed political instinct.)

Inevitably, even the analysis made by each side of the nature and origins of the crisis differed sharply. For Paris, its origins lie in Washington. American refusal to take energetic measures to end the country's chronic balance of payments deficit, coupled with the readiness of Europeans to hold dollars even though it is in their interest to ask for gold, has resulted in the creation of a

dollar exchange standard. However strong the American economy, it is not strong enough, in official French eyes, to support the weight of the steadily growing mountain of dollars which has resulted from American policies (and the complicity of those Europeans who implicitly believe that whatever is good for the US must be good for them).

FRENCH INSIST ON DOLLAR DEVALUATION

With the dollar increasingly overvalued the only logical course of action according to Paris, is for the Americans to devalue their currency — either in relation to other currencies or by increasing the price of gold (the course favoured by Jacques Rueff, who was General de Gaulle's adviser on monetary questions). For the Europeans to revalue their currencies, after first floating them, would be to play into American hands. The net result would be a *de facto* devaluation of the dollar and a sharp increase in American exports (which would become more competitive following the revaluation of the major European currencies).

For the French, it clearly is up to the Americans to take remedial action; they must put their house in order, which means putting an end to their balance of payments deficit by devaluing their currency and reducing, if not ending, the American presence in the four corners of the globe (beginning with Vietnam). At the same time the French would like their Common Market partners to pursue more vigorously their nascent collaboration in the monetary and economic field, to the point where European industrial and economic strength represents an effective counterweight to the US.

The French recognise the need to tackle the immediate cause of the present crisis — the torrent of hot money which has been flowing into Germany. But they favour the imposition of exchange controls as the principal means of ending the speculative flight to the mark. (When the French finance minister pointed to his own success in using exchange controls to check currency speculation, the Germans uncharitably took the line that if France had escaped the hot money invasion it was because no one thought the French franc a likely candidate for revaluation.)

French opposition to floating the EEC currencies (the course favoured by Schiller) was based on political as much as economic reasons. There is an obvious danger that if all these currencies float in relation to the dollar (and each other) some will rise but others, notably the

French franc and Italian lira, will probably sink or at best just keep their heads above water. Margins between the European currencies would widen rather than narrow, although the elimination of these margins is one of the goals of the EEC's monetary policy.

TURNING ECM INTO A D-MARK AREA?

The Germans recognised the danger and, with a fine disregard for psychology, offered to support the weaker EEC currencies — which probably would result in the Common Market being turned into a D-mark area. Not surprisingly, the French, already alarmed by the growing power of Bonn, rejected the offer out of hand. At the same time they insisted on the introduction of exchange controls by Bonn on the grounds that the Common Agricultural Policy can be operated only if the EEC currencies remain pegged to the US dollar (which is the Community's unit of account). Floating exchange rates will not only make it extremely difficult to operate the CAP but also seriously weaken the Community, whose principal achievement remains the CAP. And, of course, they will delay the Six's moves towards monetary union.

During the current crisis the Germans do not seem to have been particularly concerned with its causes; faced with a massive dollar inflow they have put the emphasis on the measures needed to halt the flow. Schiller has pressed for a floating rate, without any restrictions as to either the size of the fluctuations or length of time. The German foreign minister, Walter Scheel, and his party (which represents industrialists and businessmen) favoured exchange controls and similar measures, simply because floating exchange rates hamper trade and could be expected in this particular case to put German exporters at a disadvantage as the mark was bound to rise above parity if floated.

But no one in Germany was willing to follow the French lead in branding the Americans as the culprits. As the Europeans perhaps are as much to blame as the Americans for the periodic upheavals in the foreign currency markets, the German refusal to point an accusing finger at the US is understandable. (Moreover, there can be more than one view as to the part played by the dollar in these upheavals). The fact remains, however, that in the French view the German position has been dictated largely by a desire not to antagonise the Americans. Dependent on the military strength of the US for its defence, Germany, according to the French, chose

to follow policies favoured by the Americans rather than their Common Market partners.

It is this which largely explains the timing of President Pompidou's invitation to Heath. The announcement of the the 2-nation "summit" was made just as

the six finance ministers were beginning their marathon session in Brussels. By inviting Heath the French President has bluntly warned the Germans (on the 26th anniversary of V-E day, incidentally) that there is more than one way of curbing their growing strength.

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Economic Growth in Asia

Balance-Sheet of a Decade

Bimal Jalan

Economic Survey of Asia and the Far East, Part II (Current Economic Development), Economic Commission for Asia and Far East, 1971.

WHILE not particularly famous for their originality or freshness of thinking on development problems, ECAFE's annual economic surveys have become a useful source of information on regional economic developments. This year's survey, the twenty-fourth in the series, covers the usual ground and deals with growth in national income, agriculture, manufacturing, balance of payments, and international liquidity in the region as a whole as well as in the individual member countries. It also contains the usual country notes which deal at somewhat greater length with government policy and developments in key areas. Twenty-one Asian countries are covered, and data are provided in the form of convenient tables which in many cases go back five or six years.

PRIORITIES FOR FUTURE

In addition, however, this year's survey has a long chapter on the achievement and failures of the last decade and policy priorities for the future. In doing so, the Commission is remarkably forthright in taking the developing countries to task for neglecting "social justice" and adopting a pattern of development which was biased in favour of the few. Studies made for various countries, including India, are quoted to show that inequalities of income have probably increased in recent years. Unemployment situation has got worse, housing situation has deteriorated, and there has been very little progress in improving the living standards of the majority of the population or in increasing expenditure on social services that benefit the poor. The failure of government policy and the development process to generate any noticeable benefits for the poorer section of the population, according to the survey, has been the most important disappointment of the last decade. The major achievements of the decade have been the breakthrough in agriculture

and the increased indigenous manufacturing capability of the developing countries.

After identifying the major achievements and failures, the survey goes on to discuss policy priorities for the future in the light of the objectives and targets adopted by the UN General Assembly for the Second Development Decade. For the next decade, the General Assembly has adopted a target of 6 per cent growth rate composed of a 4 per cent expansion in agricultural output and 8 per cent in manufacturing output. This would necessitate an average annual expansion of 0.5 percentage point in the ratio of gross domestic savings to the gross domestic product, together with an average annual expansion of somewhat less than 7 per cent in imports and somewhat more than 7 per cent in exports.

Given adequate effort in savings mobilisation and availability of aid, the ECAFE believes that these targets can be realised in Asia. According to studies made by the Secretariat, the feasible growth rates are stated to be 4.5 to 7 per cent per annum for Ceylon, India, Malaysia, Pakistan and Philippines and 7 to 10 per cent per annum for Korea and Thailand. If these rates are realised, the region as a whole should be able to attain an average annual growth rate of 6 to 7 per cent per annum in line with the General Assembly target (as against an actual rate of growth of 4.4 per cent during the period 1960-68). However, this would require "vigorous effort" on the part of the developing countries, and would necessitate certain policy changes and a re-orientation of their development strategies.

In order to achieve faster and more balanced progress, ECAFE recommends measures for a better distribution of income (through land reform, progressive tax structure and monopoly legislation), population control, employment-oriented plans, control of

prices, a proper balance between productive and social investment, a better agricultural policy, a more integrated and efficient industrial structure, better project selection, more exports, stabilisation of primary commodities, preferences for the manufactured exports of developing countries, more aid, and regional co-operation.

This part of the survey is probably the most disappointing, and one wonders why it is necessary for all international documents to talk about development strategy and plead for "vigorous", "better", or "balanced" policies. The treatment of these questions in the survey abounds in clichés and platitudes. Policy advice is either completely un-operational or is couched in such generalities that no one can possibly disagree. At times it also has little to do with the objectives in mind.

SCOPE FOR JUSTICE

For example the policy section on economic growth and social justice makes an effective plea for social justice; but when it comes to suggestions regarding how to accomplish this, it feels compelled to observe that: "a considerable acceleration in the rate of growth of *per capita* income is necessary for effectively tackling the major socio-economic problems of less developed countries...It is true that lack of sufficient social orientation in some of the policies pursued in the First Development Decade aggravated social discomfort, but it would be unrealistic to assume that the solution lies in mere egalitarianism. The average income in developing ECAFE countries is so low that even a drastic redistribution of incomes would not bring about significant increases in the levels of living of so many" (p 72).^{*} As Dandekar and Rath have shown there is considerable scope for a more equitable redistribution in favour of the very poor even at very low levels of income, and in any case talking about a high rate of growth as being the answer to the problems of inequality in the distribution of benefits would seem to miss the point.

To take another example, the section on "industrial strategy" refers to the inefficiencies of the industrial structure in many developing countries resulting from high levels of tariff protection. It, therefore, suggests that

^{*} All page references relate to Part II of the Economic Survey (mimeograph) dated February 22, 1971.

"the industrial policies in the Second Development Decade should seek to achieve a more integrated and efficient industrial structure", and that "chief reliance for bringing about a more efficient industrial pattern has to be placed on government licensing policies, import policies, tariff adjustments, fiscal policies and exchange rate policies" (p 87). Is this advice helpful? Most of the slow-growing developing countries with what the ECAFE would call "inefficient industrial structure" already place chief reliance on precisely the policies that are being recommended.

On employment, we are advised that where technologically feasible (e.g., in the development of infrastructural facilities), labour-intensive techniques should be preferred, and that "the employment aspects should be given due weight in planning the investment pattern and execution of development projects" (p 78). After being reminded that more than half of the gains in income have been absorbed by increases in population and further growth should therefore be curtailed, we learn that not much can be expected from vigorous family planning programme alone because "it is the view of demographic experts that the trends in population are related to numerous features of social and economic change in a number of ways" (p 74). The developing countries should allocate their scarce resources efficiently; however, there are no rules of thumb for determining the optimal pattern of resource allocation which, in a real sense, is "a problem of maintaining the needed balance between the social sectors and productive sectors, as also within the social and productive sectors" (p 81). The developing countries need more resources; they should therefore streamline financial institutions, mobilise private savings and increase the yield from direct taxes. Deficit financing should not exceed "safe" limits, and credit should not be expanded "beyond a point".

All this is very well, but not very enlightening. The survey would have gained immensely if the space and resources devoted to general policy questions could have been allocated for an in-depth and longer-term review of individual country situations. Many international agencies conduct country reviews, but unfortunately most of them (e.g., those by the World Bank, the International Monetary Fund, and the Asian Development Bank) are not published and, therefore, not generally available. Perhaps the ECAFE and other UN regional Commissions could fill this gap by undertaking periodic

critical reviews of government policies and other economic developments in a longer-term perspective, and publishing them.

Unfortunately, the present format of country sections in the annual surveys does not permit a critical and objective discussion of a country's policies. Based on published (mainly governmental) sources and confined to a few printed pages, they can scarcely do more than note the movement in a few macro-economic quantities and reproduce a little of the government hopes and aspirations about future developments.

The tendency to uncritically accept the Ministry versions of policy developments and their effectiveness is a principal shortcoming of the country reports even within their narrow scope. For example, on economic prospects of Pakistan, it must have taken considerable courage for a document dated February 22, 1971 to say that "the unanimity which has emerged amongst all shades of public opinion as to the need for fundamental changes in the development strategy to be pursued in the future should facilitate the achievement of planned objectives, both economic and social" (p 386). Similarly, the section on India, while noting the prevailing situation of steel and raw material shortages goes on to say that "to obtain fuller utilisation of existing capacity through orienting it towards changing demand patterns, the steel plants have been renovated and balancing equipment installed in crucial sectors; domestic production has also been raised in the public sector projects in heavy engineering and hydro-electric plants, and this will increase the supply of both equipment and component parts" (p 235). On the impact of the new licensing policy on private investment, the survey simply notes that "the emphasis in the new industrial licensing policy on making all necessary inputs available to the core sector can be expected to accelerate the revival". Similarly, the tax measures undertaken in 1969/70 and 1970/71 are "by any standards a bold effort", and the survey quotes a Reserve Bank study to point out that "the Plan target would be achieved, even if new additional tax measures in each of the remaining years of the plan yield resources somewhat lower than raised in 1969/70" (p 236).

Finally, one must note the somewhat casual interpretation of some of the data, and the occasional use of unreliable statistics. For example, the table on balance of payments of

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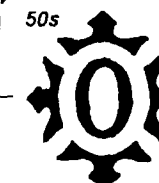
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regional countries (p 121) shows that in 1968 India had an overall surplus. The survey, therefore, notes that "as the table indicates, India's balance of payments was improved by the 1967 devaluation". Actually the devaluation was in mid-1966 and, as is well known, India's exports declined by about 8 per cent in 1966-67 and imports grew by only 2.7 per cent in 1967-68; the trade balance had improved largely because of a steep decline in imports

due to industrial recession in the post-devaluation period. An example of the use of unreliable statistics is the figure given for India's domestic capital formation. The table on page 40 shows it to be 15.9 per cent of gross domestic product in 1960, and 17.7 per cent in 1965. This is surprisingly high, and is out of line with the figures for either the rate of saving or investment for recent years given in the Fourth Plan. It is also curious to

note that a similar table (p 161) in the ECAFE survey for 1965 shows that the rate of domestic capital formation in India was 17.7 per cent in the year 1960! Despite these blemishes, ECAFE's annual surveys are an important source of readily available information on Asian economies. One hopes that the Commission would give attention to making them more useful and authoritative.

Case for Bangla Nationalism

Ashok V Desai

Pakistani barbarity has caused much aversion and generated considerable sympathy for the people of Bangla Desh. But their wish to secede from what was a nation not so long ago has, it seems, evoked ambivalent feelings among nationalists. The unease is especially noticeable in India, which became an independent nation at the same time as Pakistan.

It will be a shame if this confusion leads Indian nationalism to betray itself. For the struggle of Bangla Desh is not only a nationalist struggle; it is an anti-colonial struggle such as the people of this country fought in the first half of this century.

In Section I of this paper, we shall describe the working of colonialism, taking for the purpose the example of British colonialism in our own country. In Section II, we shall describe how East Bengal turned from a partner into a colony of West Pakistan. In Section III, we shall outline the colonial benefits to West Pakistan from the occupation of East Bengal.

THE coalescence of East Bengal and north-western India into Pakistan was like an oriental wedding: neither partner had ever met the other before, or had anything to say to the other, or even shared a common language with the other. As Suhrawardy once said, the only links between the East and the West were the PIA and himself.

Yet, the marriage was not a forced one. The representatives of the Muslims, who made up three-quarters of East Bengal's population, voted overwhelmingly to join Pakistan in 1947. The majority of East Bengalis became citizens of Pakistan voluntarily and enthusiastically.

Today, the East Bengalis want as unanimously to leave Pakistan and constitute a separate nation. They would have agreed to certain bonds with West Pakistan; but the hope has died with the victims of Pakistan army's killings. Bangla Desh has a government which has broken all bonds with Pakistan; she has a militia which is fighting against Pakistan.

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We shall now elaborate this argument: In Section I, we shall describe the working of colonialism, taking for

the purpose the example of British colonialism in our own country. In Section II, we shall describe how East Bengal turned from a partner into a colony of West Pakistan. In Section III, we shall outline the colonial benefits to West Pakistan from the occupation of East Bengal.

India as a British Colony

The British East India Company and its employees engaged primarily in the purchase of Indian goods such as cotton cloth, silk goods and saltpetre, and their sale at a handsome profit in British and European markets. Their demand for Indian goods far exceeded the demand for goods they could bring over from Europe, and the difference was paid for in bullion. In the early eighteenth century, over 85 per cent of the East India Company's purchases in Bengal were paid for in bullion.¹ Europe probably did not suffer from an overall shortage of bullion, thanks to the Latin American discoveries. But since Britain produced no gold either itself or in its colonies, and had chronic balance of payments difficulties,² the East India Company had recurrent anxiety about the acquisition of bullion necessary for trade.

This problem was substantially solved by acquisition of the Dewani of Bengal by the East India Company in 1765. "Every information from the time of Bernier to the acquisition of the Dewani shows the internal trade of the country, as carried on between Bengal and the upper parts of Hindustan, the Gulf of Moro, the Persian Gulf, and the Malabar Coast, to have been considerable. Returns of specie and goods were made through these channels by that of the foreign European companies, and

in gold dust for opium from the eastward.

"But from the year 1765 the reverse has taken place. The Company's trade produces no returns. Specie is rarely imported by the foreign companies, nor brought into Bengal from other parts of Hindustan in any considerable quantities."³

Thus, colonial rule began as a method of turning military power into commercial profit; and the profit was so high that it enabled the East India Company — and later, the British Crown — to finance the expansion of colonial rule to cover the whole of India and to diversify its benefits. In the late nineteenth century, when colonialism reached its peak, Britain obtained five major types of benefits from it. First, the command of the Indian Army enabled Britain to play a political role in Asia which would have been far beyond its own resources.⁴ Second, the privileges formally and informally available to Britons enabled them to set up and obtain good returns from various industries, such as indigo, tea, jute, coal, mica and manganese mining. Third, India became a privileged sanctuary for British industrial goods, and provided especially important markets for British textiles and railway equipment. Fourth, India earned a surplus on its balance of payments with the rest of the world which financed Britain's deficit.⁵ Fifth, the British administration and army in India extended considerably the opportunities of employment for British upper classes at a time when agriculture, their mainstay in Britain, was declining and industry had not grown to a size where it could support them.

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clearly worthwhile to hold India. The Second World War led to the mechanisation of armies. With its small industrial base, India would have required large and sustained flow of military and transport equipment from Britain if its army were to continue to play a large role in Asia; and Britain was no longer in a position to maintain military production at the required level. A decline in the international importance of the Indian Army was inevitable. The War period, with the rise of indigenous log of home investment, so that it was no longer necessary to safeguard avenues of foreign investment. Besides, India had become much less promising as an outlet for investment in the inter-War period, with the rise of indigenous enterprise. With nationalist support, and in the shelter of protection granted in the inter-War period, domestic industry grew and made serious inroads into British markets in India. The inter-War expansion of the economy reduced India's trade surplus until it was no longer of much help to Britain; when the Second World War ended, India had an important surplus, and wished to maintain it with the help of accumulated sterling reserves, much to Britain's embarrassment. Finally, the Indianisation of services greatly reduced the opportunities of upper class employment in India.

The Indian nationalist movement played an important role in making British colonial rule unprofitable. The civil disobedience movement put a severe strain on the administrative system; and since the strain tended to spill on to the army, the capability of the Army as an instrument of imperialism was reduced. More widely, the growth of nationalist sentiment compelled the colonial government to increase the employment of Indians in the civil service and the army, and protect Indian industry.

Pakistan's rule over East Bengal has a striking similarity to British rule over India. It yields benefits of the same type, and they are substantial enough to make a vital difference to the viability of Pakistan's economy. However, to show that they are colonial benefits, and not just results of "regional disparities", it is necessary to clarify the nature of the Pakistani government.

II

Emergence of Military Autocracy in Pakistan

Britain left India because the cost of holding it had risen too high; and it left the country to the political parties

that had the strongest influence on those costs. The Congress had acquired its influence by sabotaging various components of the British administrative structure with its non-co-operation campaigns, the Muslim League by organising riots, and putting unbearable strain on the structure.

The transfer of power essentially meant that these parties were given control over the administrative system and the army which, until 1947, had been used to contain and punish the parties. The chiefs of the civil service and the army accepted the change of masters, however, because in the process they were promoted to places vacated by the British, because they shared to some extent in the nationalism of the new rulers, and because even if they did not they sensed the power of the masses behind the rulers. But the civil and the military bureaucracy had been trained, drilled, and practised in the suppression of political parties. Astute arbitration between the services and the parties was therefore required from political leaders.

The political leaders of Pakistan signally failed in this arbitral role. At the very outset, Jinnah chose for himself the office of the Governor-General. Throwing British constitutional conventions to the wind, he took executive powers in his hand, including the power to appoint and dismiss popular ministers. He constituted the cabinet with Liaquat Ali Khan as Prime Minister, and Ghulam Mohammed, a Civil Servant, as Finance Minister. He dismissed two elected Chief Ministers, Dr Khan Sahab of NWFP and Khuhro of Sind.⁶ He appointed three British ICS officers to the Governorships of East Bengal, Punjab and NWFP.⁷ All three used to write to Jinnah every fortnight about administrative matters as well as political intrigues. Two of them used to preside over cabinet meetings. One could reallocate portfolios without the consent of his chief minister.⁸ In this manner, Jinnah established precedents of the use of civil servants in executive roles and of supremacy of the executive over the elected legislature which have led Pakistan to its present impasse.⁹

OLIGARCHIC RULE

The legislatures proved more of a problem for Jinnah's successors who did not wield his unquestioned authority. But the distribution of patronage and the use of punitive powers generally sufficed. The powers that were frequently used were the power of dismissing a cabinet and imposing Gov-

ernor's rule under Section 93 of the Government of India Act of 1935, which was removed by the Pakistan Provisional Constitution Order and re-inserted (as Section 92A) by Jinnah acting under his extraordinary powers as Governor-General;¹⁰ the power of proceeding against a politician on vaguest charges such as 'wilful maladministration', and disqualifying him from public office for ten years under the Public and Representative Offices (Disqualification) Act of 1949;¹¹ and the power of preventive detention, of which Abdul Chaffar Khan was the worst sufferer.

The manipulation of legislatures enabled the politicians to confine power and concentrate its benefits into the hands of a small oligarchy.¹² But it also deprived them of popular support, their ultimate defence against the bureaucracy and the army; having deliberately disarmed themselves, they succumbed when the test came.

The test came when popular discontent, deprived of a parliamentary outlet, reverted to the pre-independence forms of expression, viz, agitation and rioting. An agitation was begun by the Ahrars against the Ahmedis in the Punjab in 1953, and received powerful support from some Ulemas and from the rank and file of the Muslim League, who tried to use the agitation as a lever against the government. Khwaja Nazimuddin, the Prime Minister, and Mian Mumtaz Daultana, the Chief Minister of Punjab, reacted to the crisis in the manner of politicians, trying to preserve political support by concessions. In doing so they clashed against the civil service and the army, which saw the riots as the right opportunity for the application of their respective drills of Sections 144 and Martial Law.

POLITICIANS LOSE BATTLE

The politicians lost the battle; Daultana was dismissed by Nazimuddin, and Nazimuddin by Ghulam Mohammed, the Governor-General and ex-civil servant.¹³

Though Nazimuddin was dismissed in April 1953, it was not till October 1958 that power finally passed to the military-bureaucratic complex. In those five years, civil servants continued the game of carrot and stick that the politicians had developed. East Bengal was a favourite target in the game. In the years after independence, the feeling grew rapidly in East Bengal that it was being discriminated against. The refusal of Pakistan to devalue in 1949 led to the cessation of trade with India, and cut off the jute growers of East Bengal

from their main market in Calcutta. East Bengal was denied control of its communications, trade and salt industry. Attempts were made to make Urdu the national language.¹⁴ As a result, the ruling Muslim League rapidly lost popular support. It tried to stay in power by not holding by-elections — by August 1953, 34 of the 171 seats in the East Pakistan Assembly were vacant — and by putting off elections. Elections were finally held in January 1954. A coalition of Fazlul Hug's Krishak Shramik Party and Sahrawardy's Awami League swept the polls, and the Muslim League was virtually eliminated.

The United Front formed a government; within two months, Governor-General Ghulam Muhammad dismissed the government, and instituted Governor's rule. Then began attempts to disrupt the United Front; in December 1954, Suhrawardy and Abu Hussain Sarkar were made central ministers. By February 1955, the Central leadership had managed to split the United Front. Finally, in June 1955, Sarkar was sent back to Dacca to form a ministry. But a ministry under the thumb of the central leadership had no chance of gaining popular support in East Bengal; Sarkar's ministry was finally defeated in the provincial assembly in August 1956, and replaced by an Awami League ministry headed by Ataur Rehman Khan. Three months later the President (Iskander Mirza, lately of the Indian Political Service) dismissed the ministry and re-imposed Governor's rule. This time it took two years to rig up support for a docile government. The provincial assembly was recalled in September 1958; but the gerrymandering had so vitiated the atmosphere by then that it was adjourned in the midst of disorder and violence.¹⁵

The violence in the assembly was given as one of the excuses when President Mirza declared Martial Law on October 7, 1958. He said that for two years he had been watching a ruthless struggle for power, corruption and shameful exploitation of simple honest masses. He had not, however, just watched the struggle for power; he had been an enthusiastic and unscrupulous participant. Twenty days later he was kicked out by Field Marshal Ayub Khan, who established the army as the undisputable senior partner in the military-bureaucratic autocracy.

First the bureaucratic rule, and then the military dictatorship emerged in opposition to the democratic forces in East Bengal. Both autocracies were overwhelmingly West Pakistani, and alien to

East Bengal. In 1955, East Bengalis formed a minute proportion of the central civil services and among officers of the armed forces.¹⁶

	From West	East
<i>Central services</i>		
Secretaries	19	0
Joint Secretaries	38	3
Deputy Secretaries	123	10
Under Secretaries	510	38
<i>Armed forces</i>		
Lieutenant-Generals	3	0
Major-Generals	20	0
Brigadiers	34	1
Colonels	49	1
Lieutenant-Colonels	198	2
Majors	590	10
Naval Officers	593	7
Air Force Officers	640	40

No Bengali, except possibly Zakir Husain, was involved in the coup of 1958.¹⁷

The military regime built up a system of government in which East Bengal had no chance of representation. For the administration of East Bengal it continued to employ local people at lower levels. But the emergence of nationalism in East Bengal made their co-operation progressively more difficult to get. In June 1966, the Awami League and the National Awami Party launched an agitation for internal autonomy. Over the next three years, Ayub Khan tried out every device in civil service and military manuals to break opposition. He failed; by 1969 the entire administration in East Bengal had been paralysed. Ayub Khan resigned on March 25 and was succeeded by Yahya Khan who pledged himself to hold direct elections and call a Constituent Assembly.

AWAMI LEAGUE'S SIX POINTS

- The elections to the Constituent Assembly were finally held in December 1970, and the Awami League won 167 of the 300 seats; it got 72.6 per cent of the votes. It proposed to frame a constitution embodying the Six Points enumerated by it on February 12, 1966, viz:
- (1) The constitution should provide for a Federation of Pakistan on the basis of the Lahore Resolution and for a parliamentary form of government based on the supremacy of a legislature directly elected on a universal adult franchise.¹⁸
 - (2) The Federal Government should deal with only defence and foreign affairs, all residual subjects being vested in the federating states.¹⁹
 - (3) There should be either two mutually freely convertible currencies or one currency with two separate reserve banks to prevent inter-wing flight of capital.
 - (4) The power of taxation and revenue collection should be vested in fede-

rating states. The Federal Government should receive a share to to meet its financial obligations.

- (5) Economic disparities between the two wings should be removed through a series of economic, fiscal and legal reforms.
- (6) A militia or para-military force must be created in East Pakistan. Yahya Khan did not accept the points, and tried out instead the "final solution" of the problem by the killing of all potential political activists. He has not succeeded yet; and he will fail eventually, for Bangla Desh is capable of replacing every fighter who falls with a hundred others.

The Six Points raise two questions. They claimed for East Bengal wider powers than provinces normally have; why did they make such "extreme" demands? When a region demands power, it is because it feels that the power is not being and will not be exercised in fairness to it. East Bengalis deeply distrust the Pakistan Government; and there are abundant grounds in their experience for their distrust. If any credulous people were left among them, they must have been converted by Yahya Khan's behaviour in March — assuming they are still alive.

Secondly, why did Yahya Khan not agree to the Six Points? He did not, because they struck at the root of Pakistan's interests in East Bengal, and because they struck at the root of Pakistan's prosperity and power. We shall now turn to the origin and the magnitude of this tribute.

III

Nature of Pakistan Colonialism

When Pakistan was formed, both its wings were primarily producers of raw materials which were processed by industries in India. The major raw materials supplied were jute from the Eastern Wing, and cotton from the Western Wing. Jute exports were much larger than cotton exports, and the Eastern Wing's balance of trade was consequently healthier. If it had been left to itself, the Eastern Wing would have followed a more liberal import policy than the Western Wing. The Pakistani bureaucrats imposed on both wings a system of centralised exchange control and quantitative restrictions. They could thereby use foreign exchange earnings of East Bengal to finance imports into West Pakistan.

Next, the foreign exchange earned was itself distributed extremely unequally. While East Bengal earned 60 per cent

of the foreign exchange, West Pakistan spent 70 per cent of it. Import licences were distributed by authorities in Karachi; in the early fifties, traders and industrialists of Karachi used to get 60 per cent of the licences, the rest of West Pakistan 10 per cent, and East Bengal 30 per cent. By the early sixties the share of West Pakistan rose to 30 per cent at the expense of Karachi as industries grew up outside Karachi, but the share of East Bengal remained the same. The result was that imported goods cost more in the Eastern than in the Western Wing; in other words Eastern buyers of imported goods paid a higher premium on imported goods.²⁰

These premia were of considerable importance in industrial growth. Importers made profits of about 100 per cent on imported goods; enormous gains thus went to the traders of Karachi (mostly migrants from Bombay and Gujarat). They used the money to set up import-substitute industries in and around Karachi which today forms the industrial base of Pakistan. To them belong most of the 22 families which dominate Pakistani industry. In 1959, half the industrial assets of Pakistan were owned by minor Muslim communities — Memons, Bohras, Khojas and Chiniotis. Other Muslims owned 16.5 per cent.²¹ The share of Bengali Muslims was only about 3 per cent.²²

EAST BENGAL'S TRIBUTE

The new-born Pakistani industrialists exploited East Bengal in two ways. First, import restrictions had raised prices in East Bengal to levels over twice the world level. This enabled West Pakistani industrialists to build up lucrative exports to the eastern wing. Second, they invested in industries in East Bengal, notably jute, cotton textiles, paper, banking and insurance.

What is the magnitude of East Bengal's tribute? Power estimated "a total transfer of about Rs 2500 million for 14 years [from 1948 to 1961], or about 180 million per year. This is more than two per cent of East Pakistan's average annual income for the period as best as we can estimate it. In addition, if we assume that East Pakistan's share of Pakistan's capital inflow into the West was in proportion to population, the transfer would be almost doubled."²³ We shall modify Power's method slightly, and estimate a more up-to-date figure. Here it is necessary to distinguish between East Bengal's contribution to the income of West Pakistan, and its contribution in foreign exchange which went to finance West Pakistan's imports. Let

us deal with the income transfer first.

First, the prices of imported goods were very high in Pakistan, and importers made large windfall gains. The average premium on bonus vouchers was 150 per cent.²⁴ Hence the addition to West Pakistan's profits through transfer of East Bengal's foreign exchange earnings must be reckoned at at least 1½ times the earnings.

Next, the extra profits made on exports from the Western to the Eastern Wing. The implicit exchange rates on exports of manufactures varied between Rs 8.27 and Rs 9.39 between 1951-52 and 1963-64; it thus implied internal prices which were 74-97 per cent above international prices.²⁵ The difference in respect of West Pakistan's exports to the East would be somewhere between this and the premium on bonus vouchers. We will conservatively put it at 100 per cent.

Finally, the returns on capital invested by West Pakistanis in the industry, and transport and services of East Bengal. It is impossible to make any complete estimate. But it appears that about half the large-scale industry was owned by West Pakistanis, that gross pre-tax profits were about 50 per cent of value added in large-scale industry, and that dividends and retained earnings came to about half the gross profits. Hence it is likely that perhaps 12.5 per cent of the value added in East Bengal's large-scale industry accrued to West Pakistanis. We shall ignore their investment in banking, insurance and small industry, although the returns there are believed to be substantial.

The sum of the above transfer works out as shown in the Table below.²⁶

The drain in the fifties was incredibly high. If the transfers to West Pakistan had been invested in East Bengal, they would have added 2-3 per cent to the latter's growth rate. It would have made the difference between rapid growth and stagnation, for East Bengal's per capita income rose very little in the entire period.

In the early sixties the transfers tended to decline. The growth of nation-

alism in East Bengal led to the substitution of indigenous for West Pakistani products; and a massive increase in foreign aid led to larger imports into East Bengal, although its share in total imports remained about the same. However, transfers of profits, which we have probably seriously underestimated, tended to increase.

Apart from this, there are transfers through the government. The central government rapidly replaced annual grants to the government of the Eastern Wing by loans in the sixties. The result is that debt service payments have risen; at present the East Pakistan government pays the centre Rs 600 million a year in interest and debt service. This burden has constrained its expenditure on education and health. Further, the central government spends almost all its revenue, including what it collects from the Eastern Wing, in the West. This year it will certainly spend more in the East, thanks to the army; but that is hardly a blessing for East Bengal. Finally, the central government has built the entire irrigation system of the Indus system, and turned over the revenue from it to the West Pakistan government. There is no comparable public investment in the Eastern Wing.

FOREIGN EXCHANGE EARNINGS

Coming now to the foreign exchange earnings, East Bengal earned an annual average surplus of Rs 424 million in 1950/1-1954/5, Rs 355 million in 1955/6-1959/60, and Rs 41 million in 1960/1-1964/5 with the rest of the world. It financed 40, 33 and 1.6 per cent respectively of West Pakistan's imports from the rest of the world. Thus, it greatly augmented the supply of foreign exchange to West Pakistan in the early stages of industrialisation.

Since 1965/6, East Bengal has more or less balanced its accounts with the rest of the world. But its export earnings were almost entirely in convertible currencies, while at least a quarter of its imports were financed with non-convertible currency — principally PL 480 aid. Hence East Bengal continued to

TABLE

	(Pak Rs million)		
	1950/1-1954/5	1955/6-1959/60	1960/1-1964/5
Income on			
Exchange earnings	636	533	62
Inter-zonal trade surplus	81	142	212
Industrial investment	16	31	73
Total	733	706	347
Proportion of East Bengal's GNP (per cent)	7.3	5.4	1.9

make a net contribution of about Rs 400 million a year to Pakistan's free currency earnings; and they were vital to the military rulers of Pakistan at a time they had to buy arms in the free market.

UP FOR AUCTIONING?

Let us now briefly recapitulate the benefits of possession of East Bengal to West Pakistan. First, East Bengal furnishes a market for Rs 1000 million's worth of high-cost West Pakistani goods every year. Second, the latter's investments in East Bengal yield about Rs 300-400 million a year. Third, it provides the civil servants of West Pakistan with about a third of their senior positions, and the Army with posts of power and prestige. Fourth, its exports give West Pakistan a flexibility in its management of foreign trade which is essential to the maintenance of its industrial economy and military establishment.

Finally, and most important, East Bengal enables Pakistan to play an international role which is far beyond its resources. For Pakistan's international image has come to rest on three things: a strong civil and military establishment, absence of internal dissensions, and a strategic position, and East Bengal has provided the vital base of the establishment. It is for this that the rulers of Pakistan chose to kill a few hundred thousand Bengalis.

Did they thereby save their Pakistan? Or did they destroy it? If half the army

of Pakistan is entangled in keeping East Bengal down, its strength is not likely to impress anyone. Once nationalism has been aroused in East Bengal, it can hardly be repressed; instead, it will spread to West Pakistan. And without strength and cohesion, what price is a place in the Indian Ocean? Unless it leaves Bangla Desh, Pakistan will soon be up for auctioning.

Notes

- 1 Sukumar Bhattacharya, "The East India Company and the Economy of Bengal from 1704 to 1740", Luzac, 1954, p 166.
- 2 See Charles Wilson, "Treasure and Trade Balances: the Mercantilist Problem", *Economic History Review*, 2nd series II (1949), pp 152-61.
- 3 John Shore, Minute to the Select Committee of the House of Commons, Fifth Report, 1812.
- 4 Cf D K Fieldhouse, "The Colonial Empires", Weidenfeld and Nicholson, 1966, Ch 12.
- 5 See S B Saul, "Studies in British International Trade 1870-1914", Liverpool University Press, 1960, Ch 8.
- 6 Keith Callard, "Pakistan: A Political Study", Allen and Unwin, 1957, pp 26-27.
- 7 Henry Frank Goodnow, "The Civil Service of Pakistan: Bureaucracy in a New Nation", Yale University Press, 1964, p 68.
- 8 Khalid bin Sayeed, quoted by Goodnow, *ibid*.
- 9 Cf Mohammed Ayub, "Pakistan's Political Development, 1947 to 1970: Bird's Eye View", *Economic and Political Weekly*, Annual Number,

- January 1971, pp 199-204.
- 10 Callard, *op cit*, pp 159-60.
- 11 *Ibid*, pp 102-105.
- 12 Callard, *op cit*, pp 25-26.
- 13 Callard, *op cit*, pp 204-207; Binder, *op cit*, pp 292-296.
- 14 Binder, *op cit*, p 245.
- 15 Callard, *op cit*, pp 56-61; Herbert Feldman, "Revolution in Pakistan: A Study of the Martial Law Administration", Oxford University Press, 1967, pp 28-29.
- 16 Dawn, 9 and 18 February 1956, cited in A Tayyeb, "Pakistan: A Political Geography", Oxford University Press, 1966, p 181.
- 17 Feldman, *op cit*, p 155.
- 18 The Resolution said: "The areas in which the Muslims are in a majority, as in the north-western and eastern zones of India, should be grouped to constitute 'Independent States' in which the constituent units shall be autonomous and sovereign". Callard, *op cit*, p 158.
- 19 Foreign trade and aid should be, it will be noted, a state subject.
- 20 Stephen R Lewis Jr, "Pakistan: Industrialisation and Trade Policies", Oxford University Press, 1970, Ch 6.
- 21 G F Papanek, "Pakistan's Development: Social Goals and Private Incentives", Cambridge, Mass, 1967 Ch II, Table 11; cited in S Lewis, *op cit*, p 47.
- 22 Rehman Sobhan, "Autonomy and Social Change: East Pakistan", *Forum*, November 29, 1969, p 16.
- 23 John H Power, "Industrialisation in Pakistan: A Case of Frustrated Take-Off?", *Pakistan Development Review*, Summer 1963, p 205.
- 24 Stephen R Lewis, *op cit*, p 29.
- 25 *Ibid*, p 65, Table 4.4.
- 26 Based on Stephen R Lewis, *op cit*, Tables 3.16, 6.4, A.1, A.2, A.2E.

Industry and the Fourth Plan

(From a Special Correspondent)

ECONOMIC reality, like any reality, is far too complex to be fully comprehended by, and far too important to be left to, any single group of experts. It was, therefore, in the fitness of things that Bombay University's Centre of Advanced Study in Economics brought together at its seminar, between March 29 and 31 in Bombay, on "Industry and the Fourth Plan", experts from all over the country with diverse experiences. About 45 experts participated in the deliberations of the seminar. A unique feature of this gathering was that the three sectors — (a) universities and research institutions, (b) Central Economic Ministries, Planning Commission and the Reserve Bank, and (c) development and commercial banks, and industry and trade associations — were more or less equally represented at it. In a

gathering such as this, there is usually a danger that one may indulge in forcing one's own comprehension of reality or one's own viewpoint. Such indulgences generally add more heat than light during discussions. On the other hand, when planned in the right spirit and by non-partisan platforms, seminars can lead to a fruitful exchange of ideas, to a more realistic assessment of the various problems, and to a better appreciation of different viewpoints. Judged by these criteria, this seminar, though it was not entirely free from dogmatic assertions of particular viewpoints, did maintain a serious academic tenor throughout. This is as much a tribute to the non-academicians who participated as to the academicians. The fact that the seminar was conducted by an academic body may have something

to do with this result.

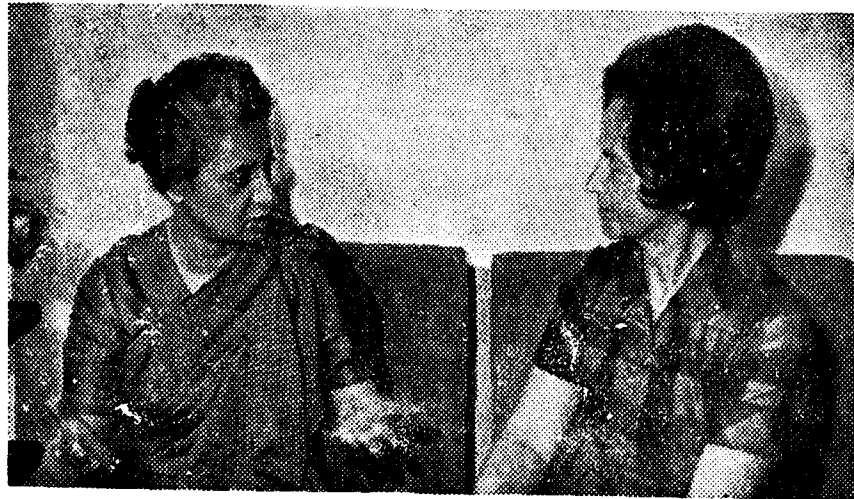
In all, 24 papers were received for discussions. They were divided into five sessions by subject — the first session having four papers and the other four sessions having five papers each. In view of the diversity of subjects dealt with at these sessions, it would be convenient to report on this seminar by session.

I

Industrial Growth: An Overall Review of The Past Experience

Session I was concerned with an overall review of the past industrial growth. During the first part the session considered papers by P B Medhora, V V Divatia and S P Gothoskar, and A K Ghosh, and during the later part

"Nothing can be done without the full support of the people...and I think, only democracy can make them feel involved..." —Indira Gandhi



In an interview with Dr. Gisela Bonn, noted German TV writer, India's Prime Minister Indira Gandhi answered crucial questions on a varied range of subjects—the eventful years of her childhood, her major policies and the broader international issues of peace and co-existence. This interview was shown on German TV and the full transcript was published by GERMAN NEWS. Here are some excerpts:

What do you think are India's most urgent requirements?

The most urgent requirement...is to get rid of this very deep poverty and economic backwardness... It's something that will take a long time, and therefore our method is to try and reduce the disparities between people. So far when we made our programmes we found that although the programmes are meant for everybody, those who had property could take more advantage of them. Therefore they became richer, and this increased the disparity.

Do you think you could achieve these programmes by democracy...?

I am deeply committed to democracy, because... nothing can be done without the full support of the people... and I think, only democracy can make them feel involved.

When did you become interested in politics and think of a political career?

Well, the two things are quite separate. I think there was no time when I was not interested in politics, but never as a career... There are times in the life of a nation when something has to be done. And when we were not free, you just had to be in the freedom struggle because you couldn't be an artist or a writer or anything properly in that situation. Today the situation is the same. Unless there is peace in the country and...a change in society which gives India a place in the modern world, which helps her people to make use of new knowledge, we can't build the sort of life that any individual would like...

The full text of this interview appeared in GERMAN NEWS, a fortnightly magazine published by the German Embassy in New Delhi. If you are interested to receive the GERMAN NEWS regularly, please fill in and mail the coupon to: Embassy of the Federal Republic of Germany, P.O. Box 613, New Delhi.

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the paper by P R Brahmananda.

Medhora's theme was that, though the industrial economy has of late been picking up, the pick-up could be of a far greater magnitude. In this connection, he pleaded for (a) measures to ensure full utilisation of industrial capacity, especially in structural fabrication, castings, railway wagons and commercial vehicles, (b) stepping up of investment in industries faced with large demand such as steel, aluminium, fertilisers, cars and scooters and (c) having a perspective plan for industry. A large part of the paper by Divatia and Gothoskar dealt with growth rates and capacity utilisation by broad industry groups. The detailed statistics relied upon in the paper underscored the lessening tempo of industrial growth during the sixties compared to that during the fifties, and the increasing excess capacity since 1961. Ghosh's paper argued that, considering the options available during the early fifties, the policy of import substitution was the optimum policy for Indian planning. However, as regards lines of future action, that policy had reached the point of diminishing returns. The emphasis has, therefore, to shift to export promotion. The latter may, however, come in conflict with the employment objective, which may have to be served by promoting small-scale industries.

The discussion on these papers centred around two issues utilisation of capacity and strategy of investment. Regarding the former, it was pointed out that it was unlikely that capital utilisation had declined in 1969 as compared to in 1968 as indicated in Medhora's paper. Medhora's conclusion, it was stated, may be due to the fact that Medhora was dealing with one set of industries in 1968 and another set in 1969, and also due to the fact that he relied on two different sources of data. Furthermore, on the basis of other available evidence, this conclusion was not warranted, since the rate of growth of industry was indicated to have been higher in 1969 than in 1968 and there was no evidence to support the view that a large dose of fresh capacity was installed and left unutilised in 1969.

The concept of 'potential of production' as the peak level of production attained at any point of time as proxy for installed capacity, as used by Divatia and Gothoskar in their paper, came in for criticism on a number of grounds. It was pointed out that, by depending on the actual maximum production attained in the past, this method deems the actual as the norm; that by so doing it loses touch with the meanings attached to capacity by the engineers, ac-

countants, and economists; and that such a measure tends to underestimate excess capacity during recession. It was also pointed out that potential production, as a proxy for installed capacity, loses significance when the peak itself is rising. Some of these points were well-taken. However, it was replied that, in view of the many limitations — especially in regard to differences in the number of shifts for which industries work and regarding the reliability of data given in the *Monthly Statistics* — the concept as used in the paper was more meaningful than the one given in the *Monthly Statistics*. It was also pointed out that the peak potential measure indicates an 'attainable ideal' as it is based on what has been actually attained.

On Ghosh's paper, the comment was that while import-substitution had no doubt led to industrial growth and diversification, it had hoisted a high-cost inefficient industry. Some shift of emphasis towards efficiency was in fact long overdue. Such a shift need not conflict with the employment objective, as economic growth with emphasis on employment expansion can take care of employment. Ghosh's view, that small-scale industries are good on capital-saving and employment-promoting, was also contested by a number of participants. Some empirical evidence on this subject indicates that small-scale industries are very often more capital-using (per unit of output) and less employment-giving (per unit of capital). On the other hand, Ghosh's data was too sketchy to be able to say anything definite on this subject.

The session then took up Brahmananda's paper. Brahmananda argued that the Indian economy — at any rate the industrial part of it — was heading to a stationary state. In this connection, he cited some evidence on the profitability of several industries and argued that this tendency cannot be counteracted unless agricultural growth becomes widespread and its effects percolate to industry — and/or unless massive doses of foreign savings are pumped into the system. While conceding that Brahmananda was dealing the problem in a broad perspective, participants felt uneasy about a number of points in the paper. At no time was industrial growth financed solely from within: household and foreign savings have always played important roles in financing industrial growth. Nor do the data relied upon by Brahmananda reveal a tendency among profits to fall consistently. And even if it were true that profits were falling, there could be many reasons for the fall. Brahmananda had not attempted in this context to

isolate the short-term influences from the long-term influences on profits.

The discussion in the session was on the whole lively and pertinent, thanks to the well-prepared papers and the good homework done by the discussants. However, for want of time, some interesting aspects related to cost and efficiency of Indian industry, comparative merits of large and small industry, and the segregation of the long-term and short-term influences at work in the Indian economy with their impact on the past and their likely influences in the future, could not be pursued in satisfactory detail.

II

Industrial Growth: Certain Specific Aspects

Session II took up specific studies dealing with various aspects of industrial growth at the micro level. Five papers — of D U Sastry, Samuel Paul, Ashok V Desai, J C Sandesara, and B V Mehta — were presented at this session. In view of the related nature of the theme, the discussion clubbed the first three papers together and then the other two.

Sastry's paper attempted to estimate the domestic resource cost of import-substitution in the manufacture of automobiles and to relate the same to the net foreign exchange saved by the import-substitution. Samuel Paul attempted to measure comparative advantage in steel for the different categories — billets, rails, structurals, bars, rods and sheets. Desai's paper discussed the problems of non-traditional industries as exporters with a case study of the sports-goods industry.

Points that came up for discussion on these papers related principally to (1) the relevance of the partial equilibrium analysis in view of the circularity and interdependence obtaining in the system, (2) treatment of non-traded inputs in the value added, (3) choice of international prices and exchange rates.

At the very outset, the question was raised whether such individual industry studies dealing with one or a few aspects were appropriate, when there was circular dependence among industries in the economic system. It was by and large agreed, however, that such detailed commodity or industry studies can be very useful, as policy decisions are taken at that level, and very often people want to know whether a particular line of production as it was being followed was by itself efficient or inefficient — without mixing up the effects of production of other commodities.

The discussion on the second aspect questioned whether, in order to get the

domestic resource cost and make comparison of cost and net foreign exchange earnings, the non-traded inputs should be included or excluded in the value added. The discussion on this point reiterated the diverse views that have been expressed in the literature.

The discussion on the third set of issues was more detailed. A question was raised as to how the present set of international prices could be assumed to be valid under free trade conditions when these prices have been tempered with export subsidies and incentives and tariffs and import controls. The need to know the 'true' international prices was readily recognised as also the difficulties in estimating them. It was argued that, even when such difficulties could be overcome, such an analysis can have only limited value for policy purposes, because the tempering of international trade by government policy was bound to be with us always. It was also argued that, the studies which make no allowance for qualitative differences in commodities produced — differences that may be concealed under the apparently homogeneous-looking commodities produced in different countries — would have limited value.

The brief discussion on the experience of the sports goods industry in obtaining the benefits from the export-incentive policies highlighted the need for undertaking such detailed studies for a large number of industries. It was further remarked that, just as an indiscriminate import-substitution strategy has led to undesirable cost distortions and misallocation of resources in the past, indiscriminate export-promotion may also lead to less than optimum utilisation of resources.

The second part of the session was devoted to the papers of J C Sandesara and B V Mehta. Sandesara's paper gave the results of his study on capacity utilisation in Indian industry over the Plan period. The data revealed that about one-third of the industrial capacity lay idle in 1967. He, however, thought that estimates of capacity as derived from the source tended to overestimate capacity. His judgment on this point was, therefore, that excess capacity would be less than one-third. The results of capacity utilisation over time indicated an increase in capacity utilisation over time. This would indicate that the industrial system, during the major part of the planning period covered by him, operated rationally insofar as capacity utilisation was concerned. B V Mehta gave a detailed analysis of

the rates of return in Indian industry for 1951-66 by industry-groups. The analysis, he argued, did not support the generally-held hypothesis that, high priority industries suffered from lower profitability compared with low priority industries.

With reference to Sandesara's paper, it was pointed out that the concept of installed capacity, relied upon by Sandesara, suffered from many limitations — such as those arising out of differences in shifts and number of working days among the industries, etc. Also, while his study covered a longer period, it covered fewer products than those covered by Divatia-Gothoskar in their paper presented in Session I. With regard to Mehta's paper, it was pointed out that, what was relevant in comparisons of profitability was not so much monetary differences but 'real' differences. The latter should take into account, among other things, risk differentials among different industries. A more fundamental question was whether, under a system of planned economy such as ours in which free play of economic forces was tempered in various ways, the rate of return as the provider of signals for investment had much relevance.

A few participants expressed grave doubts about the results arrived at in some of the papers, as the data depended on suffered from many severe limitations. It was pointed out, for example, that there was no uniformity in the concepts — as in the concept of capacity or that of profits. Reporting too may be faulty: for example, the under-counter profits are not reflected in the profits data, or the capacity figures may be reported in one way for one purpose but in quite another way for a different purpose. One participant went to the extreme of suggesting that the researchers should stop using the data that were known to suffer from serious limitations and wait until better data made their way into the published sources. While some shared this view, several others — while conceding the greater value of better data — countered, arguing that researchers should continue to use such data as were available because it is only by such use that defects become obvious and open up lines for further improvement. 'Best' is often the enemy of the 'good'. However, it was the duty of research workers to specify the limitations of their data. They should not only not draw wild conclusions from such data but should also issue a note of warning saying that they could have drawn certain wild conclusions but are not draw-

ing and give the reasons for their hesitancy.

In general it must be pointed out that, while the papers in this session were specific, and concerned the various aspects at the micro-level, the discussion was general — in fact too general, concerned with the concepts, the reporting, the sources, etc. The participants had often to be familiarised with these. One doubts very much whether such a general discussion among a group of experts can be of much benefit. It may be that the participants were not fully prepared for the discussion on specific aspects as they seem to have been for general problems.

III

Licensing Policy and the Fourth Plan Objectives

The third session took up the five papers on Industrial Policy and Growth during the Fourth Plan. The papers by N N Agarwala and M R Shroff focused attention on growth rate during the Fourth Plan, and those by M C Munshi, D S Pendurkar and G L Bansal focused attention on the licensing policy.

Agarwala argued that the rate of growth stipulated for the Fourth Plan was not need-based but also was certainly not low. In fact, he argued that, considering the various limitations of foreign exchange, domestic resources, labour troubles, etc, it was realistic. Shroff on the other hand argued that, considering the intangible limitations such as those of delays in decision-making, managerial incompetence especially in public sector enterprises, and emphasis on social objectives, the growth rate was unattainable. However, the picture would not be so pessimistic if the thrusts in strategic directions were made in time. Munshi's main theme was that a lot of problems arose because of the existence of several simultaneous objectives and priorities. The order of precedence among them was not specified. Specifying his point, Munshi observed that the fifties appear to have been governed by precedence of production over concentration and the sixties by the precedence of concentration over production. Pendurkar presented a detailed analysis of the Revised Industrial Licensing Policy, 1970. He maintained that the new policy was liberal in some ways, but restrictionist in many other ways. The raising of the exemption limit of licensing from Rs 25 lakhs to Rs one crore falls in the first category. Creation of

compartments for industry according to sectors, such as the core sector, the heavy investment sector, the middle sector, and the small-scale sector, with various restrictive clauses, falls in the latter category. Such restrictions, together with the option given to the public financial institutions to convert loans into equity, he concluded, would have a dampening effect on investment and industrial growth. Bansal also felt that the negative impact of licensing has been more pronounced than its positive impact. While elaborating, it was pointed out that, though the new policy can prevent flow of investment into a non-priority industry it cannot by itself induce new investment in the priority sector.

The discussion centred on three principal issues: (i) objectives of industrial policy (ii) licensing as a means of achieving these objectives and (iii) criteria for demarcating industry for various sectors.

On objectives, some participants argued that they cannot be clearly specified or listed in order of priority or precedence. Something more of one also implies something less of the other, at least in the short run. It was pointed out in this connection that, given the social objectives as of today, growth was bound to suffer. One participant felt that maximising industrial growth should be the prime objective for the next 15-20 years. Social objectives, he thought, may be expected to be served incidentally during this period. Others, however, did not agree with this position and felt that rapid growth followed in this manner may later make it difficult to achieve social objectives. They may have to be built in as part of the structure of policy right now — even though some growth may have to be compromised in the process. Some others suggested that industry, as industry, can contribute very little to the promotion of social justice (which in any case has never been clearly defined), and efficient industrialisation by itself may be regarded as promoting a social objective along with growth (which may be treated as an economic objective).

As regards licensing policy as an instrument for promoting growth and other objectives, it was pointed out that licensing is one of the many instruments of promoting economic and social objectives. Here, too, its role (as described in Bansal's paper) was more negative. Licensing has to be used in a complementary fashion with fiscal and financial measures to achieve these objectives.

As for the criteria for demarcating industries sectorwise, the discussion did not bring out any new point. All that some participants did was to plead to the well known justifications or rationalisations of the new policy. Similarly, while much was said about the possible adverse impact of the new licensing policy on investment and growth and the possible favourable effect on social objectives, such as balanced regional development, promotion of small industry, etc, no evidence was adduced either in the papers or during the discussion. Considering that the new policy was enunciated about a year ago, it would not have been difficult to get some data on the licences applied for, the letters of intent and licences issued, etc, in order to throw light on the points under discussion. The discussants and the paper-writers, however, were unprepared for such painstaking analysis.

Although the session was concerned with one of the liveliest of current issues, the discussions failed to rise above trivialities, generalities, and well-worn arguments. To some extent this may have been because the papers were not as good as those in the other sessions. But since the participants were not bound by what was contained in the papers they may be blamed as much as the paper-writers for the relatively poor performance of this session.

IV

Other Policy Issues

Session IV took up the papers by M S Vaze, L Sitaramon, T N Gidwani, V Shamugasundaram, and L D'Mello. The first four of these papers dealt with various aspects of industrial policy and the last one with the credit requirements of the core sector industries at the end of the Fourth Plan. In view of the similarity of the subjects dealt with, the first four papers were taken up together for discussion and the last one separately.

Vaze explained that government policy was designed, among other things, to maximise the overall growth rate, to achieve production targets in the core sector, and to prevent concentration of economic power. In this connection, he referred to the measures undertaken to achieve these objectives and made some constructive suggestions. L Sitaramon referred to the recent changes in industrial licensing policy and argued that they were broad guidelines rather than rigid dogmas and needed to be

supplemented by a large number of other measures. T N Gidwani countered the various criticisms that have been levelled against the new licensing policy and argued that the policy was designed to promote growth with social objectives. Among other things, he felt that for a project to be considered sound, an internal rate of return of at least 15 per cent per annum over the life time of its capital assets was necessary for maximum use of scarce capital resources. Among the other tests he laid down were, whether the projects would save foreign exchange and have a low cost of production eventually. V Shamugasundaram pleaded for broader social criteria for selection of projects for development purposes. Some of the benefits of such projects were of an intangible kind; others could yield benefits only in the long run. He would, therefore, give any cost-benefit analysis a longer rope.

Although the paper-writers dwelt on many aspects of industrial policy, participants seem to have been agitated more about the proposed scheme for conversion of loans into equity by the various financial institutions. That is perhaps why most of the discussion centred on various issues related to this question. Among the issues that came up for discussion in this connection were: (i) the rationale of this scheme (ii) the operational difficulties, and (iii) the implications of the scheme for the joint-sector.

At the very outset, some participants contended that there was nothing new or radical in the scheme. Financial institutions even in advanced countries provided finance — partly in the form of loan and debentures convertible into equity. It was argued that the growing prosperity of the large companies should be shared by these institutions and that conversion was one of the ways of sharing. Moreover, financial institutions would have an effective role in the management of these companies. There would thus be some 'social control' over the private sector, and the scheme would help prevent misuse of funds and other abuses.

Several other participants felt uneasy about these arguments. They argued that such conversions would be tantamount to backdoor nationalisation, or might mean an uncomfortable marriage of private and public controls. Secondly, it was contended that it would be unfair to the existing shareholders, who had foregone returns on their investments until the new companies started to pay dividends. This is especially in-

equitous also to numerous small shareholders. On the other hand, the financial institutions would have the best of both worlds — interest receipts when times were lean and profits when times were good.

A number of participants thought that since the conversion scheme had in any case been okayed and there was very little likelihood of any reversal in the policy, it would be better to focus attention on the operational difficulties of the scheme. How should loans be converted into equity? At par value or at current market value? There were two views on the subject (1) the terms of conversion should be mutually settled in advance; (2) the terms should be left to the lending party. Many advantages were claimed for the former view: (a) the companies getting loans from financial institutions know in advance where they stand; (b) they can mould their financial structure appropriately taking into account the future conversion; and (c) the existing shareholders also know the likely impact of this conversion on the value of their holdings. Some participants holding the other view argued that, if the terms were settled in advance, it might give the borrowing companies an opportunity to rig up the market. It was pointed out, however, that the financial institutions, with their substantial holdings, were in a better position to rig up the market than the individual companies were. The consensus seemed to be that, while implementing the scheme financial institutions should not take up the advantage of their dominating position in dictating terms of conversion. Also that the scheme should not be inequitous to the existing shareholders.

As regards the effective participation in the management of the companies, it was pointed that this scheme would not make much impact inasmuch as the nominees of financial institutions cannot devote much time for the companies. Doubts were also expressed on the capacity of financial institutions to find suitable nominees well-versed in the art and science of management. To this the reply was that the scheme may have to be confined initially to the very large companies where the 'social stakes' were high.

Since the conversion scheme would give rise to some form of a joint-sector, the discussion veered around to the concept and the role of the joint-sector. It was argued that, once the financial institutions converted their loans into equity, the management would have due representation of 'public interest'.

The companies may, therefore, be expected to be more alive to social responsibility. Moreover, such a course would reduce concentration of economic power without affecting the growth of strategic and crucial industries.

This feeling was not shared by some participants. They argued that the concept of the joint-sector was mischievous. The private sector is suspicious of the joint-sector, while the public sector has nothing to gain from it. It was argued that since, in any case, a large part of funds for the joint-sector would come from the public sector, it would be better that these projects be taken up only by public sector. The only purpose the joint-sector would serve was to impart social acceptability, or to accord social responsibility to, the private sector — especially to big business. A few participants strongly reacted to this line of reasoning, and countered by saying that the purpose of the joint-sector was to encourage larger projects rather than larger houses; there was nothing wrong in securing the co-operation of the private sector in a joint-sector when the public sector was not prepared to undertake such projects for one or the other reason.

The last part of the session was devoted to L D'Mello's paper on credit requirements of the core sector industries at the end of the Fourth Plan. D'Mello estimated that, the net working capital requirements of the core sector industries would be about Rs 1,100 crores, of which banks would be in a position to meet about one-half. The discussion on this paper centred around the methodology for estimating working capital requirements. It was pointed out that D'Mello had used different methods and relied on different sources for estimating industry-wise requirements. One participant suggested that output/working capital ratios would have been more meaningful. Also, D'Mello had not taken into account the effect of change in prices on credit requirements. D'Mello asked the participants to bear with his estimates with two things in mind (1) that they were very broad, and (2) that the ready availability of data had influenced his choice of one rather than the other method or source.

The discussion throughout the session was specific and to the point. Though it often generated heat, it also added to liveliness on an otherwise light-bearing discussion — especially on the question of conversion of loans into equities.

V

Public Sector Enterprises

Session V dealt with the special problems of public enterprises. Five papers were taken up for discussion: of V G Bhatia, J Satyanarayana, J D Mehta, Om Prakash and S K Goyal.

Bhatia's paper gave a detailed account of the problems and prospects of the steel industry in India. The main immediate problem of the industry in the short run was to raise the capacity utilisation from the present 67 per cent to 90 per cent. As for the long-run problem, Bhatia pointed out that, as the demand for steel was estimated to be between 17-22 million tonnes by 1980, the capacity of steel production would also have to be stepped up. As the steel plants begin production after a lag of 6-8 years, an immediate decision for planning steel capacity to that magnitude was necessary. He also advocated rationalisation of the price structure of the various products of the steel industry.

Satyanarayana presented the results of his study of the working of 61 running public-sector enterprises, by means of various financial ratios. He observed that, while the poor performance and losses of public enterprises were in some cases due to factors beyond the control of management, in many it was due to internal factors such as poor management, low capacity utilisation, etc. J D Mehta argued that the target for each of the public sector enterprises must be laid down specifically in terms that are objective and quantitative as in the UK or the USSR. Thus, whereas a purely commercial enterprise may be expected to earn higher profits, the profitability target for a public utility may be lower to take care of its greater social obligation. Om Prakash discussed the processes of decision-making and examined their relevance and implications for public-sector enterprises.

Among the points that came up for discussion were (1) the objectives of public sector enterprises, (2) price policy and performance of public sector enterprises, and (3) measures to make them more efficient.

On objectives, participants agreed that most of the troubles with the public sector enterprises arose because their objectives were not clearly specified so that there was enough room for rationalising whatever was done on one ground or the other. There was, therefore, much to be said for setting up separate objectives for each public enterprise and for judging its performance by

that yardstick. Such a course of action, it was pointed out, had led to good dividends in the UK and USSR, and there was no reason why such a system should not be tried out in India. As for price policy, it was contended by one participant that, since public sector enterprises were making losses for a long time, and since these losses arose primarily because at the prices fixed it was difficult to recover costs of capital, capital costs must be written off and prices must be fixed on the basis of variable costs. Let by-gones be by-gones. Such price-fixation would also help to earn foreign exchange. Almost all participants disagreed with this view of throwing up the whole thing in disgust. It was not a question merely of writing down capital values. In an economy committed to expansion of industry through increased public participation, such a course may in fact amount to a blockade against this very objective. A more practical course was to fight the inefficiencies of the public sector units and to make them viable and efficient. In this connection, it was pointed out that, though profitability was not the sole criterion of efficiency of public enterprises, it would have to

be a very important criterion. In the long run, top management would have to be judged by this test. For this, it was necessary that top management be given sufficient incentives and autonomy and be posted for reasonably long periods in one enterprise so that they may develop a stake in the enterprise.

The discussion then turned to S K Goyal's paper. Explaining the rationale of the joint-sector as advocated by the Dutt Committee, Goyal argued that the committee had not carried its investigations to their logical conclusion to state that all large size projects should in future be established in the public sector. The Committee's advocacy of a joint-sector as a *via media* was a concession to the private large industrial interests. However, he thought that the Committee's proposal of joint-sector has relevance to the already established big projects of the private sector, where a large chunk of the project cost has been already met by financial institutions. Viewed in this light, the joint-sector could be an effective instrument for regulating large enterprises (which are now under private managements) in line with social purpose.

Unfortunately, partly for want of time, and partly because some of the aspects of the joint-sector were touched upon during discussions in session III, Goyal's provocative paper could not be taken up for detailed discussion. A few participants who spoke briefly appeared to be uneasy at the half-house that the joint-sector was. It was clear, however, that some others would have reacted strongly to Goyal's proposals had time permitted. On the whole, this session also witnessed very lively and specific discussions.

VI

A Summing Up

To sum up: the three-day seminar discussed 24 papers at its five sessions. These papers covered various aspects of the past industrial growth as well as of the Fourth Plan. However, not all papers bore the imprint of serious studies. In the opinion of this correspondent, half the papers, but certainly not more than 15, could be regarded as good or reasonably good. In the interest of thorough discussions, it would have been better if the seminar had two or three papers instead of the four or five per session.

Planning for Performance in Banks

Kalyan Banerji

Planning, co-ordination and control of an enterprise above a size gets beyond the scope of any individual or group of individuals at the top. It then becomes necessary for the management process to rely on concepts of scientific management. This has not happened even in the big banks; as a result, banks have tended to develop into spongy organisations where pressure applied at any point diminishes as it travels through the different organisational levels, each level acting as a sponge to absorb some of the pressure.

The present planning process in banks perpetuates this situation. In the best of situations business planning after a fashion takes place at the Head Office. At the start of the year, the Chief Executive decides that the bank should increase its deposits by 'x' per cent. This is arrived at by extrapolating the historical rate of accretion of deposits in the bank and the banking system as a whole. As a measure of bankers' abundant caution, a cushion is added before the target figure of increase by 'x' per cent is arrived at. This is then distributed among the regional heads of the bank. The regional heads in turn distribute the target to the branches under their control.

Business planning in banks has, as a result, lacked a disciplined methodology, a logical system and a precise definition of terms. There is no resource planning relating to branch expansion programmes. Every new branch is opened in a crisis. Planning for deposits and advances is also limited to what needs to be done and not how plans are to be achieved.

This paper discusses the application of an integrated approach towards performance planning in banks.

AS 1970 came to a close the achievements of public sector banks were aggregated. Deposits increased by over 16 per cent and advances by 24 per cent. Priority sector advances expanded twofold and accounts of neglected sectors increased fourfold. Upwards of a thousand new branches were added to the nationalised banking system.

What has been the extent of planning and involvement of employees behind these impressive accomplishments is discussed in this paper. An attempt is made here to examine the weaknesses of the planning effort within the units in the nationalised banking system. This comprises Part I of the paper. In Part II is discussed the application of

an integrated approach towards performance planning, better known as Management by Objectives.

I

Weaknesses of Planning

Banks now constituting the nationalised banking system were founded

and shaped by individuals with an entrepreneurial vision, with personal involvement in success and with the drive and ability to obtain results. Such men, presumably, did not require any planning exercise to precede decision-making. Their contribution in the early stages of banking development was valuable. In the subsequent phases it became necessary to strengthen intuition with a more systematic examination of alternative courses of action. Progress and increase in profitability are not achieved by businesses which avoid constant probing of their strengths and weaknesses. Planning, co-ordination and control of an enterprise above a size gets beyond the scope of any individual or group of individuals at the top. It then becomes necessary for the management process to rely on concepts of scientific management and less on 'rule of thumb'. This has not occurred even in big banks, though management science is really the science of size. As a consequence banks have tended to develop into spongy organisations where pressure applied at any point diminishes as it travels through the organisational levels, each level acting as a sponge to absorb part of the pressure.¹

It is not surprising therefore that in many instances objectives set by top management are not achieved because, somewhere down the line, officers have failed either to identify their contribution or lacked the ability to plan and follow through the changes needed. Frequently they fail to surmount obstacles or to inform higher management of them, so that appropriate action could be taken.

HEAD OFFICE AFFAIR

The present planning process in banks perpetuate this situation. In the best of situations business planning after a fashion takes place at Head Office. At the start of a year, the Chief Executive decides that the bank should increase its deposits by 'X' per cent. This is arrived at by extrapolating the historical rate of accretion of deposits in the bank and the rate of deposits growth in the banking system. As a measure of banker's abundant caution, a cushion is added before the target figure of increase by 'X' per cent is arrived at. This is then distributed among the Regional Heads of the bank. The Regional Heads in turn distribute the target to branches under their control.

Branch Agents therefore receive a deposits target to be reached at the year-end. In the formulation of this

target the Agents play no part. To this process of target setting has been added latterly, targets for advances. Targets in respect of priority sectors, viz, small-scale industries, small borrowers and agriculturists have been handed out to Branch Agents.

The business plan is then a blueprint produced at the Head Office without involvement of the people who will contribute to achievement of the results. The targets of deposits and advances which the Head Office establishes for regions and branches are in fact a forecast. A target is what a bank wants to happen. A forecast is what it expects will happen.² To achieve a forecast is excellent only if that forecast is also the target. There are no formal procedures relating to the comparison of planned and achieved business performance. In the absence of periodical review it is not possible to ascertain why branches fail when forecasts are not achieved. Moreover, the separation of planning from doing has resulted in lack of commitment, reluctance of Branch Agents and other levels of officers to direct their energies towards the attainment of business objectives. Traditional bank executives are therefore puzzled as to why officers do not respond to cash incentives for new deposit accounts or to shields for highest deposit mobilisation. Branch Agents are not certain whether they are expected to increase deposits or advances or hold union trouble at bay or satisfy customer demands. They lament that impossible tasks are set for them without adequate manpower resources, without adequate authority to take decisions.

Business planning in banks has therefore lacked any disciplined methodology, a logical system and a precise definition of terms. There is no resource planning relating to branch expansion programme. Every new branch is opened in a crisis. Planning for deposits and advances is also limited to what needs to be done and not how plans are to be achieved. Efforts to achieve the deposits target gather up in June and December. Successful organisations obtain results year in and out with little excitement and little crisis. Banks however live from one crisis to the next crisis.

II

Performance Planning

Planning is the process of determining where a bank is, where it wants to go, when it wants to arrive there, how it wants to travel, and how much it is

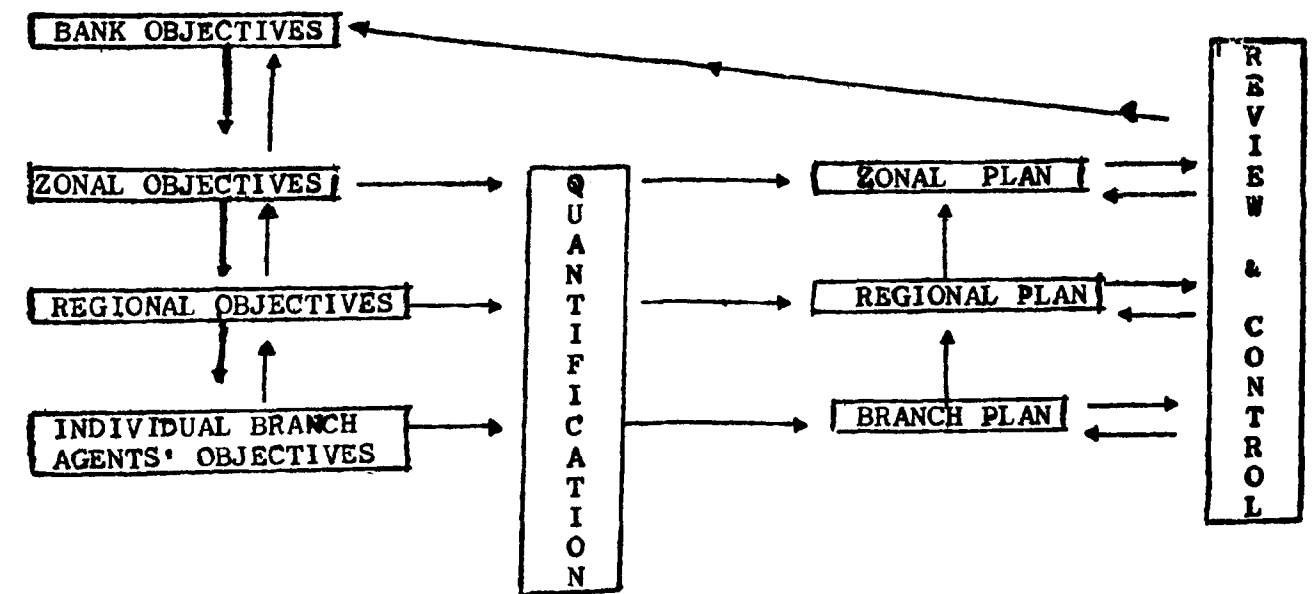
willing to pay to get there. It is here that Management by Objectives has valuable application in banks. Management by Objectives (MBO) is the name given to a system of management which seeks to integrate a company's need to clarify and achieve profit and growth targets with the needs of its individual managers to make a positive contribution to company results, whilst developing themselves as managers. A manager is here understood to mean any officer who is accountable for the performance of subordinates. Peter Drucker who first used the phrase 'Management by Objectives' described it as a system which "tells a Manager what he ought to do". "The proper organisation of his job enables him to do it. But it is the spirit of the organisation that determines whether he will do it. It is the spirit that motivates, that calls upon a man's reserves of dedication and effort, that decides whether he will give his best or do just enough to get by".³

To achieve satisfactory introduction of MBO in banks, six basic conditions need to be fulfilled. First, a clear statement of objectives at all levels in the bank. Second, identification of areas for priority action in achieving these objectives. Third, the need to measure realistic levels of performance in priority tasks within the selected priority areas, i.e, standards of performance. However, deciding on targets is not in itself enough. Fourth, it is necessary to design action plans for achieving objectives. Fifth, control information for comparison of planned with actual performance. Sixth, a systematic means of handling suggestions for branch or regional improvements which may require action outside the Manager's authority.

SETTING OBJECTIVES

A financial planning system based on these concepts is presented in Diagram I. The first task is to establish the bank's objectives. Objectives are decision rules which enable management to guide and measure the bank's performance toward its purpose.⁴ An objective is a statement of the desired or needed result to be achieved by a specific time.⁵ It is characterised by three features. It should be challenging. It should be linked with higher and larger objectives. Finally, it should reflect immediate priorities and needs. Objectives are not goals. Goals represent the purposes for which a bank exists, viz, "banks serve to satisfy the community". Objectives, on the other hand, are statements of specific targets to be achieved

DIAGRAM I: FINANCIAL PLANNING SYSTEM



Assumption: Bank is organised with three levels, i.e, Branch, a group of branches under a regional Manager, and a group of regional Managers under a Zonal head.

ed or bettered within stated periods of time.

What is our real business? Most bankers respond by stating that borrowing and lending are a bank's business. Banks continue to believe that they are only in the borrowing and lending business. Recognition of banks as marketers of a package of financial services is lagging.⁶ A prominent passenger shipping company in Europe, when adopting MBO, concluded that it was in transport business. As a result of a searching analysis it decided that entertainment was its business. Consider the air travel business. Once flying was simply a matter of getting from here to there. Before long, the airlines began to compete on the basis of stewardesses, food, luxurious surroundings and in-flight movies. The TWA passenger can now choose a "Roman" flight on which the stewardesses wear togas or choose the "olde English" flight on which the decor re-creates an English pub atmosphere. Airlines are no longer therefore selling transportation, as such, but a carefully designed psychological package.⁷ Such an exercise leads to strategic planning which deals with future markets; planned return on funds from individual branches and services; making new services-mix such that loss earning services are more than compensated by revenue earning services. Strategic planning provides a broad concept of a firm's business, sets forth specific guidelines by which the firm can con-

duct its search for business opportunities and supplements the firm's objectives with decision rules which narrow the firm's choice of business opportunities.⁸ From a strategic plan, flows business objectives. Business objectives of a bank represented in diagram I flow from an analysis of problems and factors influencing performance represented by a strategic plan.

KEY RESULT AREAS

The next step is to identify areas of priority action in achieving business objectives which involves a process of identifying key result areas. Key result area is a term applied to a grouping of management activities having a common purpose of producing an end result which has an important, even critical, bearing on the current and future performance of the bank. Contributing to key result areas there are subsidiary key tasks. An illustration of this relationship is presented in Diagram II. Key tasks are priority tasks designed to facilitate achievement of the key result areas. For example, the key result area 'increase in income' might have as its key tasks: to increase rates of commission and to increase rates of interest charged. Specific key result areas and key tasks may be selected by Regional Managers for action in branches under their control. Similarly, Branch Agents will also select key result areas and key tasks relevant to a branch. All

such tasks are recorded in the Management Guide in which each officer analyses and agrees with his superior on the key result areas and key tasks and standards of performance relating to his particular job and the specific actions he plans to take to improve his performance.

A management guide is a record of priority objectives and the means by which the achievement of these objectives can be measured in such a way that the officer is committed to taking the necessary action. Each officer also draws up a Job Improvement Plan, the purpose of which is to record agreed action to facilitate the attainment of current objectives, or to make it possible for higher or more clearly defined objectives to be set in future. It also details how targets will be reached where this involves an improvement over existing performance, or requires positive action to maintain a currently good situation.

The sequence in applying MBO in a Bank therefore begins with a statement of the goals of the enterprise. This permits the definition of the functions which must be performed to meet these aims and of the organisational structure required to perform them. Major objectives relating to a specified period of time are then determined for the bank as a whole and for its regions and branches; these can then be divided into a hierarchy of sub-objectives for each region, branch, department.

PLANNING CYCLE

An illustrative process of planning for performance in a Bank is presented in Diagram III. A policy document is approved by the Board in August of each year. It describes the Bank's objectives for the coming year. Each level of management then consider what contribution it can make towards the achievement of the objectives. The Regional Managers then agree with their General Manager on the regional objectives. Branch Agents are then asked to set their targets. In this manner it will be possible to arrive at a plan for each section, i.e., branch, region and the bank. Management guides and job improvement plans are written for all managers; a manager is defined here as any officer who is accountable for the performance of subordinates. Co-ordination of the aims of these managers with the overall purpose of the bank is achieved through the development of management guides.

For example, the majority of aims established in the management guide of a Regional Manager will appear in a subdivided form as the aims of his immediate subordinates, the Branch Agents and departmental officers. In other words, the Regional Manager's objectives are necessarily the sum of the objectives of his subordinates plus his own contribution. The objectives of the Branch Agents are, in turn, subdivided to form the objectives of their immediate subordinates. The process is continued down the line until the first line of management or supervision is reached. Thus, the objectives at any one level contribute directly to the achievement of objectives at the next level up.

The process of MBO as presented in Diagram III involves four management processes: planning, organising, motivating, controlling. Planning involves deciding what to do. Organising consists of setting up the means for achieving objectives. Motivating involves creating the conditions in which people will want to achieve. Finally, through control procedures, progress is monitor-

ed against plan and deviations corrected. The following table sets out the interrelationships between the management process and the planning documents.

PARTICIPATIVE PLANNING

The planning process represented by Management by Objectives integrates planning and doing. In other words, it not only plans for what is to be achieved but also how it is to be achieved. Existing planning process in banks excludes the planning of performance. This is based on certain assumptions of workers' attitude towards the job. Management assumes that workers avoid responsibility and are unwilling to work. The logical managerial behaviour which flows from this set of assumptions is that workers have to be cajoled or forced to work through using "the carrot or the stick".⁹ In such a situation business targets conceived at Head Office are imposed on Regional Managers who in turn impose these targets on their branches. The view here therefore is that there is one central source of legitimate authority within the Bank and its targets must be accepted. This unitary view of organisation has caused incalculable damage and conflicts in work environment in banks.¹⁰ A more convincing approach is the view that a bank is a plural society of men containing many related but separate interests and objectives which must be maintained in some kind of equilibrium.¹¹ This is achieved by the Management by Objectives approach which integrates the needs of a bank with those of its employees. Managers are considered to have five basic needs which require to be satisfied to enable them to do their job in the best possible manner.¹² How these needs are satisfied by the planning process already described is explained in Table 2.

The Management by Objectives approach therefore integrates all processes required in managing a successful banking business and deals with processes such as business planning, recruit-

ment, placement, training, appraisal, promotion, manpower planning, job evaluation, branch evaluation and work systems, such that they contribute towards the achievement of business objectives. Frequently, management consultants recommend to ailing enterprises: Change the organisation structure or redesign appraisal system or alter systems of work. Such partial approaches have failed. What Management by Objectives represents is a total approach towards management of change.

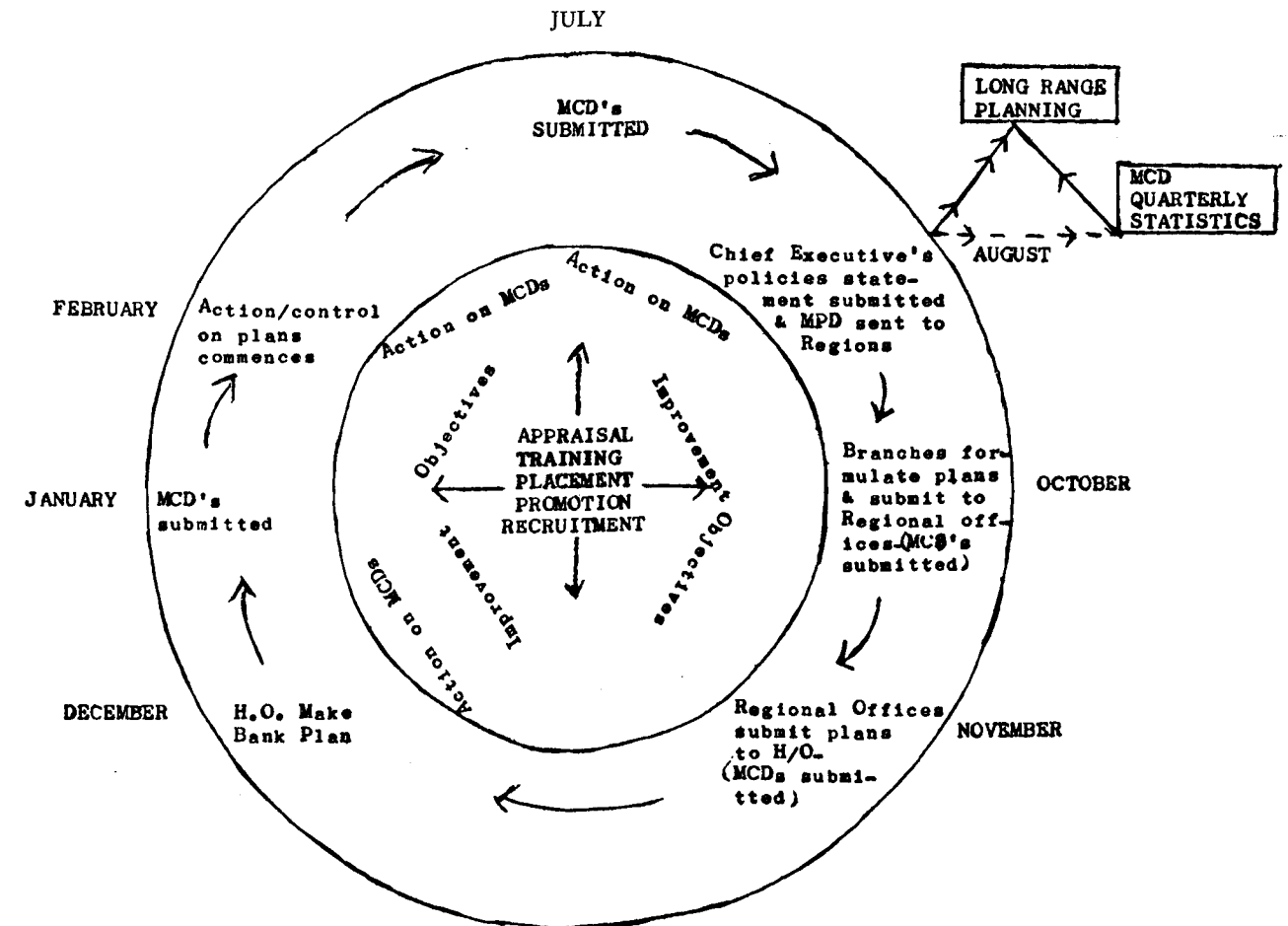
The benefits of Management by Objectives in banks go beyond providing a system of managerial control based on personal accountability. There are the benefits of establishing priorities for action and of allocating individual responsibility for seeing that action is taken, of introducing participative management.

CLARITY OF OBJECTIVES

Application of Management by Objectives is always a difficult and lengthy task. It requires, at all levels of Management, an understanding and acceptance of the purposes and procedures of the technique, a willingness to accept personal accountability and involvement in the identification and vigorous pursuit of the aims and objectives of the organisation. Applications have been successfully made in industry.¹³ Two factors have facilitated its introduction. Most industrial enterprises share a common aim which can be expressed as using resources to maximum advantage in the long run and hence objectives can be directly or indirectly related to the ultimate test of profitability. Secondly, application of management control techniques has provided for the more progressive enterprises a management environment which is accustomed to the concept of individual accountability and to setting standards of performance and comparing achievement with them.

Banks besides dealing with people, deal with money. Notwithstanding nationalisation, they are expected to use resources efficiently. Banking is first and foremost based on public confidence. No government can push public confidence too far and get away with it. After all bank deposits are only one form of financial assets. If profitability cannot be maintained and improved, nationalised banks like other public sector units are likely to lose public respect. Sooner or later employees will sense their loss of public respect and match it with loss of self-respect. Efficient use of resources and social ob-

DIAGRAM III: PLANNING CYCLE



Legend: MPD = Management Planning Document. MCD = Management Control Document.

jectives are not irreconcilable. What is required is a clear statement of objectives that banks need to fulfil in order that the hierarchy of objectives is clear to all levels of management within a bank.

Public sector units have too often suffered from equivocal objectives. It was once felt that their major responsibility was to provide the best possible amenities for workers. High wages and increased fringe benefits have been paid consequently. Then again there was the feeling that it was not the profit but selling the product cheap to the consumer that was a major responsibility. However, lately, profitability as an important criterion of management has been recognised in Europe¹⁴ as also in India. To the extent public sector units do not earn a return on their funds employed, more revenue needs to be raised through fiscal measures. Public sector units need to make an overall profit though individual services and products may make a loss given social objectives. Management by Objectives provides an approach for achieving this

end. Banking units in the UK are also increasingly adopting this approach.¹⁵ Management by Objectives is therefore no more difficult to apply to service industries like banks than to manufacturing industries.

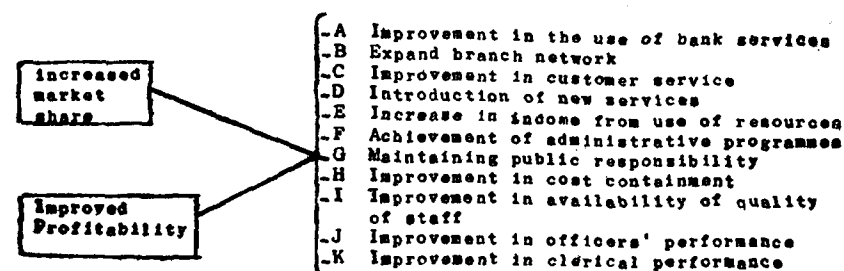
NEED FOR MANAGEMENT REFORM

In the first eighteen months of nationalisation, on an average, as many as 145 new branches have been opened every month. This represents nearly a twofold increase over the rate of branch expansion during early part of 1969 and a threefold increase over the rate of branch expansion during 1968. Such expansion has few parallels in history. Most banks have outgrown their original organisational structure. Planning, control and co-ordination of the size that banking units have reached is beyond the scope of any individual or group of individuals at the top. Yet there is scant acceptance that unless management of banks is altered to new needs, achievement of social objectives of banking will be in danger. Banks have been slow to introduce ma-

nagement techniques notwithstanding the changing environment. One major explanation is that traditionally, banks' staff have not included executives with training which allowed either appraisal or even contact with the newly developed management techniques.

Executives achieve position by demonstrating competence as operating managers, by dealing successfully with transactional matters. With the demands of a new position, there is unwillingness to change. And the executive keeps on doing what he has done successfully before he moved to the new position.¹⁶ Leadership-size salaries and leadership have therefore not been related in banks. Executives are unable to introduce in banks the participative management approach which relies on the utilisation of work groups as problem solving and decision-making units. By pulling over themselves the hood of excessive paper work belonging to lower levels of management bank executives avoid the hard tasks of management. Such executives are also unable to use the specialised departments that are a

DIAGRAM II: MAIN OBJECTIVES AND PRINCIPAL KEY RESULT AREAS



new feature of banks. New departments are a facade of new thinking which is only superficially accepted whilst the real job of running the banks continues as before. Social objectives of banking cannot be achieved through circulars,

weak organisation structure, ineffective credit control systems and executives singing forced hallelujahs.

As the need to reform bank management grows, the possibility of doing so recedes. Management always occurs in an organisation, whether or not the executives manage. When executives abdicate, other forces move in and take over. When this occurs performance becomes increasingly difficult to achieve. Evidence of this in banks is increasing. Resort has then to be made to glossing over failures, creating fragile images on manipulated data. The fear is that once banks reach a condition of *rigor mortis*, no amount of corrective therapy will be useful.

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TABLE 1: INTER-RELATIONSHIPS BETWEEN MANAGEMENT PROCESSES AND PLANNING DOCUMENTS

Management Process	Planning Procedure	Planning Document
(1) Planning	Management Planning Document covering balance-sheet and profits and loss items	In August each year, the Chief Executive issues a policy statement. This is developed at each subsidiary executive level until it reaches branches. On receipt of the policy statement, annual plans are prepared for a 12-month period. Each contribution is voluntary — not a dictated target —, although the policy statement will indicate areas for improvement. Plans are collated at each management level to form the overall bank plan.
(2) Controlling	Management Control Document	A document giving comparison of actual results with the targets set in the annual plan and indicating variance from target and specifying action taken and required.
(3) Organising	Management Guide	The purpose of a management guide is to clarify and agree with superior on overall job purpose, organisation, key results areas, performance standards.
(4) Motivating	Job Improvement Plan	A job improvement plan is used to set specific objectives within a defined period, e.g. six months. Details of action required are included.
	Self-Performance Review	A review of performance takes place every six months by the job holder with his immediate superior.

TABLE 2: SATISFACTION OF MANAGER'S NEEDS

Manager's Need	How Met
(1) Tell me what you expect of me	(a) By drawing up management guides, managers clarify their understanding of their job. (b) By preparing and agreeing with their superiors, annual plans and job improvement plans in line with overall policy, they establish clear targets.
(2) Give me an opportunity to perform	In drawing up the management guide the manager has the opportunity to discuss his organisational structure and limits of authority. In preparing the job improvement plan the manager can identify constraints as well as set out action for improvement.
(3) Let me know how I am getting on	Information from the management control document and performance reviews enables managers to determine their progress against targets and improvement plan objectives.
(4) Give me guidance when I need it	Having assessed performance, a manager completes a self-performance review. In this he identifies his training needs.
(5) Reward me according to my contribution	After two self-performance reviews are completed, the results form part of the annual staff appraisal.

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THE SUBSCRIPTION LIST WILL OPEN AT COMMENCEMENT OF BANKING HOURS ON TUESDAY, 25TH MAY 1971 AND CLOSE AT THE CLOSE OF BANKING HOURS ON MONDAY, 31ST MAY 1971 OR EARLIER, AT THE DISCRETION OF THE DIRECTORS, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THURSDAY, 27TH MAY 1971.

SWADESHI POLYTEX LIMITED

(Incorporated under the Companies Act, 1956)
Registered Office: KH-257, Kavinagar, Ghaziabad, UP.

HISTORY AND BUSINESS

The Company which has been promoted by The Swadeshi Cotton Mills Company Limited, Kanpur, one of the leading textile manufacturers in India, was incorporated on 21st March 1970 and received a certificate of commencement of business on 9th July 1970. The objects of the Company are to carry on the business of manufacturing, processing and selling of synthetic fibres, organic and inorganic heavy chemicals, fine chemicals, dyestuffs and resins.

The Company has obtained an industrial licence for the manufacture of 6,100 tonnes per annum of polyester fibre at Ghaziabad, near Delhi. Polyester fibre, a leading man-made fibre, was commercially developed by Imperial Chemical Industries Limited, U.K. under the name of "Terylene" and by Du Pont of U.S.A. as "Dacron". Polyester fibre is now recognised as amongst the most versatile and useful of textile fibres. The demand for polyester fibre in India is very much in excess of supply.

The Company has entered into an agreement with Vickers-Zimmer AG, Frankfurt, West Germany for the purchase of machinery, equipment and technical know-how. Vickers-Zimmer is a specialist in the design and supply of plant and machinery for the manufacture of synthetic fibre and has designed, fabricated and erected plants for leading manufacturers in more than thirty countries in the world. Tata Consulting Engineers have been retained to supply detailed design and engineering services based on the technical information provided by Vickers-Zimmer. They will provide assistance and supervision in procurement, construction, start-up and acceptance-testing of the plant. Siemens India Limited will be responsible for the supply of electrical instrumentation and control facilities for the plant. A project manager with several years' experience in the chemical industry and who was until recently employed in the polyester fibre plant of Du Pont, U.S.A., has joined the Company. Some senior technical personnel have already been recruited and other executives will be recruited in due course and trained by the Company's technical collaborators.

The Swadeshi Cotton Mills Company Limited has been allotted Rs. 1,00,00,000 face value of equity shares and the directors, nominees and associates have been allotted Rs. 65,00,000 face value of equity shares.

COST OF THE PROJECT

The total cost of the project is estimated by the Directors at Rs. 1272 lacs as follows:

	Rs. lacs
Land and site development	26
Buildings	93
Plant, machinery and equipment	746

Other assets	20
Preliminary, pre-operative and issue expenses	48
Interest on loans and on deferred payments during construction period, mortgage expenses, etc.	70
Contingencies	47
Working Capital	222
TOTAL	1272

The total foreign exchange cost (including insurance and freight) is estimated at Rs. 229 lacs.

SOURCES OF FINANCE

The project is being financed as follows:

	Rs. lacs
Equity share capital	330
Preference share capital	110
UPSIC deferred credit on land	18
Term loans/debentures	649
Cash credit facilities from banks	165
TOTAL	1272

SHARE CAPITAL

AUTHORISED	Rs.	Rs.
75,00,000 equity shares of Rs. 10 each		7,50,00,000
2,50,000 redeemable cumulative preference shares of Rs. 100 each		2,50,00,000
		10,00,00,000

ISSUED, SUBSCRIBED AND PAID UP

	Paid up	Face value
4,00,000 equity shares of Rs. 10 each allotted to subscribers to the Memorandum, directors, nominees and associates, which have been fully paid up	40,00,000	40,00,000
2,50,000 equity shares of Rs. 10 each allotted to directors, nominees and associates on which Rs. 5 per share has been paid up	12,50,000	25,00,000
10,00,000 equity shares of Rs. 10 each allotted to The Swadeshi Cotton Mills Company Limited		

ted on which Rs. 5 per share has been paid up ..	50,00,000	1,00,00,000
	<u>1,02,50,000</u>	<u>1,65,00,000</u>

The balance of Rs. 5 per share on the partly paid shares will be called up along with the calls on the present issue to the public.
PRESENT ISSUE TO PUBLIC
16,50,000 equity shares of Rs. 10 each for cash at par ..

1,65,00,000

1,10,000 9.5% redeemable cumulative preference shares of Rs. 100 each for cash at par ..

1,10,00,000

2,75,00,000**TERMS OF PAYMENT**

	Equity shares	Redeemable cumulative preference shares
	Rs.	Rs.
On application	2.50	25.00
On allotment	2.50	25.00
By two equal calls to be made simultaneously on both equity and preference shares by the Board of Directors on or after 1st October 1971 with an interval of not less than two months between the calls	5.00	50.00
	<u>10.00</u>	<u>100.00</u>

Note : The balance amount, if any, paid on application will be adjusted towards the amount payable on allotment of shares actually allotted to the applicant concerned.

Failure to pay the amount due on allotment or call will render the shares, including the amount already paid up on them, liable to forfeiture.

DIRECTORS

SHRI SITARAM JAIPURIA, M.P.,
Chairman and Managing Director
Swadeshi House, Kanpur-1.

SHRI RAMNIWAS RAMNARAIN RUIA
Industrialist
Ruia House, Mount Pleasant Road,
Malabar Hill, Bombay-6.

SHRI CHANDRA KISHAN DAPHTARY
Ex-Attorney General of India
Senior Advocate, Supreme Court
A-8, Maharani Bagh, New Delhi-14.

SHRI DEVDATT PURI, M.P.,
Industrialist
Saraswati House, Yamuna Nagar
(District, Ambala, Haryana)

DR. PALAMADAI SAMU LOKANATHAN

Economist
62, Srinagar Colony, Madras-15.

SHRI RANADEV CHAUDHURI

Barrister-at-Law
34, Ballygunge Circular Road, Calcutta-19.

DR. RAJARAM JAIPURIA

Industrialist
Swadeshi House, Kanpur-1.

H. H. SIR YADAVINDRA SINGH, G.C.I.E., G.B.M.E.,

Mahendra Bahadur Maharajadhiraj of Patiala
Financier and Landlord
Motibagh, Patiala.

SECRETARY AND FINANCIAL ADVISER

SHRI FRAMROZE RUTTONJI BHESANIA
KF-80, New Kavinagar, Ghaziabad.

PROJECT MANAGER

SHRI ASHOK K. NEWATIA
KF-80, New Kavinagar, Ghaziabad.

REGISTRARS TO THE ISSUE

APOLLO SECURITIES PRIVATE LIMITED
14, Rampart Row,
Bombay-1.

AUDITORS

S. VAIDYANATH AIYAR & CO.,
3, Thapar House, 124, Janpath, New Delhi-1.

B. CHHAWCHHARIA & CO.,
33, Netaji Subhas Road, Calcutta-1.

SOLICITORS

MULLA & MULLA & CRAIGIE, BLUNT & CAROE,
51, Mahatma Gandhi Road, Bombay-1.

KHAITAN & CO.,

Himalaya House, Kasturba Gandhi Marg, New Delhi.

UNDERWRITERS

The proposed public issue of 16,50,000 equity shares and 1,10,000 9.5% redeemable cumulative preference shares has been underwritten as follows:

Name	Equity Rs.	Preference Rs.
Industrial Development Bank of India	35,00,000	35,00,000
Life Insurance Corporation of India	20,00,000	35,00,000
The Industrial Credit & Investment Corporation of India Limited ..	15,00,000	20,00,000
U.P. State Industrial Corporation Limited	15,00,000	10,00,000
Industrial Finance Corporation of India	20,00,000	—
Unit Trust of India	10,00,000	10,00,000
National and Grindlays Bank Limited	12,00,000	—
The New India Assurance Company Limited	5,00,000	—

Hercules Insurance Company Limited	4,50,000	—
Dhirajlal Maganlal Purshotamdas	3,50,000	—
Batlivala & Karani	3,50,000	—
Harkisondass Lukhmidass	3,50,000	—
Place, Siddons & Gough (Private) Limited	3,50,000	—
Harbans Singh Mehta & Co.	3,50,000	—
Paterson & Co.	2,00,000	—
Lewis & Jones	1,50,000	—
Champaklal Devidas	1,50,000	—
Merwanjee Bomanjee Dalal	1,50,000	—
D. S. Purbhoodas & Co.	1,50,000	—
Chunilal T. Mehta	1,50,000	—
Stewart & Co.	1,50,000	—
	<u>1,65,00,000</u>	<u>1,10,00,000</u>

PRINCIPAL BROKERS

DHIRAJLAL MAGANLAL PURSHOTAMDAS,
Stock Exchange Building, Apollo Street, Bombay-1.
BATLIVALA & KARANI,
Union Bank Building, Dalal Street, Bombay-1.
HARKISONDASS LUKHMIDASS,
Stock Exchange Building, Apollo Street, Bombay-1.
PLACE, SIDDONS & GOUGH (PRIVATE) LIMITED,
6, Lyons Range, Calcutta-1.
HARBANS SINGH MEHTA & CO.,
33, Regal Buildings, Parliament Street, New Delhi-1.
PATERSON & CO.,
Vanguard House, 11/12, Second Line Beach, Madras-1.

OTHER BROKERS :

Bombay
LEWIS & JONES,
Bank of Baroda Building, Apollo Street, Bombay-1.
CHAMPAKLAL DEVIDAS,
Bhupen Chambers, Dalal Street, Bombay-1.
D. S. PURBHOODAS & CO.,
10/11, New Stock Exchange Building, Apollo Street, Bombay-1.
MAHADEVIA BROS.,
Stock Exchange Building, Dalal Street, Bombay-1.
MERWANJEE BOMANJEE DALAL,
Allahabad Bank Building, Apollo Street, Bombay-1.

Calcutta
STEWART & CO.,
14, India Exchange Place, Calcutta-1.
G. M. PYNE,
Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.
N. L. ROY & CO.,
7, Lyons Range, Calcutta-1.
RAMNARAIN KAYAN & CO.,
7, Lyons Range, Calcutta-1.
MURARKA BROTHERS,
7, Lyons Range, Calcutta-1.
CHUNILAL T. MEHTA,
8, Lyons Range, Calcutta-1.
BHAGIRATH MURARKA,
7, Lyons Range, Calcutta-1.
KISHANCHAND JHUNJHUNWALA,
7, Lyons Range, Calcutta-1.

Delhi
RAJA RAM BHASIN & CO.,
Jewan Mansion, 8/4, D. B. Gupta Road,
New Delhi.
D. B. MALHOTRA & CO.,
13, Stock Exchange Building, Asaf Ali Road,
New Delhi-1.
BHARAT BHUSAN & CO.,
H-45, Connaught Place, New Delhi-1.
JALAN & CO.,
Stock Exchange Building, Asaf Ali Road,
New Delhi-1.
K. B. MALIK & CO.,
Atma Ram House, Opp. Odeon Cinema, Connaught Place,
New Delhi-1.
H. P. MEHTA & CO.,
302, Akash Deep, 3rd floor, Barakhamba Road,
New Delhi-1.

Madras

KOTHARI & SONS,
Kothari Buildings, 20, Nungambakkam High Road,
Madras-34.
CHITRA & CO.,
322/323, Linghi Chetty Street, Madras-1.

Bangalore

M. NANJAPPAIAH JAHGIRDAR,
205, Cavalry Road, Bangalore-42.

Hyderabad

P. B. AFZALPURKAR,
Sultan Bazar, Hyderabad.

Ahmedabad

CHINUBHAI CHIMANLAL DALAL,
Fatehbai's Haveli, Ratanpole, Ahmedabad-1.

BANKERS TO THE ISSUE:

STATE BANK OF INDIA
Apollo Street, Bombay-1.
and main branches at:
Ahmedabad, Bangalore, Calcutta, Indore, Jabalpur, Kanpur,
Madras and New Delhi.

PUNJAB NATIONAL BANK

Punjab National Bank House,
Sir Pherozeshah Mehta Road, Bombay-1.

and main branches at:

Allahabad, Amritsar, Calcutta, Kanpur, Lucknow, Madras,
New Delhi and Patna.

BANK OF INDIA

70-80, Mahatma Gandhi Road, Bombay-1.

and main branches at:

Baroda, Calcutta, Jamshedpur, Kanpur, Madras, Nagpur,
New Delhi and Secunderabad.

NATIONAL AND GRINDLAYS BANK LIMITED

90, Mahatma Gandhi Road, Bombay-1.

and other branches at:

Bombay, Calcutta, Cochin, Delhi, Hyderabad, Kanpur, Madras,
New Delhi and Tuticorin.

FIRST NATIONAL CITY BANK

293, Dadabhoy Naoroji Road, Bombay-1.

and other branches at:

Bombay, Calcutta, Madras and New Delhi.

Issue managed by

MERCHANT BANKING DIVISION, NATIONAL AND GRINDLAYS BANK LIMITED.

Hindustan Lever Limited

Past and Future

Speech of the Chairman, Mr V G Rajadhyaksha

THE following is the Speech delivered by Mr V G Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, May 20, 1971:

This year I am departing from the past practice when your Chairman restricted his address to a single facet of your Company's activities. The end of one decade and the beginning of another marks a milestone that would itself justify taking stock of the enterprise as a whole.

In assessing the Company's past performance and its plans for the seventies, I will confine my remarks to two questions which I feel sure are of interest to you. First of all in the face of growing concern and indeed in some quarters, trenchant criticism, about the role of large companies such as yours, what account have we given of ourselves? Secondly, in the light of the new industrial policy that has just emerged, how do we see our future?

A Review of the Past

OUR TRADITIONAL BUSINESS

Our traditional business has been largely in good quality household consumer goods aimed at the mass market. For instance, 'Dalda' is not just an economical substitute for ghee, but a nutritious product in its own right. Similarly, 'Sunlight', 'Lifebuoy', 'Surf' and 'Vim' have come to represent the highest standards in their product class. In a developing economy, where the accent is on production rather than on distribution and marketing, the customer's interests have often been ill-served. By contrast, a trained marketing organisation dedicated to offering the consumer precisely what she wants at reasonable prices has been an integral part of your Company's philosophy since its inception and remains one of its greatest strengths. Indeed, the emergence of marketing as a discipline and a socially worthwhile profession is something which your Company has done much to foster.

In the field of distribution we have created a network which is not only efficient and economical, but which was one of the first to penetrate deep into the countryside using methods

and equipment which were new to the country. In the absence of taxation on agricultural incomes the sale of excise-bearing consumer goods in the rural areas is one of the few practicable means the exchequer has of tapping the wealth in the more prosperous farming communities.

INDIANISATION

During these last two decades one of the important objectives of Government policy was to persuade multinational companies to Indianise their managements. Our response may be gauged from the fact that as early as 1957 we had only a sprinkling of expatriates and there has been an Indian national at the helm of our affairs since 1961.

Again we were amongst the first to respond to Government's desire to associate Indian capital with the business. Our progress in this direction has been limited not by any reluctance in principle, but because such modest growth and diversification as we were permitted from time to time could be financed from within and did not call for any widening of the capital base.

RESEARCH AND DEVELOPMENT AND IMPORT SUBSTITUTION

That industries should develop an indigenous research and development base and that one of the objectives of such R & D effort should be to reduce the country's dependence on imports of goods and know-how has been and is one of the goals of Government policy. Here also I believe your Company has an exemplary record.

We concentrated our efforts on vegetable oils — the principal raw material for the products which make up the bulk of the Company's business. The stagnant productivity of oil seeds in the face of rising demand, the theme of your Chairman's Annual General Meeting speech eleven years ago, resulted in a net deficit ten years ago and the deficit has been growing. In spite of imports amounting to over 200,000 tonnes by Government in 1970, and a good oil seed harvest in 1970-71, prices of vegetable oils are higher in India than almost anywhere else in the world.

With these and other problems in

mind, a decade ago, your Company began investing in its own Research and Development facilities and to-day it has the largest and finest organisations in its field in the country. One of its major tasks was to discover new techniques for upgrading non-traditional and inedible oils into materials suitable for making good quality soaps. Our Buying Department has played a pioneering role in promoting the collection of forest seeds such as sal. The joint effort of these departments has led to an eight-fold increase in the consumption of non-traditional oils by your Company during the last five years. To-day only the physical difficulties of gathering seeds in the short time that is available before the monsoon makes collection impossible and the low value of the by-product oil-cake are the main obstacles in the way of exploiting the full potential of these oils.

Perhaps our most notable success in reducing the need for imports of oils is in stimulating the mass consumption of synthetic detergent powders and bars which replace soap. In 1970 alone, the synthetic detergents produced by your Company saved the import of over Rs 3 crores of oils which would have otherwise been required to produce an equivalent quantity of soap. In less than three years' time, if no impediments are put in the way of our growth, this figure can be readily increased to Rs 6 crores, or Rs 10 crores per annum if by then the alkylate, which is one of the main raw materials, is manufactured in the country.

Another area in which your Company has taken the lead in saving foreign exchange is in the chemicals which it requires for its traditional businesses. Thus, by manufacturing nickel catalyst for its own use as well as for third parties, and by producing aromatic chemicals based on entirely original know-how developed at our Research Centre, imports worth nearly one crore of rupees are being saved every year.

Our research activity is not confined to our own facilities or to our own products. We have for instance sponsored research projects in National Laboratories and helped our suppliers

to cut costs and improved the quality of their products with the object of reducing our dependence on imports.

EXPORTS

The long-standing adverse balance of payments has been a major problem for the last 15 years and, besides import substitution, increasing exports is an important feature of the country's economic policy. In response to this your Company had built up, prior to devaluation, a substantial export business based largely on the export of high quality refined edible oils and vanaspati tailored to meet the needs of the importing countries. After devaluation such exports were banned, leading overnight to an almost total collapse of our exports. We had to begin building up a new export business from scratch and in 1970, we again reached the respectable figure of Rs 4.8 crores. In doing so we have widened the range of exports to include non-traditional items and entered new markets. Using our familiar marketing techniques we have begun the sale of Hima food mixes to people of Indian origin overseas. We recently sent a substantial consignment of synthetic detergent powder to the USSR and hope to do so again this year.

AGRO-INDUSTRIES AND AGRICULTURAL EXTENSION

If the recent success with high yielding varieties of wheat could be extended to other cereals, especially rice, the day of self-sufficiency in foodgrains will not be far away. This has brought into even sharper focus the growing scarcity of indigenous fats and proteins, the other two major components of a balanced diet. In addition to finding substitutes for the traditional oils as mentioned earlier, we have succeeded by our own extension efforts and through the Vanaspati Manufacturers' Association, in stimulating the introduction of better seeds and improved agronomic practices for growing groundnuts, the nation's most important oil seed, in many parts of the country. By developing techniques which have enabled us to become one of the largest users of cotton-seed oil in vanaspati, we have encouraged the diversion of cotton-seed from its uneconomic use as a cattle feed, to oil crushing and extraction.

Through our international associates we have access to unrivalled knowledge and experience of modern palm oil plantations which if applied in suitable soil and temperature conditions can produce very high yields of

oil per acre. Such conditions are believed to exist in the Andaman Islands and we have offered to place at Government's disposal the expertise to set up and run a plantation there. Immediate and urgent action both by the Centre and the States is however required if the output of indigenous vegetable oils is to increase at a pace which will allow supply to catch up with demand. The recent suggestion that Government should appoint a National Commission for Oils and Fats to suggest the means by which this can be done deserves serious consideration.

Turning to the problem of proteins, amongst the best and most widely acceptable sources of proteins in India are milk, eggs and poultry. We have helped to stimulate milk production in the Etah district of UP by setting up a dairy to provide a steady outlet for the surplus milk in the area and by bringing in good quality buffaloes to improve the quality of the herds.

We have also played a major role in the rapid growth of the organised animal feed industry in India by formulating and supplying dairy herds and poultry farms with high quality feeds backed by expert guidance in the setting up and operation of egg and broiler producing units.

Our agro-industrial activities have gone further. At Ghaziabad we put up the first unit in India using a unique process for dehydrating peas and at the same time helped farmers to improve the yield and quality of their pea crops. In Assam we have taken the initiative in collaborating with the tea estates to cultivate Citronella grass on unused land on a scale which, last year, provided Citronella oil, a hitherto imported essential oil, in commercial quantities.

MANAGEMENT DEVELOPMENT

To achieve progress in all these directions your Company had to develop a cadre of managers who were not only professionally competent by international standards, but were also sensitive and responsive to the nation's goals and ideals. It is now becoming widely accepted that the principal obstacle to rapid and healthy economic growth is not so much finance or foreign exchange or even natural resources, but the scarcity of such managers.

We have been privileged to play a small part in the development of such institutions as the Administrative Staff College of India, Institutes of Management and Institutes of Technology. Our contribution takes many forms — ranging from providing funds, to encouraging our senior executives to

spend a significant part of their time in a teaching role or serving on the governing bodies of these institutions. A number of students and sometimes faculty members from the Institutes and colleges come to us for short-term training attachments at our offices and factories.

The training of our own managers is supplemented by the free access we have to the facilities available through our international associates. These facilities comprise specialised courses as well as short- and medium-term attachments with associated companies in various parts of the world. As a result we are able to expose our managers to the latest trends in management development. Neither have we neglected training at non-management levels — over 40 per cent of our managers have risen from the ranks.

Our contribution to professional management outside the Company sometimes takes a more direct form and it is with a sense of pride that we see some of our alumni, if I may call them that, occupying high places in both public and private sector organisations.

THE EFFICIENT USE OF RESOURCES

In order to provide the consumer with the highest value for her money we have, over the last two decades, devoted much attention to the efficient use of resources. To mention a few examples of what we have achieved between 1960 and 1970 — distribution costs have been cut from 9.1 per cent to 8.2 per cent of turnover, the number of times in a year our working capital is turned over has increased significantly and the man-hours required to produce a tonne of soap have fallen from 40 to 27. Reductions in the wastage of materials and services and improved by-product recovery have all contributed to cost reduction. We have used the full range of our managerial skills to avoid or delay an increase in selling prices and to conform to Government's policy of keeping a check on inflation.

In spite of all this, price controls which now cover 75 per cent of your Company's products have bitten deeply into our profitability and their effect on margins can be judged by the fact that purchased materials accounted for 72.2 per cent of our income in 1970 as compared to 65.4 per cent in 1961. The pricing formulae that Government have evolved take into account the cost of the major raw material but pay little or no attention to the rises that have taken place in the costs

of other inputs such as chemicals, packing materials, engineering spares, fuel, transport charges, rents and wages. As a result, margins in many of our Company's traditional products are down to wafer-thin levels and their viability is threatened.

Our representations to the Tariff Commission which has recently submitted its report on vanaspati prices and to the Bureau of Costs & Prices which is examining the cost of soaps will, it is hoped, lead to the adoption of more equitable and sensitive pricing mechanisms. We are not pleading for a "cost plus" type of formula and we do not suggest for a moment that a manufacturer's inefficiencies should be passed on to the consumer. Competition in a free market has been shown time and again to provide the best protection to the consumer. However, if this is not practicable then prices should be such as to leave the manufacturer, who makes efficient use of his resources and makes good quality products, a surplus which is sufficient to pay the shareholder a reasonable dividend, the employees a fair wage and enables the manufacturer to improve his products and techniques, modernise his plant, widen his distribution and invest in Research and Development.

To summarise, I believe it is fair to say that over the last two decades, your Company, while safeguarding the interests of the shareholder, has responded as best as it could to every call that the country's industrial and economic policy has made on it. Even with harsh price controls it has continued to provide its main customer — the common man — whether he lives in the larger towns or in the smaller villages, good quality products which provide value for money.

Prospect for the Seventies

CONSUMER PRODUCTS

Our contribution to the Indian economy has been in those areas where we have been able to combine the wealth of knowledge, experience and research that has been made available to us, entirely free of charge, by our associates — Unilever — with our own skills in research and development, production, marketing and distribution. We are fortunate that our associates are a widely diversified business and in addition to being leaders in the range of products which we already manufacture, are amongst the foremost companies in the world in such consumer products as frozen foods and processed meats. Whilst to-day

the time may not be opportune to enter these fields because the market for such products may be too small or because current licensing policies may preclude it, we hope that one day we shall be able to play our part in bringing yet another range of quality products to the Indian consumer. We do not share the view held in some quarters that India cannot derive worthwhile benefits from international skills in the creation, production and marketing of good quality and efficient consumer goods which have provided, in many countries, the strongest incentive for better standards of living.

THE NEW INDUSTRIAL POLICY

The industrial policy announced last year seeks to create a wider role for multi-national companies such as yours — a role which may be different to that which such companies have hitherto played in other countries, including the country in which they are based.

This new policy aims at directing the energies of your Company into the core/heavy investment sector of industry which, while it is of vital importance to the economy, is a field where neither we nor our associates have any direct experience. It could be argued that such a policy may tend to create a conglomerate type of corporate structure and by making it difficult for the economy to reap the benefits that flow from specialisation, may not turn out to be in the nation's long-term interest. Be that as it may, we have, as in the past, responded promptly to the new challenge.

FERTILISER PROJECT

Your Company was asked by the Government to consider investing in a fertiliser project and, in particular, to participate in a joint sector venture in the Punjab in partnership with the Punjab State Industrial Development Corporation (PSIDC) to whom a Letter of Intent, it is understood, will be issued shortly. Accordingly, we commissioned a feasibility study by the Mitsui Toatsu Chemical Company of Japan and a market survey by the FACT Engineering and Development Organisation. These studies revealed that, prima facie and subject to certain key requirements being met, such a project would be viable and we are at present engaged in discussions with the PSIDC and the Central Government in this regard.

In order to have access to up-to-date technology, both in the construction of the plant and on a continuing basis,

it is our intention to associate with the project firms of international repute in the fields of fertiliser. We have, we believe, the general skills to manage such a project and, after the gestation period associated with an undertaking of this magnitude, we expect it to provide a satisfactory return on our investment.

In the meantime the importance of maintaining the viability of your Company by allowing it freedom to grow in its existing businesses cannot be over-emphasised. We are, therefore, also discussing with Government a number of other projects which not only seek such growth, but at the same time fully conform to Government's social and economic objectives in regard to the development of backward areas, co-operation with the small-scale sector, import substitution, etc.

The project which involves co-operation with the small-scale sector is a novel concept and you might find it interesting to hear a few details about it. The proposal we have submitted to Government is to build a factory in a backward area, which, despite its other drawbacks, is well placed in regard to supplies of nontraditional oils such as rice-bran, sal, neem, etc. The factory will convert these and other oils into a semi-processed soap using complex and relatively capital intensive processes for upgrading these non-traditional oils, and extracting a strategically important by-product — glycerine — of which there is a growing national shortage. This semi-processed material will then be despatched to a number of widely dispersed and independent small-scale units who will process it further, package it to our specifications and return it to us for marketing and distribution.

We propose, subject to obtaining the Government's approval for this project, to provide these small entrepreneurs, free of charge, the know-how required to instal and operate their equipment and to guarantee the offtake of the finished goods. Such a scheme, we believe, will provide an example of how the small- and large-scale sector can perform complementary roles — the large-scale unit undertaking the complex technological and marketing functions which are generally beyond the capacity of the small-scale sector, leaving the latter with the more labour-intensive, but technologically less complex activities in a way which gives the maximum benefit to the economy and conforms to the social objectives of the country.

This is not to suggest that we have not been conscious of these social objectives in the past. Our dairy project, technology, both in the construction of the plant and on a continuing basis, it is our intention to associate with the project firms of international repute in the field of fertilisers. We have, we for instance, was located in one of the most backward areas of Uttar Pradesh and is making a significant contribution to raising living standards in its neighbourhood, although the cost to us has been heavy. Likewise, as a part of our purchasing policy, we are encouraging and giving technical guidance to a large number of small- and medium-scale firms.

Whilst we are thus responding, as promptly and whole-heartedly as in the past, to the social and economic objectives of the new industrial policy, the cost and delays, for instance, of starting up a factory in a backward area cannot be ignored. It would, I believe, be wrong if in pursuance of the new policy, all growth on the existing factory sites is completely stopped when it is clear that such growth is the quickest and most economical way of increasing production,

particularly at a time when there is a growing shortage of your Company's products.

CONCLUSION

In the final analysis, national growth aims at things that transcend the parameters of output and income. Two decades ago Pandit Jawaharlal Nehru observed that we should seek to improve the quality of life in our society, that our aim should be the making of better men rather than men who are merely better fed and clothed. The quality of life depends upon standards, specifically standards of excellence. May I, again in a spirit of humility, assert that the function of an enterprise like your Company in a developing society is to aim at setting such standards, albeit in the limited spheres of commerce and industry. The standards we have set span a whole host of activities ranging from the quality of the raw materials we are prepared to use to the quality of the product we are hoping to sell, from management practices within the Company to our corporate behaviour vis-a-vis the society at large. Such standards have, we believe, significant, if immeasur-

able, effects on the values of those we meet at the boundaries of our enterprise: our customers, our stockists, and our suppliers, to cite a few.

In one sense, therefore, our activity in the seventies will be no different from what it has been in the past. We believe that this particular function of your Company draws strength from its association with a multi-national corporation. It is this international association that continuously exposes us to to new and more challenging standards of excellence. In the relatively narrow view of the statute books, we may be a foreign company. But, from a larger point of view, the label is misleading as most labels are. Your Company is just as much concerned with the welfare of the nation in which it has grown as are enterprises based wholly on indigenous capital. It is this concern which, I believe, emerges out of a social audit of your Company in the sixties; and it is the same concern which will continue to permeate its plans for the future.

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

Guest, Keen, Williams, Limited

Statement by the Chairman, Mr K C Maitra

THE following is the Statement by the Chairman Mr K C Maitra, at the Forty-first Annual General Meeting of Guest, Keen, Williams, Limited held at Calcutta on May 19, 1971:

It gives me great pleasure to welcome you to this, the 41st Annual General Meeting of your Company. The Directors' Report and the Statement of Accounts have been with you for some time and with your permission I propose to take them as read.

Mr J E Sawtell who had joined the Board on the 21st November 1968 resigned from it on the 31st January 1971 on his retirement from India. His knowledge and experience of the engineering industry were of great assistance to the Board and, on your behalf and mine, I would like to place on record our appreciation of his services to the Company.

Of the four Directors due to retire this year by rotation, three, namely, Mr T Mathew, Mr A K Roy and Mr A H Sethna, have expressed their willingness to continue to serve on the Board. Their re-election will be the subject of appropriate resolutions later on.

Mr Brian Eustace, having served for three years in India as General Managing Director of the Company, is return-

ing to the UK and does not seek re-election. He will therefore retire at the end of this Meeting. During his period with us he has made a deep impression on the operations of the Company. I am sure you will join me in expressing our appreciation of his contribution to the Company's prosperity and in extending to him our good wishes for the future.

1970 has been, on the whole, a satisfactory year for our Company. The Directors' Report gives you details, and I shall add only a few comments.

Whilst the turnover increased from Rs 32.03 crores in 1969 to Rs 42.59 crores in 1970 (increase of 33 per cent), production in terms of tonnage did not rise correspondingly though it was higher than the previous year's figure. The increase in the sales value is thus largely the result of higher prices of raw materials and therefore of finished products due to price rationalisation. Liquidity improved considerably and our finance charges were significantly lower because of saving in overdraft interest. The pre-tax profit improved to Rs 7.12 crores as against Rs 1.61 crores for 1969.

Stocks have fortunately recorded significant increase at the end of 1970,

particularly because of large consignments of CRGO steel shipped towards the year end. With their arrival the raw material situation, as far as the Precision Pressings Division is concerned, should be considerably eased.

I must add that almost throughout the year we have been plagued by a shortage of raw materials and it has been, on the whole, a hand-to-mouth existence. Critical raw materials have often had to be purchased at extremely high prices to keep the production going. Our production was also materially affected by the lockout in the Andul Road Works where operations were completely suspended for eight weeks and could be resumed to a reasonably satisfactory degree only after another six weeks.

Among the four divisions the performance of Precision Pressings Division has been the most encouraging, both in terms of production and despatches. Although a much smaller unit, operations of the Screws & Fasteners Unit of the Fasteners Division can also be regarded as highly satisfactory.

The Units located at Andul Road Works, besides the set back due to lockout, were at all times very severely afflicted by steel shortage. In addition,

certain strategic materials, particularly for steel making, remained extremely scarce, notably graphite electrodes and ferro alloys.

Before I share a few of my thoughts on the future operations of the Company, I would like to place the background against which these are based:

(1) The results of the last General Elections have established the strength of democracy in our country. The fact, that, in spite of somewhat disturbed conditions in West Bengal, such a large percentage of voters came out to exercise their franchise proves that our people are conscious of their rights and obligations. However, from the point of view of industry and of our Company, what is even more important is that the elections have resulted in the formation of a Central Government whose stability cannot be questioned at least for the next five years. In that period, one might expect a consistent and, I hope, a firm policy not subject to the pulls and pressures of the various Parties on whom it was dependent in the last two or three years. Politically and administratively the Government is thus poised for a big thrust forward to launch upon its "Garibi Hatao" or "Quit Poverty" programme.

(2) One must keep one's fingers crossed, but the international situation so far has been reasonably peaceful for some time. Even though dark clouds appear to be gathering, one may hope that wise counsels will prevail and these international problems will disperse.

(3) The Weather-God has been all along reasonably kind to us during the last four years and we have had good spells of monsoon. Coupled with better techniques, provision of better seeds and better fertilisers and the industry of our peasants, this has helped us to overcome the food crisis and one may expect that the worst is over.

(4) West Bengal, where our largest units are located, has been the scene of unprecedented violence and crimes. Whether these are the results of personal or political vendetta or acts of un-social elements, the fact remains that there is a feeling of uncertainty for the future, which is further aggravated by the alarmingly mounting unemployment in the State. To what extent the situation will be further complicated by the continuing influx of refugees from our neighbouring State is still not known. West Bengal thus faces big problems. The administration with its political uncertainty and lack of resources would have a heavy burden cast on it and it appears that the prime need for the State at the moment, more than ever in the past, is its political stability. Since unemployment in the State will continue for a long time, telling phrases or clichés

such as, "crash programmes", "war-footing" etc, would appear to be facile unless the State embarks on a 5 or even a 10 Year Plan concentrating on labour oriented schemes which will at the same time be economically productive. Grave maladies need drastic and effective remedies.

(5) Production in the field of basic raw materials and of heavy industries continues to remain sluggish. The public sector steel plants are still far from producing their rated capacity and the date of starting of the new steel plants at Bokaro and also at other places is being continuously deferred. Railway wagon builders and structural engineering firms continue to suffer from shortage of orders or of raw materials or of both. The construction of the new Howrah Bridge which was expected to give a fillip to local industry has not yet been started. Though the Government has so far managed to electrify one out of every six villages in the country, it is still unable to meet the ever increasing demand for power and today industries in the Punjab, Haryana and Western UP are languishing under acute power shortage. Against this gloomy picture must, of course, be stated the fact that on account of rising prosperity in agriculture there is a steady and developing demand for consumer products which is bound to lead directly or indirectly to the demand for products of industries of our type. The problem will still, however, be of scarcity of raw materials.

(6) The Fourth Plan is said to be again under revision to be labour-oriented. It is not known to what extent and in what manner the Plan will be revised so as to be consistent with Government's "Garibi Hatao" programme and how soon these plans start giving immediate relief to the unemployed. Whether the importance given to heavy industries will remain unaltered is a most point.

If my analysis is correct, we appear to be, by and large, in an era of political stability combined with uncertainty of the pace and direction of economic growth. What then should be this Company's policy in the immediate future? With increasing demands for our products, one's thoughts would naturally turn to the idea of a substantial increase in the Company's production capacity. I would like, however, to recall in this connection that we have only recently carried out a major expansion of our steel plant. An application for increase in the capacity of manufacture of woodscrews has been pending with Government for some time. In our other major activities, such as electrical stampings, bolts and nuts, etc, the limitation is not so much of plant capacity as lar-

gely of raw materials. Given more, we can certainly produce more.

It should be remembered that in spite of the shortage of raw materials, Government have granted industrial licences for the establishment of several other factories for the manufacture of electrical stampings. In automotive forgings, there is already excess capacity in the country. In our other fields of activity, such as bolts and nuts, screws and fasteners, more and more capacity is being created in the sphere of small-scale industries. It should cause no surprise if, consistent with their declared policies, Government give more favourable treatment to them in the matter of allotment of raw materials.

In this situation, it seems to me that our future lies in making the best use of the resources we have and these, I assure you, are of the highest quality, both in men and plant. Your Company already has the highest reputation for quality and efficiency; but achieving perfection is a continuous process and we must pursue it methodically, vigorously and relentlessly. We have done much but we must do more and I would like to enumerate them in some detail:

(i) *Consolidation of the Company's Operation:* The restructuring of your Company's organisation in four operating divisions and the closure of the Railway Engineering and Track Department in 1968 have been followed up by intensive training of management in all functional areas, and at all levels to build up a cadre of skilled managers. The keynote of our objective has always been professional engineering and professional management.

(ii) *Products & Product Development:* As is well known, our Company's manufacturing divisions serve several emerging industries whose growth must continue to be a basic urge. At the same time we have to serve a number of established industries whose stability is essential to the country's economic survival. We produce finished and semi-finished components used in generation, transmission and distribution of electricity, in structural, fabrication and construction industry, in automotive industry and in a host of consumer durables. In our time, we have pioneered the manufacture of a number of new items for all these industries and are still pioneering the development of "C" and "E" cores for electronics in India. We have also developed Boron Steel specifically for tractors.

Our customers have faith in the quality of our products and we want to stay and grow in the market on the strength of this reputation. This it would be idle to claim to be an easy task in an increasingly complex and competitive environment. We have to

concentrate on learning new skills and disciplines in marketing. We have to build up a highly motivated team of managers, and advanced technology for our diversified operations most of which produce precision components. Their manufacture requires a high degree of professional engineering which will continually provide the basis for further diversification of the products in the Company.

(iii) *Assistance to Customers:* With the increasing importance now being given to small-scale industries, it is no longer enough merely to supply our products to our customers; it is important that we train these small industries in the better and more efficient use of these products to our mutual advantage. This will mean a more detailed study of our customer's products and we must intensify our efforts in this direction.

Apart from this being a social obligation, it is only through such effort that we can help the country to develop a massive industrial super-structure underpinned by an equally strong and vigorous infra-structure of ancillary and small-scale industries in the country.

(iv) *Labour relations:* After the lock-out in the Andul Road Works last year, we have fortunately had no major labour troubles. Nevertheless, we still continue to have minor labour problems here and there in our various works throughout the country. Although individually minor, their cumulative effect leads to a significant loss of production and it should be our constant endeavour during this period of consolidation to see that they are minimised to the extent possible.

What I have said above may not sound so commonplace when it is revealed that no fewer than 19 million man-days were lost to the country's industry in 1969 and the figure for 1970

is expected to be in the neighbourhood of 25 million man-days. It is important to constantly watch the organisational behaviour of industrial labour in operating a big manufacturing unit like ours, and it is wise to remember that in the field of industrial relations the routine is more effective than the spectacular.

Encouraged by our performance in 1970, we have set our targets fairly high for 1971. Partly due to shortage of raw materials and partly due to minor labour unrest, we have not been able to achieve these high targets during the first four months. Though not comforting, we should have no reason to be unduly worried about it. Our production and sales during the first four months of the current year have continued to follow last year's growth trends. Fall in demand for certain products is counter-balanced by increase in some others and on the whole the situation appears to be not too disquieting. The only uncertainty is about the supplies of steel. Our small inventories of mild steel and poor arrivals from the steel works continue to be our major problem. Given adequate steel and power supply we should expect to match the performance of 1970 in 1971 as the upswing in the country's economy which began in 1969 still continues to gain momentum and the demand for most of our products persists to be strong.

It is a matter of great regret that our earnings from exports last year were not upto expectations. In my statement last year I referred to the difficulties of exports and these were mainly lack of availability of raw materials and high costs in the country. These difficulties still continue to face us. I think, however, that our determined efforts to promote exports of other commodities are beginning to bear fruit and we hope to be able to do better in the current year

although on account of recession in the USA there is a possibility of a deferment of export orders for screws and fasteners.

The Restrictive Trade and Monopolies Act will inevitably act as a brake on the growth of already existing and efficient units. Unless organised industries are allowed to have a strong domestic base firmly anchored to economies of volume production, their performance both in domestic and overseas markets will be adversely affected and this in a decade when the need for exports and self sustaining economy is vitally essential. Moreover, any unimaginative "policing" of the industrial sector by the Act is likely to retard the research and development work in organised units and without such developmental activity it may be difficult even to continue to maintain the present export markets in the future.

Our Associates — Guest, Keen and Nettlefolds Limited of UK continue to give us valuable assistance. They have helped us to train our people here and in their various Works in the UK. Their Deputy Chairman, Sir Henry Wilson Smith, who is also on our Board, has visited India three times during the last 12 months and has spent almost two months in this country. I am very glad he is present amongst us today and I take this opportunity of personally thanking him on your behalf and mine

It remains for me only to thank our employees for their continued co-operation. All of them have had to work in somewhat difficult conditions, particularly those at Calcutta owing to continual disturbances there and the neighbouring areas.

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

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

ELGI RUBBER PRODUCTS LIMITED

(Incorporated as a Public Limited Company on 31-3-1970 under the Companies Act, 1956).
Registered Office : India House, Trichy Road, COIMBATORE.

Interested persons may obtain copies of Prospectus and Application Forms from the Company's Registered Office and from the Underwriters, Brokers and Bankers to this Issue.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF THE BANKING HOURS ON 31st MAY, 1971 AND CLOSE AT THE CLOSE OF BANKING HOURS ON 14th JUNE, 1971 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON 3rd JUNE, 1971.

PROPOSED ACTIVITIES OF THE COMPANY :

The Company was incorporated primarily to carry on business as manufacturers of reclaimed rubber and other rubber products. The Company has received an Industrial Licence to produce 2500 tons of reclaimed rubber per annum and proposes to put up a plant near Chingleput town, Tamil Nadu.

Substantial increase in demand for reclaimed rubber is expected due to expansion of capacities of major tyre and battery container manufacturers who use reclaimed rubber as a necessary raw material and the proposed plant will cater to this increased demand.

The Company has received an import licence for import of machineries worth Rs. 11.24 lakhs and the factory is expected to go into production early in 1972.

SHARE CAPITAL :

Authorised:	
1,50,000 Equity Shares of Rs. 10/- each	Rs. 15,00,000
5,000 Preference Shares of Rs. 100/- each	Rs. 5,00,000
	Rs. 20,00,000

SUBSCRIBED AND PAID UP CAPITAL :

50,000 Equity Shares of Rs. 10/- each	Rs. 5,00,000
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PRESENT ISSUE:

1,00,000 Equity Shares of Rs. 10/- each	Rs. 10,00,000
5,000 9.5% Cumulative Redeemable Preference Shares of Rs. 100/- each (free of Company's tax but subject to deduction of taxes at source at prescribed rates)	5,00,000
	Rs. 15,00,000

OUT OF THE PRESENT ISSUE :

26,500 Equity Shares of Rs. 10/- each have been reserved for firm allotment to the Promoters and their friends before the Public issue.	Rs. 2,65,000
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NOW OFFERED FOR PUBLIC SUBSCRIPTION IN TERMS OF THIS PROSPECTUS FOR CASH AT PAR:

73,500 Equity Shares of Rs. 10/- each	Rs. 7,35,000
5,000 9.5% Cumulative Redeemable Preference Shares of Rs. 100/- each (free of Company's tax but subject to deduction of taxes at source at prescribed rates).	5,00,000
	Rs. 12,35,000

This Public issue is fully covered by the following underwriting & other arrangements:

	Equity Shares Rs. in lacs	Preference Shares Rs. in lacs
By Industrial Credit & Investment Corporation of India Ltd., Bombay.	—	2.5
By Tamil Nadu Industrial Investment Corporation Ltd., Madras.	2.5	2.5
Undertaken to be taken up by the Promoters & friends to the extent of shortfall in subscription, if any.	4.85	—
	7.35	5.0

APPLICATION FOR SHARES:

Application for Equity Shares and Preference Shares now offered for Public Subscription must be for a minimum 50 Equity Shares or multiples thereof and 5 Preference Shares or multiples thereof and application forms properly completed must be sent before the close of the subscription list, together with the full amount payable on the application (25% of the nominal value of shares applied for) to any of the branches of the Bankers to this Issue at the places mentioned on the application forms.

BOARD OF DIRECTORS :

Sri. V. N. RAMACHANDRAN, Industrialist, Managing Director of M/s. Premier Cotton Spinning Mills Ltd., & Director of The Premier Mills (CBE) Ltd., and others.

Sri. L. G. BALAKRISHNAN, Industrialist, Managing Director of M/s. Super Spinning Mills Ltd., & Coimbatore Private Industrial Estate Ltd., & Director of M/s. L. G. Balakrishnan & Bros., (P) Ltd., and others.

Sri L. G. VARADARAJULU, Industrialist, Director of M/s. L. G. Balakrishnan & Bros., (P) Ltd., M/s. Premier Cotton Spinning Mills Ltd., and others.

Sri K. RAJAGOPAL, Industrialist, Managing Director of The Lakshmi Mills Co. Ltd., & Director of M/s. Lakshmi Machine Works Ltd., and others.

Sri. L. G. RAMAMURTHI, Industrialist, Director of M/s. L. G. Balakrishnan & Bros., (P) Ltd., M/s. Elgi Equipments (P) Ltd., and others.

Sri. L. G. NITHIANANDAN, Industrialist, Director of M/s. L. G. Balakrishnan & Bros., (P) Ltd., M/s. Cyclon Products (P) Ltd., and others.

Sri. R. JAGADISH CHANDRAN, Industrialist, Jt. Managing Director of The Premier Mills (CBE) Ltd., and Director of M/s. Premier Cotton Spinning Mills Ltd., and others.

BANKERS OF THE COMPANY :

CANARA BANK, Avanashi Road, Coimbatore-18.

BANKERS TO THE ISSUE :

CANARA BANK, Avanashi Road, Coimbatore-18.
CENTRAL BANK OF INDIA, Variety Hall Road, Coimbatore.

AUDITORS:

M/s. M. S. JAGANNATHAN & VISVANATHAN, Chartered Accountants, P. B. No. 729, R. S. Puram Post, Coimbatore-2.

BROKERS TO THE ISSUE:

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M/s. Dalal & Co., National Insurance Building, P. B. No. 149, 362, N.S.C. Bose Road, Madras-1.

BOMBAY :

M/s. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1.

M/s. Chimanlal J. Dalal & Co., 107, Stock Exchange New Building, Dalal Street, Bombay-1.

CALCUTTA :

M/s. Place, Siddons & Gough (P) Ltd., 6, Lyons Range, Calcutta-1.

M/s. Stewart & Co., 14, India Exchange Place, Calcutta.

NEW DELHI :

M/s. Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-1.

AHMEDABAD :

M/s. Chinubhai Chimanlal Dalal, Manek Chowk, Ratanpole, Ahmedabad-1.

HYDERABAD :

M/s. T. B. Afzulpurkar, Sultan Bazar, Hyderabad.

COIMBATORE:

M/s. S. K. Ranganathan, 16/881, Big Bazar Street, Coimbatore.

M/s. Chellam & Co., 19/88, Big Bazar Street, Coimbatore-1.

BANGALORE :

M/s. Nanjappaiah Jahgirdar, 205, Cavalry Road, Post Box No. 4371, Bangalore-42.

INDORE :

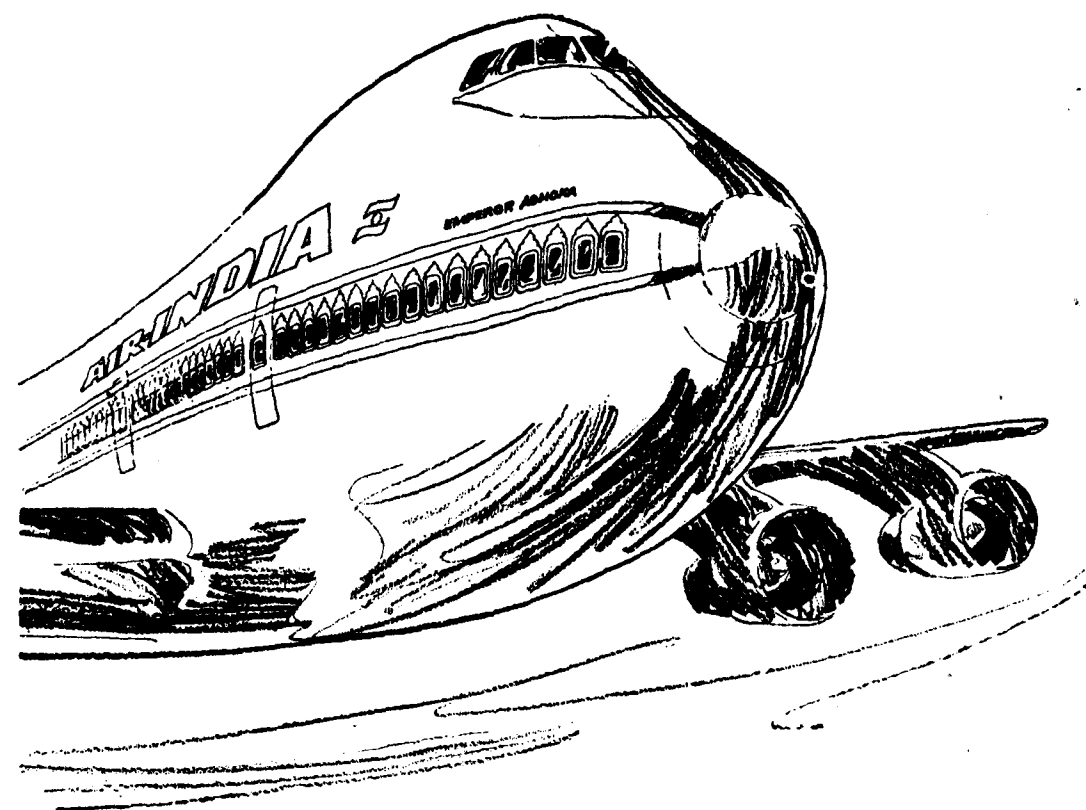
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May 22, 1971

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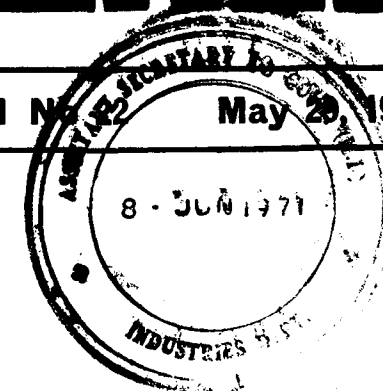
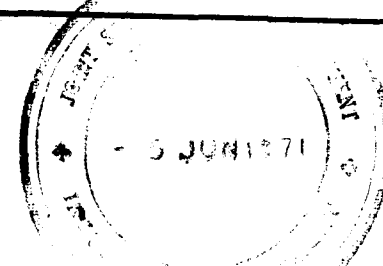
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INDUSTRIAL LABOUR: A PRIVILEGED CLASS?

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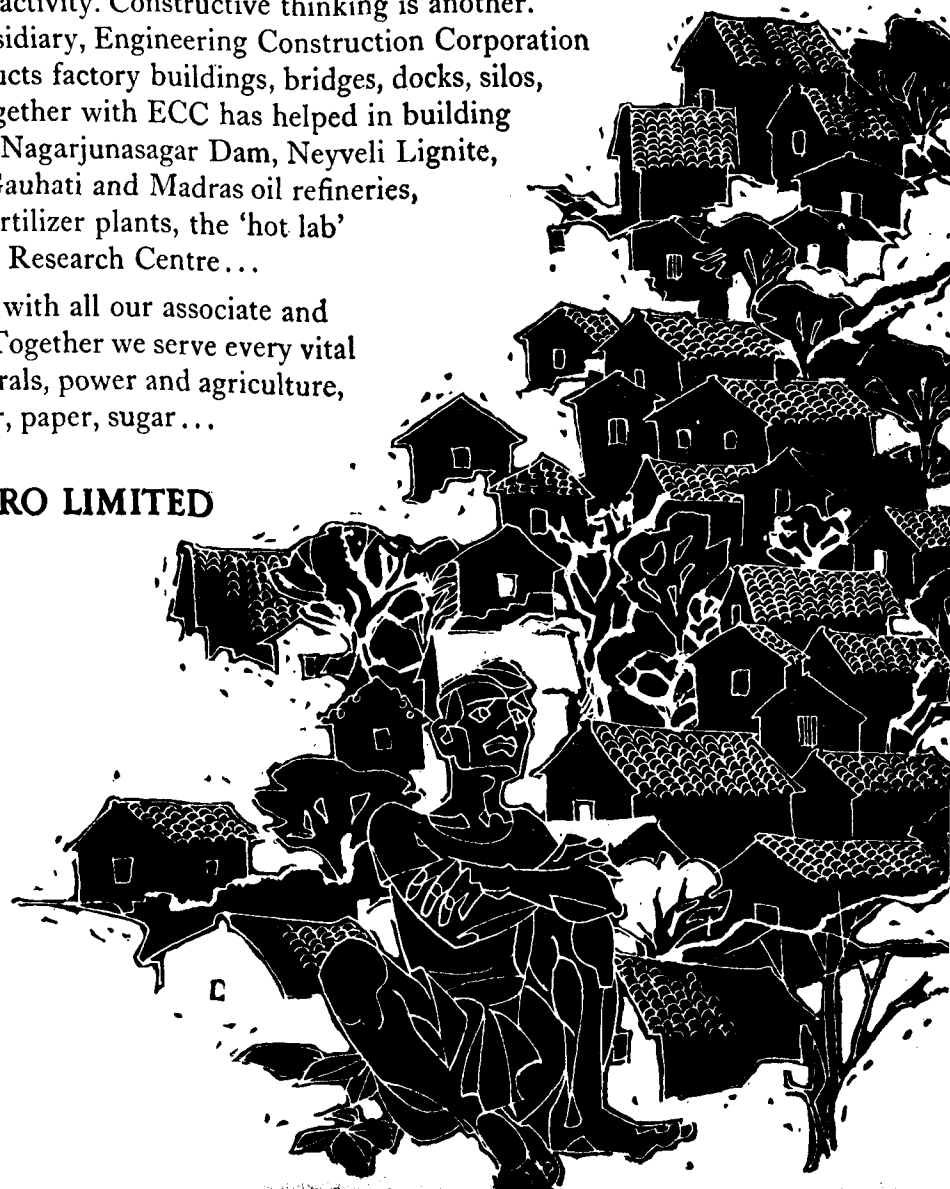
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Barely Begun

IF the tax effort in the Budget for 1970-71 appears substantial—it is certainly not 'staggering' or 'stupendous', as has been suggested—it is so only in contrast to what Finance Ministers have been used to attempting in the recent past and not in relation to the investment needs of the economy. True, the Budget speech and the Economic Survey show some appreciation of the crucial role of public investment in spurring overall industrial growth. This is a definite advance over the Morarji Desai line, which seemed to survive Morarji's own departure from the Government, of trying, through a variety of concessions and incentives, to make the tail of private investment wag the dog of industrial growth. Of course, the appreciation remains yet largely on paper; it is not much in evidence in the Budget proposals.

The Finance Minister has pointed out that the revised outlay of Rs 1350 crores on the Central Plan for 1971-72 marks an increase of Rs 300 crores over the outlay last year. In fact, this impressive increase is made possible only by the large shortfall in Plan outlay last year as compared to the Budget allocation. The distribution of the outlay for the current year reveals that the allocation for industry and mining out of Budgetary resources is Rs 454 crores which is only marginally higher than the 1970-71 Budget figure of Rs 449 crores. There is a further allocation of Rs 97 crores for industry and mining to be financed out of the internal resources of public sector undertakings, etc, which is actually lower than the Rs 99 crores provided for last year. What the Budget aims at is thus to restore public sector industrial outlay to the levels contemplated last year. The same is true of transport and communications, with the exception of ports and shipping.

Reflecting the accent on expanding employment opportunities, the Budget contains a total provision of Rs 93.5 crores made up of Rs 50 crores for the crash scheme for rural employment, Rs 25 crores for the new scheme for the urban educated unemployed and Rs 18.5 crores for rural works in chronically drought affected areas. This is no doubt an improvement over the Rs 25 crores for rural works in scarcity areas provided in last year's Budget, but it is instructive that out of this allocation of Rs 25 crores only Rs 6 crores could be actually spent. It would not at all be surprising if this experience is substantially repeated this year, especially in respect of the new scheme for the educated unemployed for which the allocation of a lump sum of money has clearly preceded the working out of how this money might be usefully spent. It is also of some significance that at a time when the Government is so earnestly looking for ways of expanding employment the normal allocation for public works, including roads, which are labour intensive activities, remained underutilised in 1970-71.

Thus while there is some recognition of the crucial role of public sector outlay in getting the economy, especially the industrial sector of it, moving faster, this has yet to be translated into actual programmes and projects for implementation. This is not, of course, a matter, wholly or mainly, of budgetary allocations. What is required is the removal of the administrative and organisational blocks to decision-making and implementation in the Government, including the public sector undertakings.

The major criticism of the Finance Minister's taxation proposals is that they do not go far enough in either raising resources or "scaling down of the concentration of economic power and reduction in the inequalities in income and wealth". The failure in the former direction is masked by, as we have seen, the Government's inability to make effective use of larger resources for development. From the latter point of view, the Budget betrays rather conventional thinking. Take the proposal to raise the surtax on personal incomes above Rs 15,000 per annum; the additional tax burden works out to a mere 0.6 paise in a rupee of income at the annual income level of Rs 20,000, creeping up to 1.9 paise at the income level of Rs 60,000 per annum. Had he wanted to strike a blow for more equitable distribution of income, the Finance Minister could have done so far more effectively by, first, revoking the exemptions now granted to various types of personal savings and, second, reverting to the system of personal deductions in place of initial exemptions, as was argued by I S Gulati in his article in the issue of May 15 ("Agenda for Tax Base Reform", pp 1005-9). An even more serious lapse is the Finance Minister's decision to retain intact the Hindu Undivided Family as a distinct tax category for which there can be no justification in terms of either efficiency or equity. The Finance Minister has described his wealth tax proposals as "fairly stiff"; in fact the doubling of the rate from 4 to 8 per cent touches only the handfull with wealth in excess of Rs 15 lakhs and, even with all the other changes made, persons

with wealth in excess of Rs 15 lakhs and, even with all the other changes made, persons with wealth of Rs 3.5 lakhs or more can get by without paying a rupee as wealth tax. In respect of company taxation the Finance Minister has, fortunately, decided to take a hard look at the incentives perpetuated from year to year in the hope of promoting investment, though the pruning of the long list of so-called priority industries could have been more rigorous. The approach to indirect taxation could similarly have been bolder. The measly Rs 4.9 crores proposed to be raised from textiles is a case in point. And like the Hindu Undivided Family, another holy cow which cannot apparently be touched is salt and the Finance Minister has once again given in to the silly sentiment against taxing it.

On the whole, then, while the Finance Minister has nibbled at many things, his tax proposals mark no bold initiative in any direction — except perhaps in the sphere of corporate taxation. The Economic Survey suggests, in its summing up of 'the tasks ahead', that what it calls "fiscal incongruities carried over from the past" cannot be set right overnight. But does the present Budget make a beginning at least? Just barely, must be the most sympathetic verdict.

Bangla Desh

A Threat to "Security" ?

IN her reply to the Lok Sabha discussion on the situation in East Bengal, the Prime Minister ridiculed the Government's critics with the jibe that "to some Members, ends are equated with voice-power and the use of passionate words". The criticism did perhaps apply to many members of the Opposition, but it best fitted the Prime Minister herself. In her speech she extolled India's tradition of "love of freedom" and "involvement with the values of democracy" and spoke sarcastically of countries which, while talking a great deal about democracy, were doing nothing "when democracy is so flagrantly and so brutally being destroyed". She also berated countries which took the position that while they disapproved of what was being done by Pakistan's military rulers, they could not be a party to the disintegration of Pakistan. Then there were other governments, she said, which had "set views" so that even if their sympathies were roused they would not "take a stand on a matter such as this".

The Prime Minister's speech was indeed an outspoken indictment of the double-talk and hypocrisy of nations and governments. But what about the government of which she herself was the head? In a speech laced with expressions of anguish at the "tragic and heart-rending happenings in Bangla Desh", she had not one word to say about what the Government of India had done or proposed to do about these happenings. Ten years ago a Jawaharlal Nehru or a Krishna Menon speaking in such a blatantly self-righteous vein would have drawn upon himself and his Government charges of striking holier-than-thou postures and seeking to lecture the world. That today such a statement by the Prime Minister goes unnoticed is not, unfortunately, a matter for satisfaction; it is that now other countries do not much care what the Prime Minister of India says. It is assumed that what she says is for domestic consumption only and can have no impact internationally.

On the substantive issue of the Government of India's inaction *vis-a-vis* East Bengal, in the Lok Sabha debate some critics obligingly heaped the blame on the inefficiency of our diplomats abroad. This suited the Prime Minister admirably and she proceeded to devote a large part of her speech to a totally irrelevant defence of our diplomats — as if civil servants could do very much when the Government in New Delhi was unwilling to decide on a clear policy line. More prescient critics (mostly outside Parliament) have pointed out that dependent as the Government is on the two super powers for political, economic and military sustenance, it simply could not undertake any significant intervention in East Bengal unless the move was completely underwritten by these powers.

However, what has not been asked and answered is whether an equally important reason for the Government's inaction is not the view it takes of its own self-interest. Setting aside the problems of Big Power clearance and of how China might react, what Indian assistance to the freedom fighters in East Bengal can do is to make their fight against the Pakistani army a more equal one and to give them a better chance of gaining their objective by force of arms. But the Government of India evidently sees an armed struggle for independence in East Bengal as a threat to its security. This is strongly implied in the Prime Minister's Lok Sabha speech. Thus what did the Prime Minister expect the major powers

to do in East Bengal? Was it to intervene so as to secure for East Bengal independence from West Pakistani rule? No, it was not. What the Prime Minister expected of these countries was something quite different; they "must intervene to see that peace and security are re-established and maintained" (emphasis added).

Thus the fighting in East Bengal is seen primarily as a threat to our security and what the Government wants, above all, is an early end to it. Those in this country who still hope, through liberal application of "voice-power" (to use the Prime Minister's phrase), to pressurise the Government into more energetic action on behalf of East Bengal, will save their breath if they recognise that while the Government will grab at any political and economic plums that may fall into its lap as a result of a break between East Bengal and West Pakistan, it will not, out of considerations of its own security, help a war of liberation in East Bengal.

Economic Survey

An Academic Document?

A Correspondent writes:

THE Economic Survey furnished to Parliament by the Finance Minister on Tuesday is, as a survey, an excellent document.

The fact that the growth rate in the first two years of the Fourth Plan was roughly as anticipated is not, rightly, taken as an index of success of the Plan. Part of it was due to good weather and the rate of growth of industrial output, it is conceded, was lower than anticipated and even lower than what had been realised till 1965-66.

The task before the economy is that of raising the rate of capital formation to roughly 15 per cent of national income—and that in a generally non-inflationary environment. For this purpose, it is rightly stressed, public sector saving must be raised presumably to at least 3-4 per cent of national income from its current level of about 1 per cent or less. The Survey points out that this task would be easier if (a) public sector enterprises functioned effectively, (b) non-plan expenditure were curbed, (c) appropriate income and price policies were pursued, and (d) saving in the form of financial assets were stimulated. However, the Survey does not believe that, in the short run, any of these measures would succeed and, therefore, it has hinted that primary reliance would have to be placed on tax instrument.

But how this instrument is to be wielded is not made clear, except for the platitude that "the question of an appropriate machinery between direct and fiscal controls for furthering a given set of social objectives deserves continuous examination". It is stressed that "a fair proportion of saving has to be left for deployment within the private sector; further, stress is laid on "accumulation through taxation as well as internal resources of enterprises". The tax instrument, it is stressed, is also to be used for the objective of "distributive justice". However, whether all these different objectives can be met by wielding the tax instrument and whether these objectives are not mutually conflicting—these questions are not raised at all. Of course, it is stated that everything can be done with "all-round increase in efficiency"; hence the "quest for internal efficiency . . . needs to be carried out relentlessly". Again, the employment problem is realised as "urgent and crucial" and has to be viewed not as an aspect of efficient allocation of resources but "in its totality, since the creation of additional employment is an aspect of the broader goal of increased social justice and well-being".

With all these laudable objectives, there can be no quarrel. But one does want to know how precisely they are to be attained and to what extent with the available policy instruments.

The basic weaknesses of Indian planning have been (a) lack of awareness of conflict among social objectives, and (b) lack of a machinery for evolving a co-ordinated set of economic policies. On these vital issues the Survey is silent and one wonders whether the Survey is meant merely as an academic document or as a document in the light of which policies are to be formulated.

Exports

Swallows and Summers

A Correspondent writes:

SO we have achieved what had seemed the unachievable — an above-target 8.3 per cent growth of exports in 1970-71. One need not cavil at the accounting devices which made possible this result — they do not appear even as footnotes in published statistics. The detailed figures — available for 8 months only — indicate the profile of our export performance. Apparently, jute textile and mill-made cotton textile (cloth and yarn) exports showed little improvement over the corresponding period in 1969-70; of the traditional export items, tea did better. Overall,

traditional exports showed only a minor improvement over 1969-70. Exports of ores, manganese and iron, increased substantially. Engineering goods exports rose by 19 per cent.

The overall balance also showed considerable improvement. With imports at Rs 1,628 crores and exports at Rs 1,531 crores, the net adverse balance of trade was only Rs 97.5 crores against Rs 169.5 crores in 1969-70. One of the major factors in the improved balance is the continuing decline in foodgrain imports, though cotton and soyabean imports remain high. As the breakthrough in agricultural production progresses, the pressure on the balance of payments from this source should ease.

On the other hand, the improved performance in exports was mostly obtained out of sale of ores. This is not something to crow about. We still remain substantially an exporter of mined goods, importing in return manufactured goods. This is true even of a material like primary iron and steel. Moreover, we have not made full use of our improved export-import balance. The objective is not to build up foreign exchange reserves, but to use imports to accelerate development. How much longer can the economy afford to carry on in a slack posture?

Coal

Can Only Price Be 'Rationalised'?

D C Kale writes:

THE Indian Mining Association held its annual meeting on May 14. It was presided over by J F N Kalyanvala. The new Coal Controller-cum-Chairman of the Coal Board also addressed the meeting. The two principal speeches once again reflected the two divergent views prevailing in the industry today.

The Coal Controller, P K Ghosh, recommended changing the ratio of coal to be produced from development and depillaring. He also commented on the need for vertical expansion. However, such technical considerations did not seem to weigh very much with Association members. In his Presidential address, while Kalyanvala did make some very pertinent observations, the demand for higher coal prices ran high through his address. Though not entirely without reason, this is becoming something of an obsession with colliery owners. Kalyanvala pointed out that, compared to 1969, production last year trailed by 2.8 mn tonnes and despatches by as much as 5.4 mn tonnes, and that the average annual stock was 7.83 mn ton-

nes. Thus, while collieries were forced to reduce — or even stop — production and to lay off workers, important customers like cotton mills and power plants faced a coal famine. The dependence on only one or two producers of explosives, moreover, meant that strikes in their plants affected all mines — and this happened twice last year.

Kalyanvala suggested that bulk consumers like steel plants and powerhouses should ensure quick payment of dues, and that the industry should be put on the list of Priority Industries for the purpose of bank advances; today, banks did not give any priority to this industry and were not prepared to advance money against the inventories of collieries. As for Railways, Kalyanvala recommended that they must build up an adequate margin in their carrying capacity. It seems inexcusable that, when the Railways are complaining of lack of freight the Eastern and South-Eastern Railways should show a shortfall of 1,222 wagons per day on their own target of 7,000. The Railways' dieselisation policy needs re-examination, too, in the light of India's poor oil reserves and the unreliable international supply position. As shown by the recent confrontation between Gujarat and ONGC, crude and gas prices for even indigenous production are not guaranteed. Coal, it was stressed, is a much more reliable energy source for India.

There was a long list, too, of demands identifiable with industry. Kalyanvala wanted royalty and other statutory dues to be kept in abeyance, a temporary freeze on dearness allowance, and 'an adequate system of subsidies'; but, above all, he wanted a 'rationalisation of the price structure' — a euphemism for a price hike. He bluntly ruled out any significant reduction in costs and argued against increasing productivity through mechanisation.

It is this argument of the industry which should not be allowed to go unchallenged. There is a vicious spiral of collieries-railways-electricity boards, which feed each other at ever-increasing prices, and charge high prices to others in the process. Yet what is needed for efficiency in working and planning is a carefully thought out pricing policy for fuels. The British experience is of interest in this context.

In their report on the National Coal Board's request for an increase in coal prices in UK, the National Board on Prices and Incomes had discussed both the price structure and marginal costs. The emphasis was on making each coal-field progressively self-supporting.

The NBSI considered a single colliery producing 3/4 mn tons and the effect of

varying the output by 1/4 mn tons either way. It then went on to an Area Model and a National Model. The last is a linear programme which can be used to calculate the minimum total cost of meeting demand in each of seven selling regions, using five market categories of coal. The total cost (to be minimised) is given by the sum of the dependent costs of production at the collieries, the cost of transport to the market, and the loss in proceeds through selling coal of one market category in a different market. An attempt was also made to combine Electricity Board programmes for minimising the delivered cost of electricity, but this work appears to be incom-

plete.

In India, mine-owners, and colliery-owners in particular, suffer from many more imposed conditions than do most other industries. All manner of wage-board awards, welfare schemes, and working limitations, are imposed on them in spite of virtually controlled prices. Yet the coal industry — as recent studies show (A B Ghosh, 'Profits and Investment in Coal Industry', November 7 and 14, 1970) — shows consistently good corporate profit ratios. Unless it proves its willingness to work sincerely and honestly for the country's good, mining will not get public sympathy even when it has a good case.

BUSINESS

Double Standards

THE Government has still to evolve a workable policy on foreign collaboration — after twenty years of planning. Partly this is the result of the inefficiency of the public sector units and the vested interests created by this inefficiency. Most public sector units have been set up with foreign collaboration and, as the case of Bharat Heavy Electricals shows, they continue to depend excessively on imported components and technicians for their working.

The issue regarding foreign collaboration has now come up sharply in two industries: television and scooters. Television manufacture has been initiated in India on the basis of local knowhow developed by the Central Electronic and Electrical Research Institute (CEERI). Despite initial lack of enthusiasm and some interested propaganda, the local sets are of acceptable standard and have done well.

Philips has been trying to punch a hole in this policy. It has been exerting pressure for grant of a licence to make television sets based on its own technology. Ostensibly it is willing to forego royalty on such manufacture. Given Philips' capital ownership, this act of self-abnegation is not likely to hurt it very much. Even without royalty payment, it is estimated that there could be a foreign exchange outgo of at least Rs 100 per television set on account of dividend and other payments.

In the meanwhile, the bureaucrats in Delhi are evidently proceeding on their own interpretation of the country's need for foreign collaboration. On this interpretation, in the case of scooters,

private sector units are expected to develop scooter manufacture wholly based on local design; 16 industrial licences for scooter manufacture are reported to have been issued on this basis. Yet the same salutary principle is not to be applied to the public sector. The Government proposes to set up a unit for the manufacture of 100,000 scooters, and is reported to be discussing collaboration arrangements with Piaggio, the manufacturers of Vespa scooters. The justification adduced for this are two: it would take considerable time to develop a scooter of local design; and the 'latest' Vespa design is far more advanced than the local Bajaj design.

This last is a phoney argument. In fact, scooter designing has made little progress from the early days, and, if anything, advanced countries like Italy are gradually opting out of scooter manufacture. At a time when the Government has been railing about multiple import of technology, it is strange that it should itself seek to import repetitive technical knowhow (particularly when the same knowhow is locally available). Is this implied preference for collaborating with a foreign company and spending foreign exchange as compared to collaborating with an Indian capitalist also a part of the Government's brand of socialism?

Even if foreign collaboration is considered essential, it is necessary to insist on purchase of drawings and tools once for all instead of paying recurring royalty. But in an industry like scooters should the Government import knowhow at all? Rather than fritter away local talent on designing 16 types

of scooters, it would be sensible to standardise two or three designs, pool talent to develop them, and require standardised manufacture of these designs only. Ancillaries can be developed to suit the required scale, a competitive environment of quality and price established, and local technology encouraged. But can we expect the Government to make this kind of effort?

Sugar

Shirking via Decontrol?

SUGAR has been decontrolled amidst assurances to consumer, industrialist and grower that none will be hit. Since stocks have been piling up, the assurance to the consumer should hardly have been necessary. But the circumstances have not been so simple, and as one press report put it, the idea of decontrol was promoted in the Cabinet by the Ministry of Agriculture in view of the 'strong case an upward revision of the levy price'. With total sugar production having risen considerably in the partial-decontrol years since 1967, the 40 per cent free market sugar can no longer fetch the high prices needed to compensate the control price on 60 per cent of the production. The plight, particularly of the UP mills, as a consequence is evidenced in their high sugar stocks and high payments arrears to the growers.

Decontrol, nevertheless, seems to have been the only easy way out for Government. What with its 'commitment' to maintain price levels, Government has been averse to increasing the price of 60 per cent of 'levy' sugar in total sugar supplies. On the other hand, 'free' sugar would not tolerate higher prices either, as the high stocks with the mills indicate: indeed, the mills have been loud in complaining about the burden of carrying these stocks. Meanwhile, the arrears of payments by the mills to the growers have been vast and mounting. In UP, which is the worst off, they run into tens of crores and even in Tamil Nadu they have been Rs 5 crores. If sugar production is to be protected from raw cane supplies being diverted to gur, these dues cannot be neglected too long. Moreover, with the Assembly elections not far off, the arrears pose an embarrassing political problem, particularly in UP where both growers and mills are significant interests. For the Government, therefore, the line of least resistance was to obliterate the distinction between controlled and uncontrolled sugar; by this measure some of the higher prices would be borne by the erstwhile controlled segment with-

out Government having to take any part of the blame. There was also the pressure for decontrol from the low-cost Maharashtra and Tamil Nadu mills whose margin with decontrol — and the higher average all-India price levels reached thereafter — would be widened considerably.

However, while the initial pressure for relief through higher levy price came from the UP, Bihar, and MP mills, these are the very high-cost mills that cannot hope to benefit from decontrol. Their decontrolled prices are unlikely to rise beyond their earlier free market prices which in the first instance were not sufficiently higher than their levy prices to prevent these mills from getting into financial straits. The very mills that need succour therefore are unlikely to get it adequately and unlikely to pay their arrears fully. Unless, of course, the Government intervenes to manipulate release so that markets are insulated to assure profitability for marginal mills. In effect then, neither partial nor total decontrol is really capable of solving the problems of an industry in which efficiency ranges are so wide.

What of the consumer? There is little doubt that while production has risen, so has consumption kept pace. Little doubt too, that prices will now rise significantly. Decontrol might have meant lower prices all round had the mills been forced to unload their stocks. But that is clearly not to be. Bank credit had already been extended more liberally to make carrying of stocks easier — even while, the free market price which was around Rs 1.65 per kg in June last year had gradually risen to Rs 2.05 per kg. The upward progress of prices was aided by Government itself, with total releases being cut from 600,000 tonnes in September last to 400,000 tonnes in October, and to 350,000 tonnes per month since then to March 1971. In April, the increased releases were supported by the higher demand of the marriage season. While making it easier to hold on to the stocks, exports are scheduled at 4 lakh tonnes — even though these are highly subsidised and would mean, if fulfilled, an internal shortage on current estimates of demand and supply (37 and 38-40 lakh tonnes, respectively). Even the new excise duty — 30 per cent on all supplies against 37.5 per cent on the free sugar and 25 per cent on ration sugar may even work as a subsidy for the industry from the exchequer. So we may expect informal management of sugar prices by the all-India cartel of sugar manufacturers, with Government intervention only when prices rise

to sharply as to make sugar's middle-class consumers more articulate. Since sugar is relatively still an article of luxury consumption in India, this is no matter of great urgency; but we are certainly no closer to a more economic resolution of the sugar problem.

Steel

In Reverse Gear

THE Government policy on steel has marked a steady retreat from the Raj Committee's recommendations. And this when supply conditions, and the financial position of Hindustan Steel, would justify a movement in the directions suggested by the Committee. Steel production has fallen far short of requirements during the last two years and, according to present indications, this situation is likely to continue in 1971-72. At the same time HSL's financial position remains bad, and it continues to suffer financial losses (which in effect amounts to providing consumers of steel with unplanned subsidies of a like amount).

The Government's response to this situation has been to set up a tight distribution system with advance deposits against orders. Given the steel shortage and banks' willingness to give credit against steel, this has little meaning; it only passes on the borrowing burden from HSL to buyers of steel. For the rest, given two-thirds of steel capacity (and half the output) in the public sector, HSL seems to derive little benefit from the present steel shortage.

Clearly, the Government can usefully work out a different, and more beneficial, policy-mix for steel. It could let the steel industry fix its own prices and its own product-mix. If it feels that the industry is exploiting its position in a sellers' market, it can step in with the required issue of import licences. HSL can then be asked to use the freedom to improve its output and its financial position.

The present system, though convenient to the Steel Ministry bureaucrats and even the HSL, is costly to the economy. The Steel Ministry, without any responsibility, dictates to HSL its product-mix and prices. One consequence of the Ministry involving itself in decision-making of this kind has been the permanent damage to the furnaces at Durgapur Steel, caused by the Ministry's faulty insistence on maximising steel output in the short-run. At the same time, HSL feels absolved of all responsibility for its poor results, as it sees itself as execut-

ing the orders of the Ministry. Why should the Steel Ministry have greater control over HSL than over TISCO or IISCO? Can it not trust its own employees, the HSL management? And if, after it has been given such autonomy, HSL produces poor results, it will not have any scapegoats to explain them away. It is in this direction that the new Steel Minister should lead his Ministry.

Glass Manufacture

Vertical Disintegration

FOR the first time since 1964, Borosil Glass has shown a nominal profit from its working in 1970. Considering the difficult times which the company has gone through, with the balance-sheet loss exceeding the paid-in share capital, the company appears to be at last beginning to turn the corner.

Sales increased from Rs 135 lakhs in 1969 to Rs 170 lakhs in 1970. Profit before depreciation amounted to Rs 12 lakhs (against a loss of Rs 9 lakhs in 1969), despite a sharp rise of almost Rs 10 lakhs in the wage bill. The company has been able to use its cash accruals to reduce its long-term borrowings from Rs 82 lakhs to Rs 71 lakhs.

Yet the balance-sheet position remains bad. Against net fixed assets of Rs 136 lakhs, long-term loans amount to Rs 71 lakhs. Short-term borrowings of Rs 169 lakhs exceed current assets of Rs 126 lakhs. The company still carries large stocks of finished goods of Rs 25 lakhs (reduced from Rs 33 lakhs at the end of 1969). The accumulated loss of Rs 156 lakhs, as mentioned above, exceeds the share capital of Rs 150 lakhs.

The company has improved sales, particularly of tubing and chemical-ware. It has started marketing tubing for fluorescent lamps and plans to go in for glass shell manufacture for GLS lamps, to be financed out of its own resources and bank borrowings. Incidentally, this will be a case of vertical disintegration of a process with an independent glass manufacturer, enabling small lamp manufacturers to have an independent source of tube and shell supply. This is a desirable development. At present large manufacturers (like Philips) have captive production facilities for shells and tubing and independent manufacturers are at their mercy for their material supplies. In all, Borosil, after much wobbling, is at last finding its path in the Indian market.

Production of Selected Industries

Unit	1969-70										1970-71*					
	April-Dec										1970-71*					
	1950-51	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70	1969-70	1st Qr	2nd Qr	3rd Qr	4th Qr*	1st Qr	2nd Qr	3rd Qr	
1	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
I MINING																
Coal (including lignite)	Million tonnes	32.8	55.5	70.3	70.9	72.0	75.4	79.6	59.9	56.2	20.4	19.8	19.7	19.5	18.2	18.5
Iron ore \$	Million tonnes	3.0	11.0	18.1	19.3	19.1	21.2	21.7	16.1	16.4	5.5	5.3	5.3	5.1	5.2	6.1
II METALLURGICAL INDUSTRIES																
Pig iron	Million tonnes	1.69	4.31	7.09	7.00	6.89	7.29	7.39	5.43	4.80	1.78	1.76	1.89	1.96	1.62	1.57
Steel ingots	Million tonnes	1.47	3.42	6.53	6.60	6.33	6.51	6.43	4.77	4.29	1.57	1.58	1.62	1.66	1.46	1.50
Finished steel	Million tonnes	1.04	2.39	4.51	4.49	4.05	4.70	4.94	3.80	3.37	1.14	1.17	1.25	1.38	1.09	1.10
Steel castings	'000 tonnes	na	34	57	53	51	49	46	35	33	10	13	12	11	10	11
Aluminium (virgin metal)	'000 tonnes	4.0	18.3	62.1	72.9	100.4	125.3	135.1	99.5	125.5	33.0	31.8	34.7	35.6	37.6	42.9
Copper (virgin metal)	'000 tonnes	7.1	8.5	9.4	9.1	9.3	9.5	9.8	7.6	7.1	2.4	2.5	2.7	2.2	2.6	1.9
III MECHANICAL ENGINEERING INDUSTRIES																
Machine tools	Million rupees	3	70	294	354	285	254	300	211	318	58	73	80	89	114	105
Cotton textile machinery	Million rupees	na	104	216	169	158	143	196	143	234	38	46	59	53	77	76
Sugar mill machinery	Million rupees	na	44	77	94	85	115	128	95	109	27	38	30	33	29	44
Cement machinery	Million rupees	na	6	49	64	79	74	95	47	26	11	24	12	48	10	9
Railway wagonst	'000 nos	2.9	11.9	33.5	21.2	17.6	16.5	14.9	11.6	8.6	4.0	4.0	3.6	3.3	3.7	2.4
Automobiles (total)	'000 nos	16.5	55.0	70.7	75.1	69.5	79.5	79.8	57.0	62.9	19.6	20.7	16.7	22.8	19.1	21.4
(i) Commercial vehicles†	'000 nos	8.6	28.4	35.3	35.5	30.8	35.9	35.5	24.9	29.9	9.5	9.2	6.2	10.6	9.5	10.3
(ii) Cars, jeeps and land rovers																
Motor cycles and scooters	'000 nos	na	19.4	40.7	47.8	56.9	70.8	91.0	63.9	74.3	20.1	21.8	22.0	27.1	25.9	26.3
Power driven pumps	'000 nos	35	109	244	311	288	317	333	250	187	87	89	74	83	62	48
Diesel engines (stationary)	'000 nos	5.5	44.7	93.1	112.2	114.0	119.5	133.4	106.4	39.1	33.0	36.7	36.7	27.0	11.3	10.7
Diesel engines (vehicular)	'000 nos	na	10.8	8.1	6.7	2.3	2.5	2.7	1.9	2.5	0.6	0.6	0.7	0.8	0.8	0.9

(Continued)

(Continued)

Production of Selected Industries (Contd)

1	2	Unit	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
IV	ELECTRICAL ENGINEERING INDUSTRIES																	
	Bicycles	'000 nos	99	1071	1574	1719	1684	1954	1914	1418	1551	504	428	486	496	504	515	532
	Sewing machines	'000 nos	33	303	430	400	370	429	327	296	149	101	102	93	31	20	45	84
	Power transformers	'000 kva	179	1413	4458	4949	5329	4729	5375	3709	5436	1240	957	1512	1666	1848	1632	1956
	Electric motors	'000 hp	99	728	1753	2095	2028	1865	2296	1615	2105	496	533	586	681	705	728	672
	Electric fans	'000 nos	199	1059	1358	1364	1376	1480	1552	1188	1175	436	384	368	364	358	378	439
	Electric lamps	Million nos	14.0	43.5	72.1	83.3	73.9	97.8	97.3	73.1	90.9	24.7	23.8	24.6	24.2	31.3	29.1	30.5
	Radio receivers	'000 nos	54	282	606	761	929	1485	1749	1344	1369	437	425	482	405	404	456	509
	Electric cables and wires																	
	Aluminium conductors	'000 tonnes	1.7	23.6	40.6	52.9	72.6	56.1	60.5	43.0	46.6	13.1	14.5	15.4	17.5	14.1	14.3	18.2
	Bare copper conductors	'000 tonnes	5.0	10.1	3.1	1.7	0.8	0.9	2.1	1.8	0.5	0.4	0.6	0.8	0.3	0.2	0.1	0.2
V	CHEMICALS AND ALLIED INDUSTRIES																	
	Nitrogenous fertilisers (N)	'000 tonnes	9	98	233	308	367	545	716	508	597	144	172	192	208	166	189	242
	Phosphatic fertilisers(P ₂ O ₅)	'000 tonnes	9	52	111	145	191	210	222	164	166	50	55	59	58	48	52	66
	Sulphuric acid	'000 tonnes	101	368	662	702	858	1034	1129	832	754	285	255	292	297	274	225	255
	Soda ash	'000 tonnes	45	152	331	348	371	408	427	312	331	101	103	111	115	105	107	119
	Caustic soda	'000 tonnes	12	101	218	233	278	314	361	272	280	82	90	100	89	93	94	93
	Paper and paper board	'000 tonnes	116	350	558	580	660	658	724	535	570	173	175	187	189	181	195	194
	Rubber tyres and tubes																	
	Automobile tyres	Million nos	na	1.44	2.31	2.43	2.47	3.41	3.60	2.72	2.78	0.88	1.00	0.84	0.88	0.84	0.97	0.97
	Automobile tubes	Million nos	na	1.35	2.27	2.40	2.77	3.04	2.89	2.13	2.49	0.69	0.80	0.64	0.76	0.79	0.83	0.87
	Bicycle tyres	Million nos	na	11.15	18.46	20.34	22.79	24.58	21.31	15.90	15.59	5.36	5.45	5.09	5.41	4.94	5.24	5.41
	Bicycle tubes	Million nos	na	13.27	18.62	20.75	18.63	17.73	16.82	12.59	11.61	4.22	4.69	3.68	4.23	4.28	3.87	3.46
	Cement	Million tonnes	2.7	8.0	10.8	11.1	11.5	12.2	13.8	10.3	10.5	3.4	3.2	3.7	3.5	3.3	3.5	3.7
	Refractories	'000 tonnes	237	567	695	730	749	630	622	466	503	149	155	162	156	164	168	171

(Continued)

Production of Selected Industries (concluded)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Refined petroleum products		Million tonnes	0.2	5.8	9.4	11.9	13.8	15.4	16.6	12.3	12.7	4.0	4.2	4.1	4.3	4.2	4.1	4.4
VI TEXTILE INDUSTRIES																		
Jute textiles		'000 tonnes	837	1097	1302	1117	1156	998	944	692	703	228	213	251	252	253	262	188
Cotton yarn		Million kgs	534	801	907	902	926	972	961	715	718	235	238	242	246	241	245	232
Cotton cloth (total)		Million metres	4215	6738	7440	7303	7511	7902	7753	5771	5867	1907	1920	1944	1982	1922	1970	1975
Mill sector		Million metres	3401	4649	4401	4202	4258	4297	4192	3137	3102	1051	1049	1037	1055	1058	1050	994
Decentralised sector		Million metres	814	2089	3039	3101	3253	3605	3561	2634	2765	856	871	907	927	864	920	981
Rayon yarn††		'000 tonnes	2.1	43.8	75.6	80.6	92.2	99.2	98.6	71.7	73.7	22.9	21.1	27.7	26.9	24.5	25.2	24.0
Art silk fabrics		Million metres	287§§	544+	878	862	917	1011	863	643	na	230	205	208	220	223	239	na
Woolen manufactures																		
Woolen/worsted yarn		Million kgs	8.7	13.0	17.0	16.9	16.8	19.0	18.8	14.2	14.9	4.6	4.7	4.9	4.6	4.7	5.0	5.2
Woolen/worsted fabrics (wearable)		Million metres	6.1§§	8.4	9.2	9.5	9.2	12.6	12.2	9.6	10.8	2.7	3.4	3.5	2.6	3.1	4.0	3.7
VII FOOD INDUSTRIES																		
Sugar**		'000 tonnes	1134	3029	3510	2147	2249	3558	4261	1891	2135	841	103	947	2136	1074	104	957
Tea		Million kgs	277	322	376	369	387	397	401	378	398	109	165	104	23	107	179	112
Coffee		'000 tonnes	21.0	54.1	62.1	71.0	72.6	66.6	64.6	36.2	37.2	26.0	8.4	1.8	28.4	24.4	8.0	4.8
Vanaspatti		'000 tonnes	170	340	401	366	423	466	477	359	403	115	117	127	118	134	121	148
VIII ELECTRICITY GENERATED†††		Billion kWh	5.3	17.0	33.0	36.4	39.4	45.0	51.4	37.9	41.5	12.4	12.4	13.1	13.5	13.7	13.7	14.1

* Provisional.

§ Excludes output in Goa.

† Figure for 1950-51 excludes output in Railway workshops.

‡ Includes passenger buses, trucks and tempo 3 and 4 wheelers.

†† Includes viscose yarn, staple fibre and acetate yarn.

§§ Relates to the calendar year 1951.

+ Relates to calendar year.

** The annual figures relate to the sugar season, which was November to October upto 1966-67 and October to September thereafter.

††† Relates to public utilities only.

Source: Economic Survey, 1970-71, Government of India, May 1971.

Spectre Haunting Indira

Ashok Rudra

TIMINGS can be inconvenient. Could not the insurrectionists of Ceylon have chosen another time for their abortive uprising and the bloodbath in which the revolution they wanted got drowned? As it happens, these headstrong youths who have given this peaceful island its most profoundly traumatic experience of centuries have so ill-chosen their time as to cause a great deal of embarrassment to the Indian Press, Indian politicians and, of course, to Indira Gandhi. But for Ceylon, India's great interest in Bangla Desh, albeit its advocacy of recognition of Bangla Desh as a substitute for taking the step itself, could have appeared as provoked entirely by considerations of liberty, democracy and humanitarianism. But the voices of liberty, democracy and humanitarianism seem to be remarkably muffled when it comes to Ceylon. There also certain things are happening. But no picture parades, no screaming headlines, no strongly-worded resolutions by political parties.

"The rivers are full of corpses and crowds stand at the bridges looking for bodies of young persons shot and thrown into the rivers by the army and the police. Deaths are estimated at 20,000", writes a friend who has been in Ceylon lately. "The army is brutally massacring young people. Everyone between 16 and 25 is potentially suspect. Arrests have been so numerous that the jails are full. Not only young people, leaders of various Left parties have been taken to prison. The army and police are in virtual control. Civilian authorities are onlookers. Even MPs or Ministers cannot go to a police station and inquire after the lot of any prisoner. A witch hunt of intellectuals has begun. Left-minded teachers are being blamed for the radicalisation of the youth. The army is in a mood to crack down upon the entire Left — not sparing the motley crowd of revisionists helplessly clutching at power."

How could such news be presented in detail in our newspapers, how could

it be commented upon from the point of view of liberty, democracy and humanitarianism when timely Indian military assistance could be found by future historians to be the one single factor that made all the difference between the insurrectionists taking over the island and getting crushed? Indian soldiers are there on the soil of Ceylon; the Indian Navy has been protecting its coasts; Indian helicopters have helped in the bombing missions over rebel territory.

How magnificently, with what sisterly solicitude, did Indira respond to the cry of help from Sirimavo! Indian military help flew out without an instant's delay to Ceylon while India was not recognising Bangla Desh and, therefore, not giving it much-needed military help. Not only that; India has been offering to give Ceylon much more than what it has asked for. Ceylon did not ask the Indian Army to give the Ceylonese army training in anti-guerilla warfare; India has offered it out of its own concern for the safety of Ceylon from its guerillas. Lest repayment difficulties create hardship in the flow of military equipment and personnel, India has in advance cancelled all of Ceylon's debts incurred for its present war purposes!

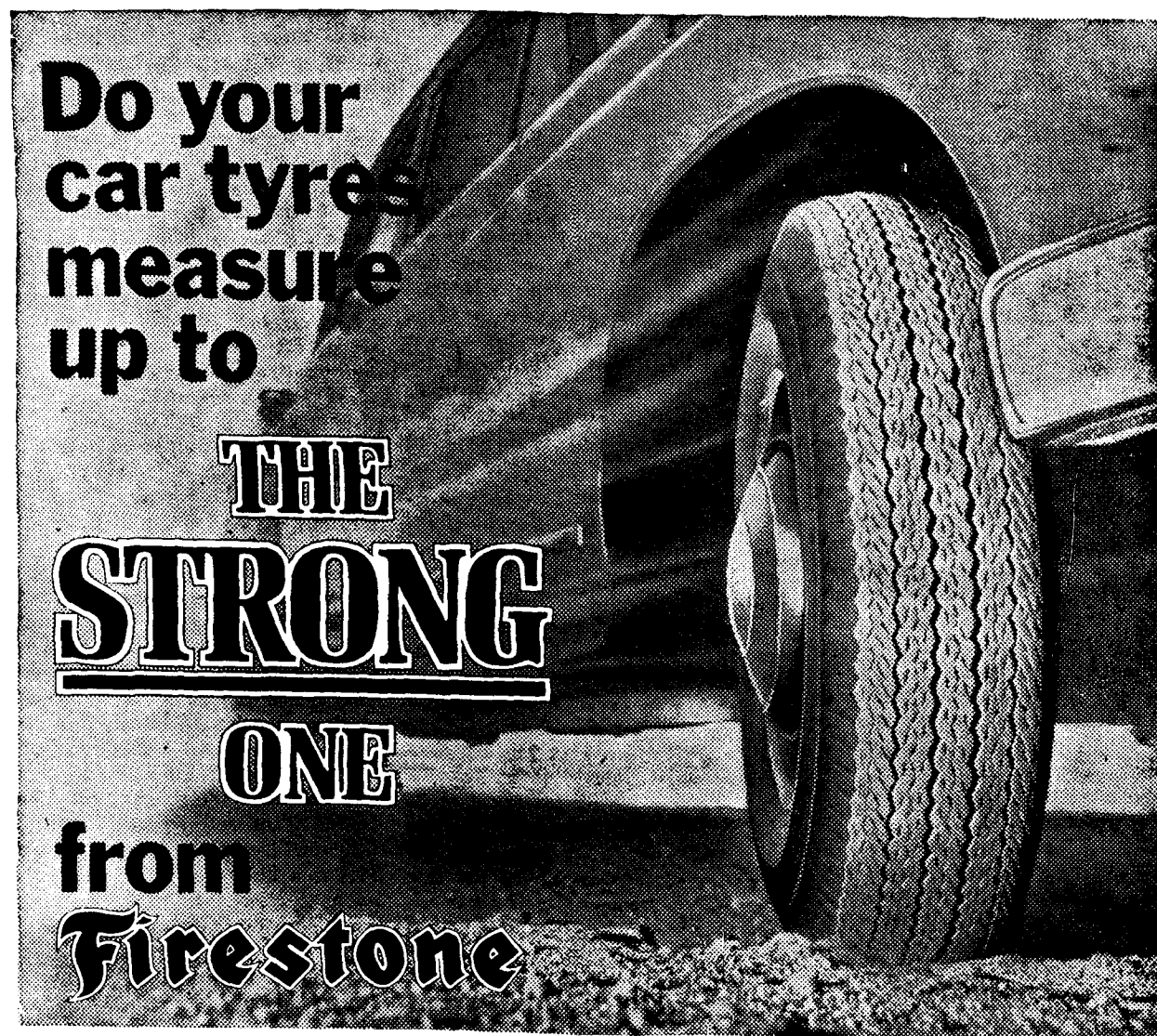
True, the revolt in Bangla Desh and the armed uprising in Ceylon are two very different phenomena. The former encompassed practically the entire people of Bangla Desh; the latter is the work of a single revolutionary organisation. Also, the Bangla Desh revolt is ideologically neutral, the objective being national liberation; the armed challenge of Ceylon was for the installation of an extreme Left regime. It is also true that despite socialistic pretensions, India has never evinced any sympathy for extreme Leftist ideas or programmes; hence India's not expressing support and not extending help to the rebels would be perfectly understandable. But India's rushing to the succour of a brutal military authority thrown off balance by a revolt of unemployed and impoverished rural youth is more than what is usual in normal diplomatic relations. It ought to set a problem for those who genuinely believe Indira to represent — let me get the cliches straight — the progres-

sive, anti-monopoly, national bourgeoisie of India. Actually, her foreign policy line on Ceylon, as much as that on Bangla Desh, supports to the hilt the hypothesis we have set forth several times in the past — that if the monopolists of India had any leader, that was Indira; and that if there was an imperialist masquerading as a socialist, that was again her.

One word of explanation is necessary. By calling Indira Gandhi an imperialist we do not mean that she is wholly an instrument of dollar imperialism. We mean Indira's imperialism in its own right. There is such a thing as an Indian monopoly capitalism, which has imperialist ambitions of its own. True, Indian monopoly capitalism, which at the time of the transfer of power was largely outside the tutelage of the imperialism of the capitalistic powers of the West, has become more and more a part and parcel of the latter's worldwide economic power system. But it would not be correct to say that even now Indian capitalism has no identity of its own and is completely subsidiary to the monopoly capitalism of the Western powers. The entire history of India not getting enough foreign aid for its Plans and repeatedly postponing, scuttling, or revising the Fourth Plan is a history of Indian imperialism trying to assert itself against oppressive domination by Western imperialism.

Yet another manifestation of India's imperialist ambitions has been in the field of Indian exports to certain parts of Asia and Africa — exports of goods as well as exports of capital. In the field of commodity trade, India has been one of the most powerful and persistent advocates of free trade arrangements among S-E Asian countries. This clearly indicates that the Indian industrial magnates have the self-confidence that given a reserved area, protected from competition by the industrially advanced West, Indian capitalism would be able to develop fast at the cost of the incomparably weaker industries of the S-E Asian countries. Of course, Japan has to be contended with.

Another expression of the expansionist ambitions of Indian capitalism lies in India's exports of capital. Our top monopoly houses are setting up plants in countries of East Africa and the Government has been sending, at its own cost, emissaries to various countries of Asia with offers of technical knowhow and industrial collaboration agreements.



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Can it be doubted that India's interest in an independent Bangla Desh is largely motivated by the desire to secure a huge market for India's products and Indian capital? There is, of course, no comparison between the suave and civilised ruling class of India and the brutal and barbaric soldiers in power in Pakistan. All the same, if independent Bangla Desh did come into being under the leadership of the Awami League, there might well have been just a change over from one form of colonial exploitation to another.

However, there had not been any military expressions of India's imperialistic ambitions up till now. Ceylon has provided the occasion. Sirimavo and her comic troupe of Trotskyites and Moscovites will have the unenviable task of justifying their various postures in the future, having soaked their hands in the blood of their own youth with the help of arms supplied in concert by Washington and Moscow, Delhi and

Islamabad. If Sirimavo over-reacted that must have been because of the total lack of experience of the police and army in tackling even ordinary agitations, let alone a well prepared, thoroughly armed, uprising by a youth army of 20,000 or more. But Indira has also over-reacted. Why? Did she see a spectre? Far-sighted as she is, did she see at the southern tip of her empire the huge shadow of a spectre that she fears will make its appearance in the eastern part of the subcontinent? Does she also see the outline of a Vietnam in the Ganges Delta? And has she over-reacted consciously or unconsciously to demonstrate to the would-be guerillas of this area the terrible alacrity and repressiveness with which she will act once the spectre does raise its head anywhere on the Indian soil? Has she been concerned with putting her record straight so that she may also receive similar military assistance from friendly powers once she is challenged the way Sirimavo has been?

SCIENCE

Fundamental Research and Social Relevance

S Ramanan

IN a country of scarce resources, it is but natural that any 'unproductive' activity such as research in pure science should receive at best a condescending sufferance from the public. In fact, but for the awe which science inspires in people, public criticism against expenditure on fundamental research in India would perhaps have been less halting and subdued. It is easy enough to persuade oneself that somehow science in general and basic research in particular are of benefit in the long run, for did not an understanding of the atom result ultimately in the production of nuclear power? But the same lay public when confronted with the fact that keeping track of the pulsars through a radio telescope or studying elementary particles and their behaviour is of hardly any utility in the foreseeable future would want to know why they should subsidise research which is not of proven or even likely utility.

So it is that when the Tata Institute of Fundamental Research celebrated its Silver Jubilee recently, the Prime Min-

ister thought it fit to wonder whether the returns on investment in fundamental research are adequate, whether the research is of social relevance, etc etc. This inability to look upon basic research expenditure primarily as consumption rather than as investment is in part due to the understandable reluctance of scientists to admit it as such. For scientists to pretend that somehow basic research can be of immediate practical application may be of short-term benefit to themselves, but is neither honest nor necessary for survival. Of course, this is not to say that the society does not derive any benefit from basic research. Nevertheless, the fact that funding for pure science cannot be justified on the basis of inputs and outputs has to be faced squarely. The desirability of such expenditure can be established only on cultural grounds. Once the myth of immediate social relevance of basic research is given up, the arguments for its continuance and encouragement can be seen in the right perspective. Chandrasekhar, than whom a more ardent

champion of pure science it is difficult to find, says: "The reason for science cannot be measured in terms of needs, though needs are relevant and important and in many instances shall have the first priority. But to say that human needs have first priority is not to say that the long-range needs of the human spirit can be ignored."¹

At the present time in our country, research in pure science cannot perhaps be accorded high priority. I do not intend to discuss here the need for public support to basic research; the arguments are well known and more or less generally accepted. Suffice it to say that every civilised society has clearly recognised its existence as a necessity, or even an inevitability. One might enter into endless arguments about the percentage of the expenditure on R and D which should be allocated to pure research. Be that as it may, it can hardly be claimed that the present allocation for it in our country is of great budgetary significance. But, whatever the ultimate allocation that is decided upon, the only return the government has a right to expect and indeed a duty to insist on from basic research institutions is research work of high calibre. In the prevailing atmosphere of general ineptitude, however, the very efficiency of certain institutions devoted to basic research in the production of scientists of calibre seems to operate against their survival. In other words, the question arises why the services of many young scientists of stature should not be utilised for 'developmental' activities. So often there is talk of scientists' responsibility to the society, the social relevance of scientific research, and so on.

This seemingly persuasive line of argument is superficial and on analysis will be found to be totally fallacious. For, the fact remains that an efficient research worker, say in theoretical physics, is no better equipped to deal with sociological problems than the next person. As an example, even in the field of scientific administration, Chandrasekhar, though an eminent scientist, considered himself ill-equipped to take on himself the responsibility of the Chairmanship of the Atomic Energy Commission of India. Secondly, scientists have their own value system, which is often not only not identical to that required in activities aimed directly towards national development, but can on occasion even be contrary. Few have a right to insist on a physicist that the problems of the refugees from Bangla Desh are more important

than the structure of space-time. While sociologically this may even be admitted as valid, the value of a physicist to the country lies in his ability to tackle problems of physics and not in his supposed expertise being brought to bear on questions which are scientifically irrelevant. Although, *prima facie*, this looks like putting a premium on 'uselessness', it is only logical that each individual should be allowed and encouraged to work in the field of his efficiency with pride in his work. Such scientists who wish, either due to impulse or due to other compulsions and attractions which operate in any economy, to be of help to the society can and should leave pure science and work where they feel they are being more efficient in operation and satisfied in spirit. The migration of pure scientists to technology is one of the indirect ways in which fundamental research is of benefit to society.

Moreover, it is questionable whether here is any direct relationship at all between specific kinds of fundamental research and the eventual application of the findings in practice, and it seems, in fact, that success in exploiting science for practical purposes does not therefore result from guidance of fundamental research by practical considerations, but from bringing to the attention of potential users whatever may be relevant for them in pure science.² Thus, the case for pure scientific research has to be based on what it has always been, namely, its ability to meet the cultural needs of a scientific society. In other words, pure research is an offshoot, and hardly ever the precursor, of a civilised society.

RESPONSIBILITY FOR HIGHER EDUCATION

On the other hand, in order to stimulate further a climate of scientific inquiry, the scientists' responsibility in the field of higher education is immense. Particularly in our country where the universities are run on bureaucratic lines with all the conservatism that goes with it, the few who are not afraid to be judged by absolute international standards have much to account for. The isolation of many basic research institutions from the scientific and educational system has often been commented upon adversely, sometimes with truth. In order to analyse how this isolation has come about, one must recognise the unfortunate antagonism that has tended to develop between scientists of excellence and departments of the universities. Any scientist recognises that he can keep himself from getting stale only by constant contact with young minds and in fact sees this

contact as necessary for the perpetuation of his 'class'. The institutional rigidity that is usually the inhibiting factor in such contacts is that of the universities. It is in this regard that the UGC which holds the financial strings has to be responsible and responsive to the counsel of scientists. National Centres whose academic excellence has not been questioned, are hardly consulted on any matter of educational policy. As an example of the method of functioning of the UGC, one might cite this observation³ of the Mathematics Reforms Committee, 1966: "Some American mathematicians have also recently held seminars for college and school teachers in our country and this also should contribute to the improvement of the teaching of mathematics in our schools and colleges." There is no effort to identify the needs of the teachers, the kinds of improvement that are aimed at; there is no attempt to justify the implicit assumption that there is a dearth in our country of mathematicians who could more effectively contribute to this improvement than the inevitable foreign expert. The indictment⁴ by Everett M Haffner of the way the Summer Schools are organised in our country should suffice to drive this home. He says that the Summer Institute in which he participated was organised without adequate planning, had poor facilities, etc, that the library was poorly stocked and inaccessible, slide projection was inadequate, experiments were unassembled, the shop was useless, that the work of following up and encouraging the progress of ex-participants had been left undone. Well, then, for whose benefit was the Summer Institute organised?

Finally, it should be understood in governmental circles that at least as far as higher education is concerned, no crash programme can work. It requires dedicated and sustained hard

work over the years and target-spending of huge outlays are not merely unlikely to be of any avail, but may be self-defeating, for this could place in positions of influence men who are neither creative nor aware of the present day scientific needs. In our zeal for progress we ought not to jeopardise future growth by placing wrong men at the helm.

To conclude, this is a plea to let pure scientists of excellence work without the stigma of parasitic irrelevance, without having to be on the defensive for working on the 'frontiers of knowledge' (which, by their very nature, are likely to be inaccessible to the public), in an atmosphere in which the only norm of judgment would be international scientific relevance. The constant talk of social relevance has a way of upsetting absolute standards at the few centres where they prevail. Such returns as the country may derive from institutions devoted to such research need to be recognised as incidental, except in the field of higher education. While the scientist in his efforts to stimulate a scientific environment requires a sympathetic lowering of his sights, the universities and other agencies such as the UGC need to adopt a less bureaucratic attitude, in which scientists of excellence are associated with matters of scientific educational policy.

NOTES

- 1 "The Joy of Pursuing Pure Science", Ben-David, *Indian Express*, April 16, 1971.
- 2 "Fundamental Research and the Universities: Some Comments on International Differences", Organisation for Economic Co-operation and Development, Paris, 1968.
- 3 Report of the Mathematics Reform Committee, University Grants Commission, New Delhi, 1966.
- 4 "An Institute in North Bengal", Everett M Haffner, *Physics Today*, June 1967.

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Wherefore Pessimistic?

Hansavivek

ARVIND MILLS has submitted applications to the Company Law Board for investment of Rs 2.40 crores in the equity capital of the proposed new company 'Arvind Petrochem' and to the Controller of Capital Issues for issue of a capital of Rs 6 crores by the new company. A draft of a contract for supply of ethylene gas has been submitted to Indian Petrochemical whose naphtha cracker plant is expected to start operations by the end of 1973 or in early 1974. This plant will supply the main raw material, ethylene, to Arvind Petrochem's plant for the manufacture of polyethylene. The management therefore wants the setting up of its proposed plant to be synchronised with the setting up of the naphtha cracker plant. Land and other utilities have already been earmarked by the Gujarat Industrial Development Corporation for the plant. Meanwhile, the company is still awaiting the Union Government's approval to the collaboration agreement, entered into with National Distillers and Chemical of the US, which was submitted a long time ago. DGTD has cleared the application for import of capital goods, except in respect of a few machines and instruments available in the country.

As part of the reorganisation and renovation programme, the company incurred capital expenditure of about Rs 56 lakhs in 1970. Despite increases in costs, it turned out better results owing mainly to increased demand for cloth. The directors find it difficult to assess the prospects for the current year. They point out that the rise in the wage bill and the increase in the Bank rate coupled with heavy credit squeeze imposed by banks have created "serious" financial difficulties. They think that, if this situation persists, it may lead to closure of a number of textile mills in the country. The company's earlier application for issue of bonus shares in the proportion 1:3 was turned down by the Controller of Capital Issues under the revised guidelines laid down by Government, whereby permission is not granted for issue of bonus shares more than twice in a period of five years. The company had issued bonus shares in 1966 and 1967. The company has now been granted permis-

sion to issue bonus shares in the same ratio.

GOODLASS NEROLAC PAINTS expects major benefits from increased production next September onwards. Construction of the pigment factory at the new site and expansion of paints production at the Ferguson Road unit are both nearing completion, but full production from this has been delayed by 3 or 4 months due to "unavoidable reasons beyond the company's control". The company's working in the first four months of the current year has shown higher turnover and the chairman envisages satisfactory results, but he has cautioned shareholders that net profit is likely to get reduced because of heavy charges for depreciation and interest on the large capital expenditure on the new factory which will be debited to the 1971 accounts; besides, there will be debits for development rebate though the full benefits of this expenditure will accrue fully from 1972 onwards. F H Kemple also points out that the company has arrived at an agreement with the labour union after prolonged negotiations in respect of various "long outstanding issues and demands." The terms of settlement, he adds, have been "very onerous" and will be a "heavy burden" on the company over the years to come. He hopes that these large increases will maintain industrial peace and will encourage workers to raise productivity. Kemple also points out that the paints industry continued to experience shortages of raw materials and faced soaring prices of indigenously available raw materials. Price of linseed oil and other oils remained at "very high" levels and there were "serious shortages" of glycerine and soda ash. Despite "severe competitive conditions", GNP was able to lift its net turnover by over 15 per cent in 1970, thanks to the agricultural prosperity and improving industrial conditions in the country. The company's exports increased from Rs 10 lakhs to Rs 14 lakhs. The chairman contends that export of paint to developed and underdeveloped countries is a "fiercely competitive" business, as paint is one of the first items that underdeveloped countries take up for manufacture.

SANDVIK ASIA's application for an industrial licence for manufacture of welded stainless steel tubes has been turned down. The company is "actively" considering some other proposal for expansion or diversification. The management is confident of getting the consent of the Controller of Capital Issues for issue of bonus shares, on a one-for-five basis, since the company satisfies the guidelines laid down by Government. The proposed free shares will participate in the dividend from the current year. Nawal S Phatarphekar, chairman, declined to promise maintenance of the 12 per cent distribution on the capital to be so increased, even though last time it was covered 2.77 times by earnings of three-fourths of the year. With a change in the accounting year, the latest results are not strictly comparable with those of the preceding year. But they do nevertheless show substantial improvement. Exports aggregated Rs 16 lakhs, and export orders on hand, as on April 1 last, stood at around Rs 36 lakhs. The current year's export performance is expected to be still better.

ANDHRA BANK achieved good progress in its 47th year ended December 1970. It opened 65 new branches — 46 of them at places where there were no banking facilities before. Deposits increased by over 24 per cent, to Rs 65.05 crores, and advances by about 31 per cent, to Rs 46.27 crores. As at the year-end, advances to agriculture were Rs 9.85 crores, spread over 65,766 agriculturists, advances to small-scale industries aggregated Rs 7.01 crores covering assistance to 883 units. The outstanding to the 'priority sectors', including exports, stood at Rs 18.64 crores — or 40.3 per cent of total advances. Under the lead bank scheme, the bank completed the survey of West Godavari, Srikakulam and Ganjam districts, and conducted a joint survey of Krishna district with Indian Bank. Survey reports in respect of West Godavari and Srikakulam district have been released, and those for the remaining two districts are being finalised. The bank would also be participating in the Small Farmers Development Agency Scheme of the Government of India in Srikakulam district. It is participating in the scheme of financing primary agricultural societies. With the expansion of business, the bank earned a net profit of Rs 9 lakhs against Rs 6 lakhs last year, after providing Rs 6 lakhs (Rs 4 lakhs) for

depreciation. The dividend of 7 per cent requires less than Rs 4 lakhs.

RONEO VICKERS INDIA, manufacturing and marketing a wide range of business systems, postal/insurance franking machines, steel cupboards, shelving and certain other furniture items, has plans to expand production of its existing range of products and to undertake manufacture of some other sophisticated business machines and systems, viz, duplicators, photo-copiers, mail-room equipment, etc. As before, technical knowhow, designs, patents and services will be provided by Roneo of the UK without fee or royalty. To raise part of the additional finance required for its expansion programme, the company is offering to the public two lakh equity shares of Rs 10 each at par. The public issue is fully underwritten and is managed by the Management Consultation Division of the First National City Bank, New Delhi. An amount of Rs 2.50 per share is payable on application, and the balance in two or more calls within a period of one year or more from the date of allotment with a minimum interval of two months between the two calls. A dividend of 10 per cent has been declared for the year ended November 1970. The Directors hope that the company would be able to pay a "reasonable" dividend on the increased capital. Sharad Mangesh Nabar is the chairman and Satya Pal Ahooja managing director. The company is a wholly-owned subsidiary of the UK company. Its present paid-up capital is Rs 29,26,100. Incorporated in 1967 to take over the Indian business of the parent company, it has set up a manufacturing unit at Faridabad, near Delhi. Arrangements are expected to be finalised shortly for another unit. Most raw materials required for the company's products are available in the country. The company has an efficient sales force. Through the network of its own sales offices in principal cities and distributors and stockists, the company is well poised to take advantage of the expanding market for its products.

GUEST, KEEN, WILLIAMS recorded a swift recovery in 1970. This was primarily brought about by sustained demand for the company's products, but the process was considerably aided

by organisational improvements and extensive management development at all levels. The results could have been still better, but for two major setbacks — the closure of the Andul Road works on account of a lock-out for two months at the beginning of the year and the persistent shortage of steel and certain other materials. The company's liquidity position showed a vast improvement. On January 1 last, the outstanding balance of 6.5 per cent debenture stocks 1966-71 amounting to Rs 1.19 crores was repaid on maturity. Cash and bank balances, after repayment of this loan and ignoring unclaimed amounts still lying in the debenture redemption and various dividend and debenture interest accounts, totalled Rs 4.21 crores. Cash not required for immediate business was invested on short-term deposits with banks and fetched a considerable amount of interest. Capital expenditure on replacement and balancing equipment amounted to Rs 46 lakhs. Exports of the company's products were only a shade better at Rs 77 lakhs, as export efforts were retarded by the continuing steel shortage.

The Week's Companies

(Rs in lakhs)

	Arvind Mills		Goodlass Nerolac		Sandvik Asia		GKW	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70*	Last Year 31-3-70	Latest Year 2-1-71	Last Year 3-1-70
Paid-up capital	171	171	90	90	110	110	632	632
Reserves	490	363	107	96	120	97	1288	1058
Borrowings	202	235	93	49	265	239	641	779
of which Term borrowings	36	42	—	—	—	—	327	458
Gross fixed assets	871	820	115	107	312	316	2461	2434
Net fixed assets	437	338	101	68	147	171	1364	1440
Investments	52	55	—	—	—	—	36	44
Current liabilities	263	333	116	106	158	138	1185	546
Current assets	634	706	305	274	507	414	2329	1506
Stocks	257	245	122	105	250	225	1134	819
Book debts	203	393	169	154	241	170	706	613
Net sales	900	815	580	503	431	480	4259	3203
Other income	30	30	—	—	2	2	86	75
Raw material costs	294	269	337	272	177	194	2310	1448
Wages	199	170	74	64	51	57	723	701
Interest	19	21	6	4	17	21	50	76
Gross profit(+)/loss(-)	191	149	60	52	111	95	834	288
Depreciation provision	42	47	5	5	23	26	122	128
Tax provision	71	44	33	26	51	42	466	103
Net profit(+)/loss(-)	78	58	22	21	37	27	246	57
Development rebate provision	7	15	1	—	1	4	3	32
Transfer to reserves	34	6	11	10	13	10	165	27
Dividend								
Amount	E 36 P 1	E 36 P 1	11	11	13	13	101	51
Rate (per cent)	E 24 P 5&4.5	E 24 P 5&4.5	12	12	16	12	16	8
Cover (times)	1.94	1.17	2.00	1.91	2.77	1.77	2.46	1.02
Ratios (per cent)								
Gross profit/sales	21.22	18.28	10.34	10.34	25.73	19.79	19.34	9.00
Net profit/capital employed	9.03	7.54	7.58	8.93	7.47	6.05	9.61	2.31
Inventories/sales	28.55	30.06	21.03	20.87	58.00	35.42	26.62	25.57
Wages/sales	21.55	20.86	12.75	12.72	11.83	10.87	16.98	21.88

* 9 months

FROM OUR CORRESPONDENTS

Industrial Labour: A Privileged Class?

Bagaram Tulpule

ANY meaningful dialogue with organised labour on the premise that industrial workers in the country are a privileged group, can hardly even begin. This premise is not new, of course; industrialists in the country have been repeating it for years, obviously for their own purposes. But that the Prime Minister should have subscribed to it, as she did in her inaugural address to the trade union leaders' conference convened by the Labour Minister in New Delhi last week, is unfortunate. The dire poverty in which vast numbers of people in our country have to live does not make those who are only slightly less poor, a privileged group. The industrial workers' wages are still below the need-based minimum norm; their housing conditions are appalling; their social status is low; opportunities for education and advancement are absent; their real wage has been more or less stagnant over the past two decades; they have not got any share in the rise in labour productivity that has taken place during that period. What is more, even the burden of the unemployed is carried in a large measure by the employed workers since the unemployed belong to workers' families. The PM seemed to be unaware of all these widely acknowledged facts when she declared that "in our country, to be employed is itself a privilege". It is not surprising that what she described as "a frank dialogue" with labour but which turned out to be a peroration, did not make the desired impression on the trade union leaders who had been invited to the Conference.

WIDE GAP

There is a wide gap in the approaches of the Government and the trade unions to the question of industrial peace. This gap had been brought into focus in the declaration put out the day before the Conference by a meeting of most of the trade union organisations which had been invited for the Conference. The document circulated by the Government as well as the speeches of the PM and the Labour Minister, viewed a faster rate of economic growth as the absolute imperative and therefore wanted the trade unions "to assist, by all means in their

power, in fulfilling the objectives which underly Government's plans and programmes". The trade unions, on the other hand, are not willing to accept without question the "Government's plans and programmes" even if they are equally concerned about economic growth. They are concerned, as their declaration asserts, with the totality of the socio-economic policies of the Government which they consider to be anti-labour. They want an effective voice for organised labour in shaping these policies and the priorities underlying them. They feel that the present policies will not end the predominance of big business in the economy and politics of the country. They want a significantly different role and status for workers from the present, cog-in-the-wheel status, both in industry and in society. They want a higher priority for the basic claims of workers such as rising real wages, better housing, freer collective bargaining rights. They view the whole question of industrial strife in this wider context and not merely as a matter of procedure for solving specific industrial disputes. They do not accept "strife-free growth" as the absolute imperative because past experience has convinced them that a higher growth rate is by itself no guarantee of higher employment or better standards for workers in the absence of the correct socio-economic policies and measures. Neither the PM nor the Labour Minister showed any awareness of this wider context of trade union thinking.

Almost the only point of the PM's address was that industrial strife adversely affected the rate of economic growth and thereby hurt the interests of workers and other poorer sections of the society. She sought to lend an edge to this point by stressing that the problem of unemployment could not be tackled without a high growth rate. This line was unlikely to impress trade unions much since in their everyday experience they see enormous loss of industrial production through causes which the PM herself mentioned in her speech: shortages of materials, administrative delays, mis-deployment of resources, bad management and adverse

market conditions, not to speak of wilful restrictions on output by industrialists, much of which could be avoided by proper planning, administration and management. As against this, even an extra crore of man-days lost through strikes would correspond to a production loss of the order of about Rs 25 crores a year, hardly enough to make a significant impact on the growth rate or on the unemployment situation.

SPECIFIC PROBLEMS

The Labour Ministry's document as well as the Minister's speech raised some specific problems in industrial relations such as recognition of unions, procedure of settling disputes, wage-productivity linking, and so on. Most of these have been under debate for many years and if nothing concrete has been done about them, it is because the Government lacked the will to do anything. The differences among different trade unions on some of these subjects are well known, but they need not have deterred the Government from deciding on and implementing some purposeful policy. In the present Conference too, the Government failed to show such will. On the other hand, the labour representatives asked with near-unanimity that the Government should minimise its part in labour-management relations and leave the parties themselves to sort out their differences. Even on the question of union recognition, there was a new inclination among the unions to find out a solution on their own rather than ask the Government to provide a solution. If the Minister was serious when he said that "disputes are best settled between the parties through mutual discussion and negotiation", he should have no hesitation in agreeing to let unions and employers find solutions to their disputes even if that may mean occasional conflict, for, even with the intervention of the Government, conflict still occurs on a wide scale. Indeed, this may be the most crucial issue in the whole controversy over industrial relations: is the Government willing to give up its role of arbiter in industrial disputes? Judging from the reluctance of the Government even to accept the National Labour Commission's recommendations about the Industrial Relations Commissions, this will call for a radical change in official attitude. If the Government is not prepared for such a change, it cannot blame the trade unions for the state of labour-

management relations, for it is now generally recognised that the Government has taken upon itself far greater responsibilities in this field than it can possibly discharge effectively.

SIGNIFICANT DEVELOPMENTS

To say this is not to plead for a return to the law of the jungle as is sometimes made out. In fact there is reason to believe that once trade unions and employers are made responsible for solving their mutual disputes and the props of Government intervention are no longer available to them, they will learn to think and behave differently and more constructively than at present. This may be expected to reduce rather than aggravate conflict.

Thus while the trade union leaders' confrontation with the Government cannot be said to have produced anything worthwhile, far more significant developments are taking place within the trade union movement itself. For some time now, there have been indications that the major central trade union organisations have been feeling increasingly frustrated at their own ineffectiveness both at the national and the unit levels. They also seem to have realised, slowly and painfully, that they had themselves to thank for this ineffectiveness. Their mutual rivalries and their inability to put up even a semblance of a common front before the employers and the Government had reached the point of *reductio ad absurdum*.

Informal contacts between the INTUC and the HMS and between the AITUC and the HMS had been separately established some time earlier, though it had not been possible for all three to sit together to examine their mutual relations. But even these factional contacts had revealed significant changes in attitudes all round. The Conference of trade unions leaders convened by the Labour Minister seems to have acted as a challenge to the organisations to do something to put the trade union movement in better order.

The meeting of representatives of all trade union organisations convened jointly by AITUC and HMS a day prior to the Minister's Conference was a beginning in this new endeavour. Even the INTUC officially sent its observer to this meeting — something that would be inconceivable a year earlier. The meeting produced a unanimous declaration not only setting out the trade union stand on a broad range

of issues but also asserting the participant organisations' determination to strive for securing increasingly united thinking and action by the trade union movement. The meeting also set up a three-man convening committee to keep up the contacts and consultation within the movement.

Between the INTUC and HMS, a liaison body is in the process of being set up with a view to achieving greater understanding among them. The INTUC, indeed, seems to have shown readiness to go more than half-way in this process. Both in the matter of contacts with non-INTUC organisations as also on highly controversial and emotional issues like the procedure for union recognition and freedom to

strike, the INTUC seems to be far more tolerant to dissenting views and willing to explore ways of reconciling such views. This change opens the way for a far-reaching compact if not actual unification between the INTUC and the HMS in the first instance and over a much wider field in the not too distant future.

This may sound optimistic and there are, no doubt, a whole lot of problems to be solved and impediments to be overcome. But to those familiar with the bitterness of inter-union rivalries, the change that has already taken place is little short of striking. Never in the past 25 years did the prospect of reintegration of the trade union movement appear so bright.

Slow Strangulation of Railways

(From a Special Correspondent)

THE Indian Railways, as Table 1 shows, continue their steady progress in financial stagnation and inefficiency.

True to other precedents, Railways Minister Hanumanthaiya finds everyone else to blame but the Railways. Even the British, nearly 24 years after Independence. "The British inflicted the multi-gauge system on India, though in their own country, they strictly adhered to a uni-gauge system." The other excuses sought by the Railways Minister are no less far-fetched.

Two main reasons are given for the poor performance of the Railways: the growth of low-rated traffic and the failure of rates to rise with costs.

Coal, foodgrains, fodder, charcoal, firewood, salt and ores, are termed 'low-rated'; the loss on these is placed at Rs 52 crores (*vide* p 26, Supplement to the Explanatory Memorandum on the Railway Budget for 1971-72). "In 1969-70 this group of commodities accounted for about 73 per cent of the total revenue-earning tonnage but contributed only 53 per cent of earnings from goods carried."

Yet how was this estimate of Rs 52 crores arrived at? A mere comparison of average earnings, as stated by Hanumanthaiya, is misleading as the cost of carrying the commodities would vary from commodity to commodity. Unless different categories of traffic are costed separately, it is not possible to accept the Railway Minister's measurement of the loss on such traffic. As for passengers, even "lights, fans and other electrical fittings"

are termed "amenities provided" (para 45 of Hanumanthaiya's statement). Would the Railway Board propose removal of lights as a measure of economy?

The total loss due to 'social burdens' (a bureaucratic contribution to our welfare terminology) thus totted up at Rs 120 crores — Rs 52 crores on low-rated freight, Rs 59 crores on suburban and non-suburban passengers, Rs 8 crores on unremunerative branch lines, and Rs 1 crore on export freight etc (*vide*, p 26, Supplement). Since in 1969-70 (to which these figures apply), the net shortfall (after dividend to revenue at 5.5 per cent) was Rs 9.83 crores, it is evident that Rs 111.17 crores were charged 'excess' on all other traffic; but, of course, the Railway Board has never referred to this excess charge on the other traffic. Moreover, it is evident that some 'costs', like the expenditure on passenger amenities, are being passed off as losses although users of railways pay for almost 90 per cent of these 'costs'. It is time the Railways made a more convincing case for their performance.

The Railways believe that all increases in costs, from a base date selected by themselves, must be returned to them via higher prices. Between 1963-64 and 1969-70, costs have risen and "their cumulative effect has pushed up the weighted index of cost of operation by 60 per cent ... All the increases we have effected during this period in passenger fares and in freight rates have been 19.6 per cent and 22.7 per cent, respectively."

	Actuals 1969-70	Approximates 1970-71	Budget Estimates 1971-72
Gross traffic receipts	951.28	1001.93	1070.25
Ordinary revenue working expenses (net) i.e., after taking credit for recoveries	684.94	730.41	765.44
Appropriation to depreciation reserve fund from revenue	95.00	100.00	105.00
Appropriation to pension fund	10.00	15.00	15.00
Net miscellaneous expenditure (including cost of works charged to revenue)	14.78	14.59	17.91
Total	804.72	860.00	903.35
Net railway revenue	146.56	141.93	166.90
Dividend to general revenues	156.39	165.81	173.77
Net surplus (+)/shortfall (—)	—9.83	—23.88	—6.87
Operating ratio (per cent)	83.0	84.4	82.7

TABLE 2: COMPARATIVE EFFICIENCY OF THE NINE DIVISIONS

	Capital at Charge (Rs crores)	Operating Ratio (Per Cent)	Net Revenue to Capital at Charge (Per Cent)	Surplus/ Shortfall (Rs crores)
Central	450.84	75.4	8.1	12.63
Eastern	453.78	86.8	3.7	—8.45
Northern	465.51	84.3	5.0	—0.61
North-eastern	111.38	99.1	—0.2	—6.49
North-east Frontier	204.84	137.4	—7.3	—17.96
Southern	336.38	97.4	0.5	—15.28
South Central	208.40	78.1	9.4	8.06
South-eastern	677.67	69.2	8.0	19.70
Western	385.20	75.8	9.9	18.16
Total	3472.69	82.7	4.8	—6.87

Source: Supplement, Appendix 11, pp 18-25.

But need every increase in cost be compensated automatically by a rise in prices? What about efficiency? The average efficiency of the Railways, despite their increasing operations yielding possibilities for economies of scale has increased by a simple average of 2 per cent per year (*vide*, p 68, 'A Review of the Performance of the Indian Government Railways'). The number of locomotives used per 1 mn tonne-km freight traffic have remained constant at 20 since 1960-61 (p 53, Review); engine-km per engine-day on line improved from 154 in 1969-70 to 157 in 1970-71 (p 51, Review); and wagon-km per wagon-day actually declined from 75.6 in 1969-70 to 72.3 in 1970-71 (p 55, Review). At the same time, traffic density per route-km per annum has more than doubled from 1.50 mn net tonne-kms in 1950-51 to 3.65 mn net tonne-kms in 1969-70.

An area that also reflects poorly on

the railways is their investment decisions. Hanumanthaiya justifies dieselisation and electrification on grounds of traffic density. Yet these decisions were based on an average 'estimated' return of 6.5-7.5 per cent only, without any reference to the foreign exchange cost of diesel — which, incidentally, will rise further now. Moreover, dieselisation and electrification were undertaken in places where the cost of coal was the cheapest! Hanumanthaiya refers to extensive losses — and immobilisation of traffic — through theft of overhead cables; could this justify electrification? It is not surprising that the Railways have never given figures of the 'actual' return on dieselisation and electrification.

Moreover, there is internal evidence that the efficiency of the railways is considerably uneven, as Table 2 shows. Clearly, of the nine divisions, five are loss-making, and there is need for a

closer examination of their working.

But the temptation to take the easy course of increasing fares and freight rates to cover the deficit, was too great. Thus the main recourse has been to re-classify items — particularly coal, steel, salt, iron ore, gypsum, cement, and urea — putting them into the higher freight categories. Similarly, selective, *ad hoc* increases in fares have been made. Suburban traffic which is loss-making has been spared; thus incidentally 'subsidising' urban congestion. The actual impositions — an average of 3 per cent on earnings — would be sufficient to cover more than the whole deficit were it not for the delayed budget. The shortfall of Rs 6.87 crores this year arises only because the increase will be available only for nine months.

After all this, Hanumanthaiya's statement that "The efforts I propose to make along with the railwaymen of all classes from the Chairman, Railway Board, to the last gangman, to effect economy and improve efficiency will be directed to wipe out this deficit", rings false. What is lacking in the whole exercise and is necessary as a real corrective to make the Railways an efficient expanding organisation, is a long-term perspective. But forecasts of traffic for 1969-70 and 1970-71 have been proved wrong — 207.9 mn tonnes actual in 1969-70 against 212.35 mn tonnes forecast, and 199 mn tonnes actual in 1970-71 against 224.6 mn tonnes plan estimate and 217 mn tonnes revised forecast for that year. Was perhaps the Railway Board deliberately overstating to obtain larger allocations from the planners?

It is part of this lack of convincing, long-term perspective and capability that the Railways are now having to prune their Plan outlay. Their Plan outlay for 1971-72 has been reduced from Rs 308 crores to Rs 280 crores, and their overall five-year Plan outlay has been reduced from Rs 1,525 crores to Rs 1,275 crores. This, of course, is long-term pauperisation, not long-term solution.

It is evident that Railway Ministers have had little grasp or control over the Railways' working. They make the speeches and present the economy drives handed to them by the Railway Board. Increasingly, there is a demand for new blood in the Railways at a policy-making level and for a complete overhaul of the railway's management system. Unless there is a politically strong Railway Minister capable of seeing through such reorganisation, we may be witnessing the slow strangulation of our railway arteries.

SOUTH

Quiet Karnataka

Mohit Sen

ONE who wants quick change at a deep fit of the blues if he goes to Bangalore. Not only is the climate pleasant but there is an air of contentment about the place which can be quite convincing for those who are of the resigned. And, for once, appearances are not exactly deceptive. Change there has been but not of the jolting kind. At the moment there is Presidential rule in the State and Governor Narayana Vira goes about claiming that he will solve the problem of Bangalore's people. People do not really bother to believe or disbelieve him. Nor do they particularly care when his autocracy is to place Congress rule of a more kind.

What is the reason for this quiet? Is it the length that it has lasted? It is possible to get a straight and simple answer especially as this is, perhaps, the best studied of all the States of our country.

One is of the view that due to the isolation of outlying Kannada-speaking areas with the erstwhile Mysore State a self-equilibrium has been established between the two dominant castes — the Lingayats and the Vokkaligas. While this explains the way for sudden shifts and changes at the Ministerial level, it does not explain the real power undisturbed by the existence of these two powerfully matched caste blocs leads to a constellation of forces behind that precludes the appearance of political formations that desire a change in the status quo. The idea is that Karnataka a peculiar kind of two-system has operated, though large enough the Congress for all these somewhat on the lines of the Democratic and Republican parties in the

State is an attractive hypothesis and are quite a few elements in it that could have to take into account if one is attempting to understand or to put the regularities of political developments in this State. But the hypothesis really raises more questions than answers. For instance, why is it that there is this kind of equilibrium among the dominant castes? And if there is an equilibrium how is it possible for it to attract a mass following throughout the State, a following which is confined to their own caste ranks? Is the equilibrium hypothesis it-

self true?

To answer the last question first. The manner in which the Congress headed by the Prime Minister was able to sweep aside the Syndicate in the Lok Sabha polls shows that the equilibrium could not stand up to the pressure of the all-India swing away from the Right and towards the Centre-Left. It has, of course, been suggested that the Lingayats tended to cluster around the Syndicate and the Vokkaligas around the Congress, that the division of the Congress was largely along caste lines and that the swing of the pendulum has now benefited one of the contending factions.

ARTICULATION THROUGH LINKAGES

This is far too facile an explanation. The kind of swing that was brought about and the utter rout of the Syndicate in one of its strongholds with the State Government machinery in its hands can by no means be ascribed to casteism. It was the result of a response to a political call and a political challenge as elsewhere in the country. It was a response that cut across both caste configurations as well as old political loyalties and indicated that when important and significant issues supervene, the old moorings do not hold and old explanations no longer explain. As matters stand, it is true that in terms of social composition there is little to choose between the Syndicate and the Congress in Karnataka. The political forces seeking change have, therefore, to articulate themselves through linkages, i.e., connect with the national mainstream through that organisation which is the representative of that mainstream, no matter how unsuitable a representative.

That the people did make a conscious choice was nowhere more evident than in Bangalore itself where Hanumanthaiya faced a powerful Jan Sangh candidate — a poet of considerable standing and a man of some reputation. And there was, besides, a Communist candidate, M S Krishnan, with a powerful trade union base. The Congress candidate does not have the best of reputations, least of all in the sphere of progressive politics — his house in millionaire's row in Sadasivnagar is typical of his position. Yet when it was felt that the Jan Sangh candidate did have some chance of winning, there was a mass swing behind Hanumanthaiya which cut across

all caste and other alignments and which swept him to success.

While taking account of the undoubted influence of the caste factor, it would be better to employ the historical method to begin with. Karnataka's quiet is, surely, linked to the fact that Mysore State as a whole had scarcely been in the forefront of the national struggle. There had, of course, been struggles and outbreaks but they were comparatively insignificant as compared to what was happening in Madras or Maharashtra or Travancore-Cochin or Hyderabad. The soil had not been turned up to any significant extent during the decades when the freedom struggle acquired mass dimensions.

Additionally, one has to reckon with the fact that the nationality-consciousness was also quite weak. Parenthetically, a generalisation can be hazarded that the national movement was weak or strong *pari passu* with the weakness or strength of the nationality awakening. Nothing at all resembling the movements for Aikyakeralam and Visalaandhra existed in the Mysore State which expanded into Karnataka as a byproduct of movements in other States. Not that chauvinist movements cannot catch on here. They well can as the reaction to Belgaum's future and the question of river waters has clearly shown.

But, after all, even these superstructural factors themselves need to be explained, though they are of far greater relevance, not only as hints for study but as guides for action. And here one comes across the snag that studies which would be to the point are lacking. One has to fall back on impressions but these are the impressions of those who have worked long in the field and who have been closely associated with the struggles of the workers and peasants. While there is the Maharaja with his enormous properties — including a 500-acre palace estate right in the middle of Bangalore itself; there is also quite a large layer of petty commodity producers whose orientation to the market has not yet induced significant differentiation. And the bulk of industrial investment has been made by the Centre, though there are some other industries. Neither the savings rate has had to be pushed up nor is there the repatriation of surpluses to any considerable degree. Class tensions have tended to be muted, therefore.

However, this situation is not likely to last. Unemployment, particularly of skilled students, will possibly trigger off the resistance that will end Karnataka's quiet.

GUJARAT

Leadership Crisis

WITH the passage of President's rule, the yam-berry drama, with unprincipled MLAs of all parties crossing and re-crossing the assembly floor, has ended. This is perhaps the first time when the substitution of President's rule for rule by democratically elected parties has not been welcomed by anybody. The public in general has heartily welcomed it for it has at last put an end to political instability and rampant opportunism on the part of their elected representatives. Only the MLAs are unanimous in lamenting the imposition of President's rule because it has deprived them of further opportunities to profit by selling and re-selling their loyalties.

The downfall of Hitenra Desai is surely not due to any unpopular policy measures or failure to provide a clean and efficient administration. In toppling his government nobody has made any gains, not even the party responsible for it — the Congress(R) led by Chimanbhai Patel. All parties have been responsible for turning Gujarat, one of the two or three stable, well-administered States in the country, into a hot-bed of political opportunism and intrigue. The political climate in the State has been so vitiated by scandal that even after the 1972 elections one wonders whether any party, whatever its majority, can rule the State with stability.

A CHANCE FOR THE SOCIALISTS

The State can look forward to stable administration only if a wholly new crop of people seek election in 1972. Most of the outgoing MLAs of the major parties — Congress(R), Congress(O) and Swatantra — have defected at least once, or were on their toes ready to defect depending on which side was winning. The Leftist parties, even the mild PSP and SSP, have been so far wholly irrelevant in Gujarat. But if they have any residue of political dynamism, this is an opportunity that they cannot afford to miss. Compared to any of the other parties they have a clean slate. They could make considerable political capital out of the tarnished image of the two Congress parties and the Swatantra. (The latter has dwindled to one-third of its strength

in just two years.) And, after all, Gujarat has industrialised rapidly over the last decade. The significant increase in the working class population as well as low-income white-collar workers provides considerable basis for the Leftist parties to make an effective beginning in Gujarat politics.

Indira Gandhi's socialist programme did have an impact on the petty bourgeoisie of Gujarat, as the mid-term elections showed. But Indira's party-men in Gujarat have moved themselves ineffectively, unscrupulously, and without any leader of any public standing. Most of them are defectors who joined her camp for power and office; their thinking, if any, is diametrically opposed to her policies. So with a similar programme, the younger Leftists could make a better appeal in the State.

MORARJI, A LIABILITY

Hitenra Desai's party has a future only if it is able to get out of the clutches of old Morarji's leadership and his Congress(O) party. Morarji is a spent force, his politics is now wholly negative, and his party has no future at the national level. For the nation, as well as for Gujarat, Congress(O) is politically irrelevant. The fact that just before its downfall many influential members of the Hitenra Government were pleading for merger with Congress(R) showed that they wanted to find a way to separate their identity from that of a party which was just a heap of dead-wood.

Historically, the only reason that made Hitenra's party opt for the Nijalokappa faction at the time of the split in the Congress was that at the centre of the controversy that led to the split was Morarji, a Gujarati. Gujarat Congressmen rallied behind him because he was their man, and his dismissal from the Central Government was an affront to them. Carried away by sentiment, they failed to see the wind of change in national politics. If at that time Hitenra Desai had shown independent leadership, he would not have met this fate. He still has time to get rid of the Congress(O) millstone around his neck, for without this association many of his party-men are still respected by a sizeable section of the public

because of their integrity and record of administration before they faced the hordes of 'topplers'.

But for their unimaginative national leaders, Congress(O) and Swatantra would have maintained their position in Gujarat. Both lost because of the "grand alliance strategy" of the Morarji-Masani group. Because of this alliance idea, Masani thwarted his Gujarat unit's efforts to seize power. This led to the ouster of the C C Desai group, the most dynamic element in the Gujarat Swatantra party. It was the alliance policy which, again, led to large-scale defections from Hitenra Desai's party to Congress(R). And out of the ruins wrought by the alliance strategy, the Congress(R) rapidly increased its strength.

NOT SMOOTH SAILING

As far as Indira's party is concerned, whatever its present strength, the coming elections are not going to be smooth sailing. It installed Chimanbhai Patel as the party leader only because he could line up a number of MLAs behind him. Besides manoeuvring defections, Chimanbhai Patel has done nothing to boast about. Surely, the Congress(R) High Command does not want to offer the chief ministership of Gujarat to one whose only expertise lies in buying loyalties by any means. Besides, now that he has failed to form an alternative government, his leadership cannot pose a serious challenge to that of Ghia, his predecessor as party leader, who wanted to be cautious in accepting defections. The organisational wing of the party is under the control of the Ghia-Adani group. In fact, it is said, it was the warning sounded by the Ghia group about the dangers of forming an alternative government with the support of unprincipled defectors that persuaded the High Command to check Chimanbhai's efforts to form a government and opt for President's rule.

Having been busy all the time with courting defectors, Congress(R) has failed to build any organisation in the State. In many districts and talukas it has no organisation at all to fight an election. And it is in this area that the party will need to fall back on old stalwarts like Jivraj Mehta, Rasiklal Parikh, Jaswant Mehta, Ratubhai Adani, and others. But none of these leaders is going to work under an upstart like Chimanbhai Patel.

Lobbies and Pressure Groups in New Delhi

Dipak B R Chaudhuri

LOBBYING is an integral and often constructive part of the legislative process, both as a source of information for legislatures in the enactment of sound laws and as an outlet for the aims and desires of special interest groups. In the language of contemporary political science, it is the activity of representing the cause of an interest group in the political system. But much too often the systematic and well-planned operation of large pressure groups prevents rather than encourages the balanced compromises that are the goal of a democratic system.

Interest groups try to justify their private interests in terms of public principles. But in fact they work as rivals in a contest for advantage over other groups rather than as petitioners who want their claims to a public interest considered. The objective of pressure groups is to influence public policy in some desired direction. The techniques employed to promote that objective are varied: gaining access to and influence in the centres where governmental decisions are made, developing favourable attitudes among the public at large or influencing the nomination and election of favourably disposed candidates. As a result of their function of interest representation, interest groups play an important role in generating support for the political system. Whenever persons are able to influence political decisions or think they are able to influence them they are likely to give support to the political system.

PRESSURE GROUPS

While political parties are broadbased groups able to appeal to a fairly wide range of interests and philosophies, pressure groups' memberships are generally limited to those who share a common affiliation and interest or subscribe to a specific position on a particular issue. Lobbies and pressure groups seek to influence government while political parties seek to organise and control it.

Major pressure groups can be classified in the following categories: economic interest groups, e.g. Farmers' Parliamentary Forum, Fertiliser Association, Concord (of princes), FICCI; ideological interest groups, e.g. prohibition lobby, anti-cow slaughter lobby; economic

ideology interest groups, e.g. Forum of Free Enterprise (Nehru once described the Swatantra Party as a political projection of this Forum); minority interest groups, e.g. Depressed Classes League, 'Save Aligarh University' group; formal governmental organisations, e.g. State liaison set-ups in Delhi; foreign interest groups, e.g. Friends of Taiwan or Israel, Indo-GDR Society, etc.

The majority of our citizens pay more taxes and higher prices than they should because of the special privileges and concessions arranged by lobbyists for wealthy individuals, powerful corporations, rich farmers and so on. Both well-developed and emerging lobbies are like an iceberg with only their tips being visible. During the 11th session (August 1970), the fourth Lok Sabha approved certain measures including the Patents Bill and the Constitution Amendment Bill for the abolition of privy purses and privileges. The long drawn-out legislative efforts regarding patents ever since the early fifties, at the various inquiry, select committee and house stages, make up a history of intense pressures exerted by a number of lobbies, particularly the foreign drugs lobby, which can claim the dubious credit for managing the dissolution of the third Lok Sabha a month ahead of schedule. It is also well known how the Concord of princes tried to influence the voting on the Constitution Amendment Bill in both houses of parliament. These lobbies start their work, not at the voting stage in parliament, but at the drafting and select committee levels. A perusal of the agenda papers of various advisory and consultative committees also exposes the hand of industry and other interests in these committees. (The split in the Congress Party would be better understood if the activities of groups like the 'liquid ammonia lobby' were more closely examined.)

In lobbying parlance, those who represent these private interests are commonly referred to as profit or *status quo* lobbyists. The definition usually fits, since their legislative interests, when the verbiage is stripped away, usually boil down to the protection of profits or private property. Some of those who invoke the rallying cry of the greatest good for the greatest number may be referred to as non-profit lobbyists or sometimes as

pro bono publico lobbyists. The prohibition lobby maintained by the Government (instead of bootleggers) may, depending on one's views, be described as a *pro bono publico* lobby, as also may be the Congress Forum for Socialist Action.

Among the earliest organised lobbies in New Delhi, besides the various organisations of the scheduled communities, are farmers' lobbies and those of fertiliser interests. Of course, this excludes the lobbies maintained by the big powers and other foreign political agencies. An oral history of interviews with former MPs, ministers and civil servants would provide a rich historical background to the better organised lobbies of today.

It is quite well known that several big business houses maintain their friends in the legislatures and the secretariat. Quite frequently the interests of these business houses clash and neutralise each other. But besides lobbying for individual businessman or houses, certain common commercial interest groups work together. In recent years the cement and sugar industries have exhibited consolidated and well-planned lobby work. The defeat of Tripathy and the success of the SVD in UP in 1970 can, to some degree, be explained in terms of the organised strength of the sugar lobby in UP. The cement industry secured decontrol and many politicians and political groups benefited from it at the time, but lost the initiative when Indira Gandhi became Prime Minister.

SUGAR FOR SOME

The largest and costliest lobbying campaign so far conducted was by the Indian Sugar Mills Association (ISMA), mainly in the interest of its Bihar and Uttar Pradesh membership. ISMA commissioned a public relations agency for grass-roots and high-level lobbying against the proposal to nationalise sugar mills in these two States. Before presenting the case against nationalisation of the industry they prepared a booklet presenting the faces of the giant demon known as the 'public sector'. The well-produced booklet (though the identity of the printer was not disclosed as required by law) attacked the Prime Minister. This and some other booklets in English, Hindi and other languages were mailed to legislators, newsmen and civil servants all over India. The Sugar Mills Association secured the active assistance of a top leader of INTUC in its high-level liaison work. Major newspapers were

also patronised. The ISMA campaign was modelled on the British sugar industry's earlier campaign nicknamed 'Mr Cube's Campaign' among public relations circles.

Several advertising agencies have also started special public relations departments for liaison and lobby work in the capital. Many big foreign firms have shifted their public relations headquarters from Calcutta and Bombay to New Delhi; some have renamed them 'Public Affairs Divisions'. Most of these foreign and Indian private sector agencies look for ex-communists to head these liaison and lobbying units.

The Central Bureau of Investigation, it is understood, has already prepared a list of the notorious liaison men of

business houses working in the economic ministries and elsewhere. The Central Intelligence Bureau study on foreign money has also revealed the operations of lobbies and pressure groups working within the country on behalf of great and smaller powers.

Political scientists and specially the Indian Council of Social Sciences Research should initiate systematic studies of these pressure groups, but the primary responsibility for keeping a watch on secret and open parliamentary pressure groups will remain with press correspondents and official investigation agencies. Meanwhile, parliament should enact a measure for the compulsory registration of all lobbyists and their lobbying expenses.

BONN

Dollar versus Deutschmark

Aswini K Ray

THE West Germans must be thanking their stars that they lost the two World Wars: the first deprived them of the colonies that cushioned so many inefficient enterprises in England and France, a fact that is now coming home to roost; the second, spared them of playing the role of 'policeman' of the 'Free World', which could just as well have been their fate. Stripped of some of the inherent liabilities of the system, but equipped with all its economic assets — like the technological and managerial achievements of late capitalism and the exacting demands of a competitive market seasoning its enterprises — West Germany today is in the process of emerging as the leader of the capitalist world. And, perhaps indicative of the nature of capitalism in the second half of the twentieth century, a socialist Germany mid-way the birth of the new era. In its ruthless judgment, history has spared no heroes and victimised no vanquished.

For the second time in two years, the Deutschmark has won its battle against the Dollar. This time the Dollar did not even give a semblance of a fight; it lay prostrate at the mercy of the Bonn government which, perhaps to underline its repayment of the earlier debt of gratitude, condescended to give the Goliath some breathing time; for some time the Bundesbank kept buying Dollars to support it at par and, ultimately, left it to the vagaries of the market.

When Schiller, in the marathon 'hot night' session at Brussels, failed to persuade his Common Market colleagues, particularly French Minister d'Estaing, to ensure a free exchange for the Dollar, the West German Cabinet decided to go it alone and achieve the same end without revaluing the Dollar. Of course, some of the non-Market countries decided to be less respectful to the reputation of the Dollar than it was worth.

POLITICAL DECISION

The decision of the West German government was apparently a political one, taken against the advice of the Bundesbank President who was specially invited to attend the emergency meeting of the Cabinet. The breathing time given to it is least likely to help the Dollar. When the review is made in a couple of months' time the *de facto* and the *de jure* value of the Dollar is unlikely to leave much room for any adventurist speculation. This fact has given a further boost to the reputation of Schiller who has been arguing ever since the General Elections that the Deutschmark has remained undervalued and that the last revaluation had been "too late and too little" to stem the inflationary pressures in the economy.

However, within a couple of days of the government decision, the multi-millionaire Finance Minister Muller resigned from the Cabinet. Officially,

his resignation was ascribed to differences over internal economic and fiscal measures — supplementary to the free exchange given to the Dollar — to ensure what Chancellor Brandt called "full employment with stability". It is doubtful if the official explanation about Muller's resignation spoke the whole truth.

In any case, with Muller out, Schiller inherited what one Munich newspaper called "Macht und Mark" (power and Deutschmark). He now heads the two most powerful Ministries in the Cabinet: Economic Affairs and Finance. Indicative of the Cabinet hierarchy, Chancellor Brandt, in his national broadcast specially mentioned the efforts of Schiller and Scheel, in that order, at Brussels to achieve European unity to save the Dollar. It is only logical that in today's Germany, the Foreign Minister's status in the Cabinet would be next to the Economic Minister's rather than the other way round as in countries like the USA. In England and France, the power and position of the Industrial Relations Minister is likely to have pre-eminence over the others.

Internally, despite its slender majority, Muller's resignation indicating some Cabinet dissensions and the drubbing the ruling coalition received from the CDU leader and ex-Krupp Director, Stoltenberg, at the Schleswig-Holstein elections, the Bonn government remains stable. Most organised groups have supported the wily economic policies of the Brandt government which keeps incorporating all the tricks of the trade to keep capitalism flourishing in the country. SPD member and the chief boss of the German Federation of Trade-Unions (DGB), Heinz Vetter, gave the same call in his May Day broadcast — "workers' participation in management" — as Chancellor Brandt gave in his speech the same day at the big workers' rally at Hanover. The DGB is the Bonn government's great prop and there seems to be little apparent conflict of interest between the socialist government and, what Lenin would have called, the "Aristocracy of the Proletariat" in this country. Indicative of the new warmth, the May Day celebrations, harking back to the great Chicago Workers' Strike of 1886, has assumed new significance in this country.

Chancellor Brandt, in his broadcast to the nation, while reminding his audience of the new confidence achiev-

ed by the Deutschmark, promised relief to the German farmers for their exports. He also appealed to the industrialists for "co-operation and understanding" in implementing governmental measures as a follow-up of the currency policy restricting public spending at all levels. The industrialists themselves as keen to avoid the wage-price spiral (what the Germans derisively call the "English Disease"), are unlikely to co-operate as the DGB.

Even the Opposition CDU/CSU, though formally registering its disagreement over the government's economic policies, has offered few alternatives. Of course the Opposition introduced a dramatic element to the Bundestag debate on the issue when its spokesman Strauss cut short his South African safari to be present for the discussion. But neither he nor the hanger-on of the so-called 'German Miracle', ex-Chancellor Erhard had any constructive alternative to offer: Erhard, who spoke in the House for the first time almost in six years, in fact supported the government on its new policies. Indicative of its hopelessness, the Opposition demanded the resignation of the government and fresh elections not on the question of the new economic policies but on the relatively minor issue of Muller's resignation. In any case the Opposition at present is very much divided within itself on the question of electing its 'shadow Chancellor' to pose any threat to the government. Former Chancellor Kiesinger, though apologetic, still seems to be very much in the run; so are ex-Foreign Minister Schroeder and the Parliamentary Party leader Barzel; even Strauss, the leader of the sister CSU, though publicly supporting Barzel's candidature, seems to hint that he has himself waited far too long for the coveted post, even its "shadow".

The Federal government is under no immediate threat from any quarter. Politically and economically stable, the Socialist government of West Germany has already made its weight felt in the affairs of the world. Despite disagreements at Brussels, the West German government has gone out of its way to emphasise its European commitment and has been able to persuade other Common Market countries to work for a common European currency as an important prelude towards a European Federation.

Meanwhile Conservative Britain has found in Brandt a socialist more worthy of business confidence than any of the indigenous varieties. The

The Prime Minister's speech was indeed an outspoken indictment of the double-talk and hypocrisy of nations and governments. But what about the government of which she herself was the head? In a speech laced with expressions of anguish at the "tragic and heart-rending happenings in Bangla Desh", she had not one word to say about what the Government of India had done or proposed to do about these happenings. Ten years ago a Jawaharlal Nehru or a Krishna Menon speaking in such a blatantly self-righteous vein would have drawn upon himself and his Government charges of striking holier-than-thou postures and seeking to lecture the world. That today such a statement by the Prime Minister goes unnoticed is not, unfortunately, a matter for satisfaction; it is that now other countries do not much care what the Prime Minister of India says. It is assumed that what she says is for domestic consumption only and can have no impact internationally.

On the substantive issue of the Government of India's inaction *vis-a-vis* East Bengal, in the Lok Sabha debate some critics obligingly heaped the blame on the inefficiency of our diplomats abroad. This suited the Prime Minister admirably and she proceeded to devote a large part of her speech to a totally irrelevant defence of our diplomats — as if civil servants could do very much when the Government in New Delhi was unwilling to decide on a clear policy line. More prescient critics (mostly outside Parliament) have pointed out that dependent as the Government is on the two super powers for political, economic and military sustenance, it simply could not undertake any significant intervention in East Bengal unless the move was completely underwritten by these powers.

However, what has not been asked and answered is whether an equally important reason for the Government's inaction is not the view it takes of its own self-interest. Setting aside the problems of Big Power clearance and of how China might react, what Indian assistance to the freedom fighters in East Bengal can do is to make their fight against the Pakistani army a more equal one and to give them a better chance of gaining their objective by force of arms. But the Government of India evidently sees an armed struggle for independence in East Bengal as a threat to its security. This is strongly implied in the Prime Minister's Lok Sabha speech. Thus what did the Prime Minister expect the major powers

to do in East Bengal? Was it to intervene so as to secure for East Bengal independence from West Pakistani rule? No, it was not. What the Prime Minister expected of these countries was something quite different; they "must intervene to see that peace and security are re-established and maintained" (emphasis added).

Thus the fighting in East Bengal is seen primarily as a threat to our security and what the Government wants, above all, is an early end to it. Those in this country who still hope, through liberal application of "voice-power" (to use the Prime Minister's phrase), to pressurise the Government into more energetic action on behalf of East Bengal, will save their breath if they recognise that while the Government will grab at any political and economic plums that may fall into its lap as a result of a break between East Bengal and West Pakistan, it will not, out of considerations of its own security, help a war of liberation in East Bengal.

Economic Survey

An Academic Document?

A Correspondent writes:

THE Economic Survey furnished to Parliament by the Finance Minister on Tuesday is, as a survey, an excellent document.

The fact that the growth rate in the first two years of the Fourth Plan was roughly as anticipated is not, rightly, taken as an index of success of the Plan. Part of it was due to good weather and the rate of growth of industrial output, it is conceded, was lower than anticipated and even lower than what had been realised till 1965-66.

The task before the economy is that of raising the rate of capital formation to roughly 15 per cent of national income—and that in a generally non-inflationary environment. For this purpose, it is rightly stressed, public sector saving must be raised presumably to at least 3-4 per cent of national income from its current level of about 1 per cent or less. The Survey points out that this task would be easier if (a) public sector enterprises functioned effectively, (b) non-plan expenditure were curbed, (c) appropriate income and price policies were pursued, and (d) saving in the form of financial assets were stimulated. However, the Survey does not believe that, in the short run, any of these measures would succeed and, therefore, it has hinted that primary reliance would have to be placed on tax instrument.

Stress Points in the Economy

Economic Survey, 1970-71, Government of India, May 1971; pp 158; Rs 3.50

THE latest Economic Survey is, in the typical style of government documents, a bland, mildly self-congratulatory assessment of the Indian economy in 1970-71. Thus: "The performance of the Indian economy in the year 1970-71 has been generally satisfactory" (para 1).

There are certain obvious aspects of this self-satisfaction. Foodgrain production has increased, and with reduced public distribution, stocks of foodgrains have been built up. Progress is being made in agricultural technology. Newer trends in supply of bank credit to agriculture and small industry have been established. The money supply and fiscal position is satisfactory. Exports have increased and the pressure on foreign exchange reserves has been small, despite rising imports and declining net aid (para 193). Overall, the increase in national income, at 5.5 per cent, is pat on the Plan target.

The Survey notes only two blemishes on the economy's performance in 1970-71. Industrial production increased only by about 5 per cent (though, on the basis of data which have not been revealed, satisfaction is expressed at the likely faster growth of small industry). It is also conceded that the pick-up in investment has not been adequate: "The increased investment activity was certainly not general, but confined to certain chemical and engineering fields" (para 11). Similarly, the 5 per cent rise in the price level in 1970-71 (mainly on account of agricultural raw materials and intermediate goods) is considered unsatisfactory (paras 134-135).

Yet even such a bland assessment of the economy cannot justify a total ignoring of the factors which govern the health of the economy. In fact, the concern shown in the Survey for the price-level is rather over-done. Thanks to the strong handling of the price situation in early 1971 by the Reserve Bank, the year-to-year price differential between 1970 and 1971 has been brought down from more than 5 per cent in January to 2.9 per cent in May. The dichotomy in the Government's thinking on price policy is clearly evident in the section on Price Controls (paras 144-146). Apparently those who drafted paragraph 217 of the Survey

with its criticism of the "cost-plus" formula had not read the bland references in these paragraphs to the role of the Tariff Commission and the Bureau of Industrial Costs and Prices!

What should really cause concern are the other elements in the economy: (a) The technological progress in agriculture is still to reach rice, cotton and oilseeds. (b) The industrial recovery is very patchy, with key sectors like steel and heavy engineering still to feel the impact of the recovery. "The major problem in regard to capacity working relates to steel, heavy engineering and transport equipment" (para 55). (c) Expansion of bank credit to priority sectors has been based not on deposit mobilisation but on Reserve Bank creation of credit. (d) The overall growth in national income is based on agricultural output, whereas in our context the rate of non-agricultural growth should be approximately double the agricultural growth rate. (f) These last three failings indicate the general failure to raise the investment rate in the economy and the savings rate to finance investment.

Budget crystal-gazers must look into the Survey for possible indicators of the fiscal policy measures. On the whole, the Survey promises a traditional budget. The Government is apparently planning an increase in public investment, perhaps in a selective manner to give a boost to industries (heavy engineering, structurals) in which there is considerable slackness at present. The Survey also emphasises the need to promote public saving and to achieve redistributive justice. This might imply a traditional increase in tax rates in the higher income brackets ("The tax proposals for 1970-71 also reflected the Government's concern with the objective of promoting greater equality in the distribution of incomes and wealth", para 88), coupled with incentives for savings in accepted forms. By the time these lines appear in print, the budget proposals will have shown how far the Survey's diagnosis has been accepted in the framing of the budget.

The Survey refers hesitantly to the emerging problems of low investment and planlessness. For the first time, it openly accepts the need to increase the rate of public investment as a neces-

sary factor in boosting the rate of growth of the economy: "... much greater support is required from public sector investment which not only adds to industrial potential directly but also creates a favourable environment for private enterprise ... An improvement in the magnitude of public investment could provide an impulse and quicken the pace of activity in ... these industries" (para 61).

For the first time also since the recession started, the Survey recognises that "we cannot rely merely on a spontaneous upsurge of demand. There has to be continued emphasis on enlarging the scale of outlays in carefully selected areas ... What is specifically called for is an increase in the demand for products of the heavy engineering and heavy machine tool units where excess capacity exists ..." (para 208). To achieve this revival it would be necessary to increase the overall rate of investment in the economy. "The rate of domestic capital formation needs to be lifted from the current level of 12 per cent of national income to around 15 per cent by the end of the Fourth Plan, and the momentum has to be maintained for a number of years" (para 212). Significantly the Survey itself is diffident about solving these problems. Thus it says: "Both monetary and fiscal policies are under considerable handicap in tackling this kind of a situation (para 218). This situation arises mainly because our policy advisers are bogged down in manipulating the same traditional economic strings that they have operated on during the last quarter of a century.

Increase in investment is recognised as necessary to meet also the social problems of the economy, particularly the growing disparity in the rural areas and unemployment. "The success achieved in food production has brought in its wake certain problems of a socio-economic nature" (para 40). The recent public works programme is a palliative in the context of the overall requirements of the economy.

But has the Government recognised all the dimensions and implications of our economic problem? If the thesis of Dandekar and Rath ("Poverty in India", *Economic and Political Weekly*, January 2 and 9, 1971), seeking a programme of transfer of Rs 800 crores per year, is to be accepted, a minimum programme of Rs 200 crores is needed

this year. The Survey refers to the steps (mainly increase in personal tax rates on annual income above Rs 40,000) taken towards redistributive justice, though it has still to be proved that penal rates of taxation have reduced real inequality or avoided conspicuous consumption over the past 30 years.

Even a programme of Rs 200 crores would create organisational and distributional problems. It would involve provision of about 2 mn tonnes of foodgrains to the new income-receivers, a task to which our agricultural procurement policy is still not geared. The public distribution of foodgrains has declined from 14.1 mn tonnes in 1966

to 8.9 mn tonnes in 1970 (para 32). This dismantling of the organisation has occurred just when four good years of harvest create doubts about the luck holding out in 1971-72.

The budget will show to what extent the Government is serious about the immediate problems of investment. However, in the long run, it is the Planning Commission which has to take an integrated view of development and work out a long-term development strategy. The recent changes in the status of the Planning Commission and the pronouncements of Planning Minister, C Subramaniam, hardly give evidence of this consciousness.

To Point at the Mulberry and Revile the Ash

M S Prabhakar

Wu Han: Attacking the Present through the Past by James R Pusey; East Asia Research Centre, Harvard University; pp x + 84; price not mentioned.

IT is now generally recognised that the criticism of "The Dismissal of Hai Jui" (a Peking Opera written by the Chinese historian Wu Han, who was also the vice-mayor of Peking), published first in a Shanghai newspaper on November 10, 1965, and later reprinted in the Peking *Peoples' Daily* on November 30, marked the beginning of the Cultural Revolution in China. The monograph under review presents a very fair and objective account of the career of Wu Han, the author of the opera, and reveals his role as an oppositionist within the Chinese Communist Party, and provides the necessary background to understand how and why Wu Han came to write "The Dismissal of Hai Jui". It may be noted that the opera was first performed in 1961, and was withdrawn after a very short run, even though the response was mostly favourable; the open and sustained attack on the play and its author took a full four years to materialise. This monograph charts out the sequence of events that influenced, first, the writing of the opera; second, the unexpected suspension of its performance; and, finally, the reasons for the four-year gap between the presentation of the opera and the repudiation of the ideas contained in it.

The fact that the attack on Wu Han was part of a political struggle that reached the climax in the expulsion of Liu Shao-ch'i himself is now more or less clear. But Pusey shows that the role of Wu Han, far from being that of a 'mere pawn' (the quotation marks used to indicate the

absurdity of the expression, evident to any chess player) in the so-called power-struggle, was one of profound political and ideological implications, raising as it did far-reaching questions about the nature and function of historical writing, especially in a socialist country whose scholars try to combine the required commitment to Marxism-Leninism with what they consider 'objectivity' in viewing the past of their country. Most interesting of all, the monograph also reveals, perhaps unintentionally, certain qualities of what may be loosely termed as the 'liberal mind', the attitude of that class which professes to have a liberal attitude towards a socialist state.

Pusey's work is truly revealing. It shows how Wu Han did specialise in pointing at mulberry while reviling the ash (that is, to mean the ash while cursing the mulberry; a form of indirect satirical comment derived from a common Chinese idiom). It goes farther and shows that Wu Han had specialised, in this technique of writing when he was serving, under the Kuomintang, as a professor at the Southwest Associated University at Kunming between 1937 and 1948. Pusey shows how Wu Han's writings during that period reveal him as an 'increasingly biting if subtle critic of Kuomintang and Chiang Kai-shek'. Evidently there was no letup in the subtlety after Wu Han crossed over to the liberated area; for even while he attacked Chiang, Wu Han's solution to China's ills was liberal democracy, an attitude evidenced in his plea to the Americans to make a 'gift' of demo-

cracy to China (pp 6-7). That Wu Han carried his liberalism with him is revealed over and over again in his writings following the liberation.

The chronicle of Wu Han's writings following 1947, as presented by Pusey, make a strange kind of reading. Extremely adulatory articles on Mao and the CCP, and sly attempts at attacking Mao could both be simultaneously written, could even be incorporated into the same article (as in 'I Have Conquered My Supra-Class Outlook') without any sense of contradiction. Indeed, the liberal Wu Han distinguished himself during the Hundred Flowers campaign by coming out with a violent denunciation of "two of the most liberal spokesmen of the Hundred Flowers movement, Chang Po-chun and Lo Lung-chi". Perhaps there is nothing strange in this either, for a true liberal always fights shy of openly stating his conviction, probably because of the simple reason he has none. Anyway, Pusey cites passage after passage from Wu Han's various articles during this period, which not merely manage to point at the mulberry while reviling the ash, but, to further the metaphor, manage to point at and revile both the mulberry and the ash simultaneously.

This fine manoeuvrability is particularly evident in the articles on Hai Jui that Wu Han wrote before the production of the opera, specifically the two articles 'Hai Jui Upbraids the Emperor' and 'On Hai Jui' which were respectively published on June 16 and September 17 of 1959. The liberal's infinite adaptability can be seen in that while the first was a thinly disguised attack on Mao, the second, published appropriately enough at the height of the anti-rightist campaign that followed the Eighth Plenum of the Eighth Central Committee, was an attack on Mao, with a clever defence incorporated into the attack. In the words of Pusey,

In two most revealing paragraphs at the end of the article, two paragraphs on which he was later to base much of his self-defence, he abruptly tried to make his article appear as an attack on "rightist-opportunists" who 'falsified' and 'distorted' Hai Jui.

Pusey goes on to quote at length extracts from the article where Wu Han subtly turns the attack on "Some people who presume to call themselves Hai Jui and entitle themselves 'the opposition', but quite the opposite of Hai Jui, they do not stand on the side of the people". Pusey's comment is that "it seems inconceivable that after writing 'Hai Jui Upbraids the Emperor', Wu Han, at the height of the anti-

rightist campaign, would have accused 'some people' of using Hai Jui as a symbol of opposition to the Great Leap Forward, if there were no such people. On the other hand, if others besides himself were using Hai Jui as such a symbol, it would appear that 'Hai Jui Upbraids the Emperor' had indeed been noticed and taken as encouragement by some whose criticism of the Great Leap had brought on the anti-rightist campaign. It was only logical, then, that Wu Han in self-defence should try to disassociate himself from the use of Hai Jui. Silence would have implied complicity, but a bold and open academic analysis of Hai Jui with two paragraphs of condemnation for rightist distorters would make him appear a loyal and concerned historian defending Hai Jui from misuse at the hands of enemies of the people, and by defending Hai Jui he could keep him acceptable for future use." Truly, an 'intellectual' has to possess the capacity to see 'both sides of a question'.

When neither 'Hai Jui Upbraids the Emperor' nor 'On Hai Jui' brought forth official attacks (the CCP was in the throes of a deep crisis, which was to culminate in the dismissal of the Minister of Defence Peng Teh-huai in September 1959), Wu Han gathered boldness and set out to write his Peking opera; but between 1959 and 1961 he also published two collections of articles, "Writings by Lamplight" and "Spring Collection". Pusey cites the use of the term *tsa-wen* (literally meaning miscellaneous or random essay) by Wu Han to describe his collection, and relates Wu Han's use of this term which was made famous by the great Chinese satirist Lu Hsun, whose writings made *tsa-wen* almost synonymous with a satirical essay critical of the government and society to an explicit satirical intent. But even as Wu Han uses the term *tsa-wen* to describe his collection, he, again in the manner of a true liberal, manages to insure himself against possible future attacks by saying that he used the term 'innocently', 'as if he were unaware of its connotation and history'. Even in the opera that followed the collection, an opera which contained some of the most outspoken repudiations of revolution in China, Wu Han, to quote Pusey, is at his 'suggestive ambiguous best'.

The suggestiveness and ambiguity of Wu Han, of course, consist in his situating the events and characters of the play in a pre-revolutionary period of Chinese history, but making them utter slogans, voice criticisms, make demands, whose relevance to the present are all too obvious. Thus, when the actors cry out on the stage, "Our

land and possessions have been forcefully siezed. Our property is gone, but taxes remain. The people's life is hard", the statement could be both an obvious criticism of the Chinese Communist Party and its accepted policies, and at the same time, could be defended as presenting 'poetic truth'. The most constantly repeated slogan of the play was 'Return the Land', and the impact of this slogan in 1961, a period of great economic difficulties for China, would not be lost upon the audience. The criticisms of Yao Wen-yuan (which, first published in Shanghai, marked the beginning of the Cultural Revolution) seem particularly apt, in the light of the wealth of detail about the background of Wu Han, provided by Pusey. The utter opportunism of liberals like Wu Han who wanted to criticise but from a safe stance, who always incorporated into their criticism saving and purely nominal gestures of orthodoxy, is never more in evidence than in Wu Han's 1957 attack on Lo Lung-chi (a leader of the Hundred Flowers campaign, referred to above), and his sudden adopting of the very ideas of Lo which he (Wu Han) had so severely criticised only three years earlier.

Pusey takes note of the fact that during the campaign against Wu Han, it was common knowledge that the 'dismissal of Hai Jui' actually meant 'dismissal of Peng Teh-huai', though it was not openly said. One may supplement Pusey's statement that "the identity of Hai Jui with Peng Teh-huai is not essential to the force of the play" with this observation of Mao:

The crux of the dismissal of Hai Jui lies in the dismissal itself. Emperor Chia-ching dismissed Hai Jui; in 1959 we sacked Peng Teh-huai, Peng Teh-huai is a Hai Jui ("Mao Papers" edited by Jerome Ch'en, p 140).

The campaign against Wu Han is narrated with a wealth of detail by Pusey in his last chapter. One surprising fact emerges out of Pusey's analysis, though; at least in the early part of the anti-Wu Han campaign, November '65 January '66, the critical articles were more than balanced by articles stoutly defending Wu Han and his opera and his 'historicism'. The fact that such outspoken defences of Wu Han could appear in the Peking *People's Daily* shows, as Pusey himself admits, that there was some truth in the later Maoist allegation that at the time certain influential editors of the *People's Daily* were actually trying to protect Wu Han. One less enthused by the idea of 'protecting' Wu Han might see in the setup a clear evidence that opposition to Mao was

present at the highest levels.

Finally, Pusey asks the question, a question which is not perhaps really relevant since it seemingly concerns the fate of one man. Why was Wu Han so bitterly attacked by the Maoists? One can dismiss the suggestion made by Pusey himself, but apparently without much conviction, that there was an element of *lese-majeste* in Wu Han's crime. That he was anti-Maoist, but in a far more profound sense than merely being *personally* against Mao, is revealed in the concluding pages of the monograph. Wu Han's view of the past, his 'historicism' — the view that the past had to be (and can be) studied in isolation from the present — these were anti-Maoist heresies. It was because Wu Han not merely persisted in holding on to these heretical beliefs, but used his considerable skills in subtly propagating them, that he was singled out for attack. Pusey makes a sophisticated distinction between Wu Han, who was only asking for 'professional independence', 'academic freedom' (as if, in a class-ridden society, such concepts could really exist, independent of politics), and those true revisionists who tried to use him in their anti-Maoist campaign. That he was used, or more likely, allowed himself to be used, there cannot be any doubt, considering the position he held — deputy to Peng Chen — and considering the fact that he got away with his attacks on Mao for such a long period. But in some strange way, Wu Han, while being anti-Maoist, was at the same time 'principled' in a peculiar manner, at least in his commitment to history. Chairman Mao wanted the past to be interpreted in the light of the present; Wu Han wanted to consider the past in isolation; but both realised the profound importance of the past and its study; both were aware of the *reality* of the past to the present. Such historical vision, perverted in the case of Wu Han due to his commitment to 'academic freedom' in an abstract way, but spiritual and moral in the case of Mao, was sadly lacking in the other participants in this ideological combat.

Pusey's monograph is very brief; but within the brief space of less than 70 pages, Pusey has not merely been able to give a fascinating and revealing account of one of the most important events of the Cultural Revolution, but has also succeeded in emphasising the ideological elements of that particular struggle by showing that the struggle went on a higher plane (and was not merely a matter of personal rivalries).



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REVIEW OF MANAGEMENT

May 1971

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Not by Incentives

A PROJECT has been set up under the Committee on Science and Technology (COST), the advisory body to the Cabinet, to make a detailed study of present incentives to industry for undertaking R & D. Government has made it known that it is not averse to offering more concessions to industry if the latter will spend more on research. Incentives are also to be offered for opting for indigenous technology.

Yet, are such additional concessions necessary or even relevant? There has already been considerable expenditure by the Government on building up institutional R & D facilities and personnel. COST's own report in 1969 revealed that such expenditure had risen from Rs 27 crores in 1958-59 to Rs 136 crores in 1969-70. Major business houses also have the wherewithal to carry out R & D activities, if they so wished to do. Indeed, some of them maintain R & D departments today, though these remain underutilised for want of ideas on what precisely they should concern themselves with. That the private sector accounts for only 6 per cent of total R & D expenditure as against as much as 55 per cent in advanced countries is a spurious comparison. Firms in advanced capitalist countries face a market situation which is qualitatively different from ours; manufacturers there have to undertake all manner of research to be able to sell more to an affluent, consumption-oriented society. Our own research needs relate more to the transfer of technology or the adaptation of processes to suit local availabilities. Such research is better centralised, though there are obvious reasons why both industry and the scientific community should be associated with it.

It is true, nevertheless, that the productivity of Indian R & D has been low and that even the more high-powered personnel in science, technology, and industry, are not specifically aware of the missing links in the innovation chain of technology-transfer. It is also true that industrialists opt only too easily for foreign collaborations — and this, repeatedly, for the same end-result. But the reason for this state of affairs is quite simply that, foreign collaboration has usually been easy to come by and can be got as part of a more comprehensive 'package deal', whereby equipments, markets, and financial balances in foreign banks can be bartered. Managements of industries have felt no pressing need, therefore, to keep in touch with what the scientific/technological research institutes have been engaged in—either to give their activities productive direction or to test their results through pilot-plant projects. Even the public sector managements have succumbed to the temptation, as witness the foreign collaborations of Hindustan Steel and Heavy Engineering.

It is irrelevant, in the circumstances, to offer quick releases of capital equipment and raw material inputs as 'incentives' for taking to indigenous technology. It is in our economic interests that such promptness should attend all projects that have been licensed, irrespective of whether they are indigenous or foreign technology based. The 'incentive' to take up indigenous technology would automatically follow if there was no alternative available and if the workability of the indigenously developed process was tested. If the possibility of the collaboration alternative was consistently remote, both industry and the research institutes would feel the need to establish a rapport with each other, and industry may then be willing to invest in supportive testing facilities.

But the basic fact needs to be faced here that our planning itself has not been explicit as to priorities and policy. It is meaningless to talk of a scientific policy resolution and the 'association' of scientists and technologists with policy formulation when there is no effective commitment to indigenous technology and when the costs (which are not merely financial), entailed by it, are not being seriously assessed or contemplated. The Fourth Plan is thus predictably vague on the issue. The four pages it devotes to scientific and technological research talk of the 'savings' via import substitution achieved in particular fields without relating these to any overall plan of net savings and resource availabilities. Indeed, it seems to reduce R & D to a matter of outlays and organisational 'set-up'. For instance, after mentioning that there are imbalances in R & D spending in certain sectors, it pontificates that "One of the possible reasons for this ... is the lack of central authority to study and decide *inter se* allocation in various areas of scientific and technological activities". What was the CSIR doing? And can even the CSIR perform its role in the absence of an overall technological research plan? Such a plan would have to be related to the overall economic plan and would be an aggregate of sectoral research plans related to sectoral growth rates. Will the new Planning

Organisational Development

An Interim Balance-Sheet

Nitish R De

This paper has a limited focus. Its conceptual content will be as limited as its descriptive coverage. After providing a bird's eye-view of the concept of Organisational Development (OD) the paper will deal with

- The progress of the OD approach in India, spearheaded by IIM, Calcutta;
- Some major problems encountered in Indian Organisations which are steadily responding to the OD intervention;
- Specific demotivators standing in the way of the OD approach;
- The current strategy for the spread-effect of the OD interventions; and
- The priorities in the application of the OD strategy in India.

MEANS-ENDS AMBIENCE IN OD

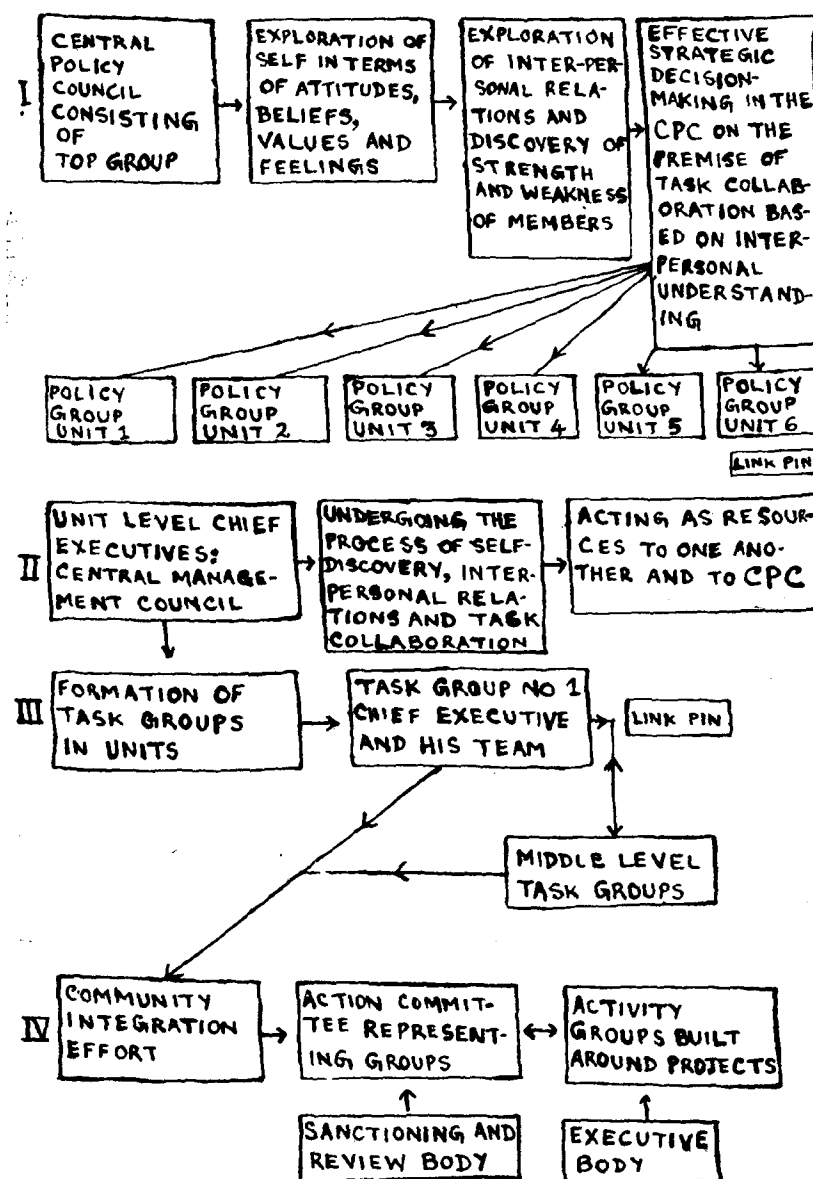
ORGANISATIONAL Development is a comparatively new concept. As such, there is a danger that its newness may lead to an ambiguity in understanding it, or an overly eager acceptance of it as a management tool, or its rejection on some plea or other. Ideally, we would wish to steer clear of all these three possibilities. Beckhard (1969) has provided a terse yet adequate description of OD which, with slight alterations, reads as follows:

OD is an effort which is planned organisation-wide / (autonomous) division-wide, is managed from the top, to increase organisation effectiveness and health, through systematic interventions, in the organisation's processes, using behavioural sciences knowledge.

While it is possible to dwell upon each of the emphasised phrases in the description, we shall confine our comments to three points only. In the first place, it is necessary to understand that systematic interventions, based on knowledge in behavioural science, preclude the unscientism of using one unique training input only (eg. unstructured group activity). In other words, sensitivity training need not be equated with OD nor need the grid Seminar be synonymous with OD. The special emphasis on chosen inputs which we often come across is usually a reflection of the consultant's own style and experience. Secondly, OD is distinguished from Management Development (MD) by at least two major elements. The target of change is not a chosen individual or a few persons as in MD; it is usually interdependent work groups. Besides, the objective of the change programme is not, as in

MD, the acquisition of some chosen of the individual through the group knowledge or skills, but an expansion process resulting in all-round improve-

TABLE 1: SCHEMATIC MODEL OF KAMANI CHANGE PROGRAMME



ECONOMIC AND POLITICAL WEEKLY

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TABLE 2: AN INTERIM BALANCE-SHEET OF KAMANI OD PROJECT

Achievement Side: Stabilisation Is Called for:	Struggle Side: Problems to be Overcome
1 Among colleagues, a culture of authentic communication is established. It is acceptable as necessary behaviour.	1 Synergy of emotionality and rationality in group working is still an ideal.
2 Between hierarchical levels, openness and trust, somewhat established. In some units progress is more than in others.	2 Responsibility and accountability are still camouflaged by group working method.
3 Differences — either at the feeling level or at the task level — are explored rather than shoved under the rug.	3 Manipulation at times prevails over genuine intervention in decision-making.
4 A culture of struggling with the 'problem employees' has been fairly firmly established.	4 Forces of dependence and counter-dependence still persist at various levels impeding development of norms of inter-dependence.
5 A culture of intrinsic reward is steadily getting accepted.	5 Permissive climate acts as a demotivator to some who are strongly extrinsically motivated.
6 More respect for competence is developing.	6 Innovativeness in work activities is still lagging while the potential remains high.
7 In crisis situations, integrative response to leadership has become established.	7 Power struggle and status issue still bedevil inter-personal relations blocking optimum task performance.
8 Mutuality of interest and emotional acceptance has been established between the management and the Union leadership — a key achievement of the OD approach.	8 Gains achieved in inter-personal understanding get neutralised for lack of system development in good time.
9 Decisions concerning human beings are being tested against the five principles: a Human dignity, b No exploitation, c Freedom of expression, d Management by agreement, and e Agreement by persuasion.	9 OD approach at times confused with 'softy' management and laissez faire attitude towards responsibility giving rise to inefficiency and wastefulness.
10 Concept of distributive leadership has been gaining acceptance in problem-solving behaviour.	10 The fine balance between task confrontation and feeling confrontation is still to be established.
11 Essentials of helping relationships are steadily gaining acceptance at all levels.	11 Too many OD steps introduced at too many places in a short span of time with limited consulting resources causing 'fade-out' effect and making re-introduction of measures a more difficult process.
12 A high sense of dedication to the new management philosophy visible in the apex management is a constant motivator towards problem-solving behaviour.	

ment of the object of change. Thirdly, in OD an individual is not looked upon as a means to an end. Organisational effectiveness and health, the term used in our description, is much more comprehensive than what an economist looks for in an organisation, or what an investor craves for.

Recently in an address P R Kamani (1971), the Chairman of the group which has been in the OD field for over three years, expressed his view that the group has to make a conscious movement — from leadership of authority to leadership of shared goals and norms;

- from a state of working under constraint to a state of autonomy and excellence in the temple of work;
- from the primacy of material resources to the primacy of human resources;
- from profit-making to growth-achieving;

- from sensation of pleasure to acquisition of happiness; and
- from self-oriented behaviour to a state of working with, and through, a functional collectivity.

This expression of movement towards a direction is an indicator of what the goals are. There are, no doubt, elements of idealism in the statement but the entire thrust of OD is that such structural and process changes are to be initiated as would assist the human beings associated with an enterprise to realise their potential. In that sense, OD stands for anti-Peter principle: an individual rises to the level of competence and that OD is a means to extend that frontier of competence.

There is thus a re-vamping of traditional organisational goals. The age-old debate between organisational objectives and individual aspirations loses its force when the issue is confronted in

the following terms: a synergy of humanness and excellence is possible in an organisation if its activities are organised to provide the requisite opportunity for such an objective (De, 1970A). If the 'why of it' is accepted, OD provides the 'how of it'.

APPLICATION OF OD APPROACH IN INDIA

In this section, we shall provide a brief resume of the OD work with which the Behavioural Sciences group of the Indian Institute of Management, Calcutta, is associated. While it is desirable to undertake a description of the OD work so far initiated and to offer an evaluation of each project, we shall desist from doing so here. In none of the cases is evaluation mature — except in the case of the Kamani system, where a tentative appraisal is being carried out (De and Kamani, in preparation). A proper documentation of the OD work, though possible, will be too voluminous for this medium. However, a brief report is in order.

In early 1968, H R Kamani, a member of the family, invited Suresh Srivastva into the organisation. Since then, the major organisation change programme is on. Taking a broad view, the design of the OD approach appears as shown in Table 1. Striking a balance-sheet one will get a picture somewhat akin to that shown in Table 2.

The next major OD programme took roots in the Raw Materials Division of Tata Iron and Steel. While in the Kamani system the initial motivation came from inter-personal problems, in TISCO, concern with organisational issues, as reflected in functional conflict, brought OD to the ore mines. That was in May 1970, and since then the activities have been extended to the coal mines. Secondly, as contrasted with the Kamani system, the OD programme was launched at two centres of the division and not at the operational headquarters of the division located at Jamshedpur.

In the span of a year, over 200 managerial personnel have taken part in the OD activities at the iron ore mines and coal mines. While it is premature to launch an evaluation of the TISCO programmes, we shall describe in brief some salient features of the total activities.

(1) An active and constantly supportive role was played by two of the key persons in the organisation — R H Mody, the Director in Charge of operations and P T K Panicker, his Chief Personnel Aide for the raw

materials division. Because of their sustained interest, the activities did not slump into another spate of training programmes. Rather, the entire programme became a meaningful activity meant to usher in planned change and development.

(2) Three top layers of management have been covered by the activities in a planned way. For each group activity, link-pins were provided, and almost without fail the link-pins have been able to generate the initial benign climate that the group needed for productive efforts.

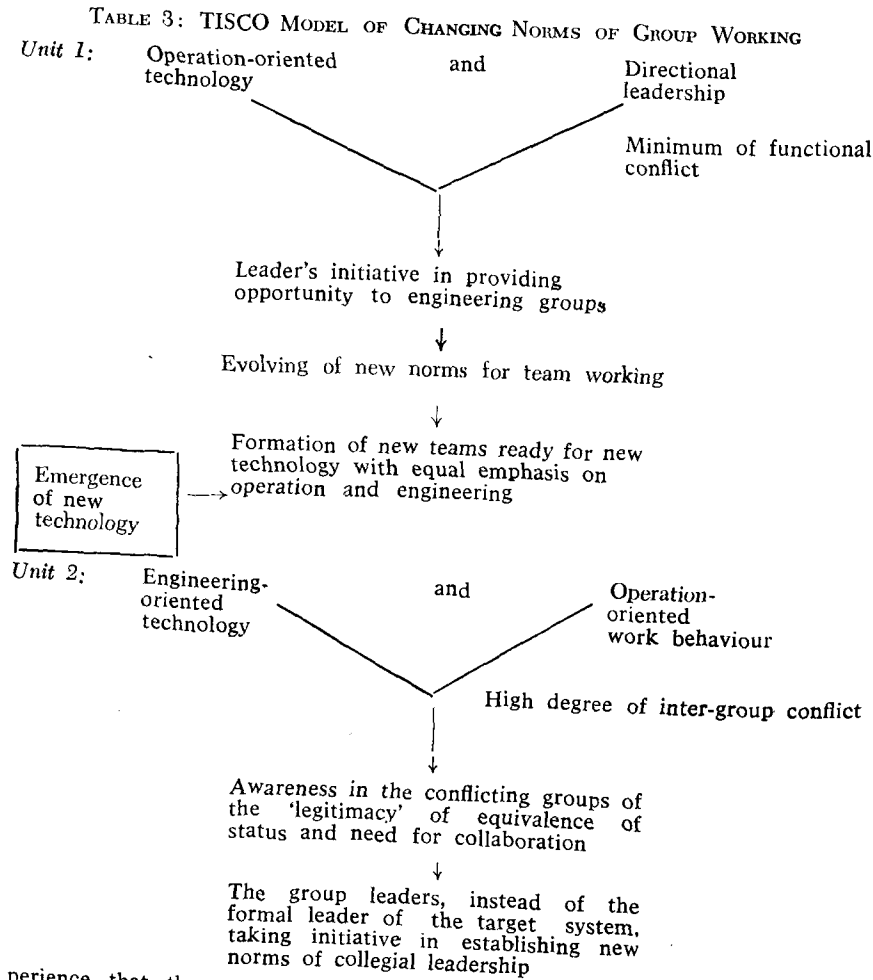
(3) The major gains, as reflected in behaviour in work situations are

- (a) elimination/reduction of inter-personal hostility/apathy;
- (b) greater awareness of the role of, and the role pressures on, self and colleagues;
- (c) development of work and behaviour norms in dealing with inter-group issues; the most significant of the achievements was the breakthrough in resolving a major inter-functional conflict in the iron-ore mines;

(d) significant improvements in three-way communication ('vertical down', 'vertical up', and 'lateral') among the managerial personnel; although not totally eliminated, defensive behaviour as reflected in verbal or written communication has abated and, correspondingly, authentic communication in terms of openness and confrontation has increased;

- (e) an all-round desire to work toward an upward shift of responsibilities on the part of the managerial personnel;
- (f) visible improvements in the empathic role *vis-a-vis* lower level employees. While the legal basis of disciplinary regulations has not changed, in behaviour, some of the key managers have started looking beyond the 'legality' issue;
- (g) functional teamwork, with minimum trappings of formality, has been successfully established.

(4) We have found in this case that the variation in the interest, commitment, and behaviour, of the formal leader of the target system need not play a significant role in the progress of the change process. In one unit, the top manager, who started sceptically, gradually became a convert to the OD approach. Technically very sound and administratively decisive and self-assured, this gentleman put his heart and soul, without sacrificing his task orientation, into 'helping relationship' with his colleagues. It was our ex-



perience that those among managers who were anxiety-prone, wavering, and initially peripheral in their interest in the change programme, slowly and steadily got stimulated through the efforts of this leader.

In another unit, the formal leader was himself wavering and his commitment was visibly limited. In behavioural terms, his habitual behaviour was more in evidence than the new, problem-solving behaviour. He continued to maintain a 'kink' in his work-relationship with the colleagues. Despite this distinct ambivalence on the part of the leader, the behavioural shift in his subordinates — excepting two of them — was significant and enduring. As if the 'toplessness' of the group had little or no impact on the group, eight months after the OD programme was initiated, collaboration of three members of the top group belonging to operation, engineering, and personnel, and their subordinates, resulted in completion of a project within a record time. The resultant economy was substantial. Yet another instance: before the OD programme, the daily production meeting involving operation, engineering, and stores purchase, was an exercise in inauthenticity and

defensive behaviour. For the previous 11 months, these meetings were an informal affair at the pithead and the agreements on the diagnosis of production shortfall, if any, and the action steps to be taken were almost inevitably reached. There are other instances to substantiate the point that, despite the different styles of the leaders of the two target systems, the change processes did not turn out to be significantly different.

(5) In both the units, the development of a stable collegial leadership has been achieved, though partially. But, the dynamics of the evolving process worked out differently in different units. In the first unit, because of the technology involved, the operation wing had established its primacy over the engineering wing. As such, legitimacy of the status of the mining engineers had been behaviourally accepted by the maintenance engineers. On top of that, the leader of the unit, as already mentioned, was a highly competent manager with substantial integrative skills. Thus, it was not easy to overcome the habit of depending on the high prestige group and to take the 'back seat' in terms of initiative,

TABLE 4: OD STRATEGY ADOPTED IN HMT

Personal style	Working on the road blocks	End variables as outlined above: (a) to (k)
— Identifying motivational forces	— Functional	
— Identifying areas of strength	— Inter-personal	
— Identifying areas of inabilities	— Inter-group	
	— Multi-units — HO, etc	
Establishing new insights and new behaviours	Forging new relationships and new norms	Developing re-oriented action plans and review mechanisms on end variables and use of feedback mechanism
	Use of CMs, JGMs and Departmental Heads as linkpins	

drive, risk-taking — in short, innovative behaviour on the part of the maintenance group. The leader himself gradually realised that he had been, to a considerable degree, responsible for fostering a dependent relationship — which, given the state of technology, had been functional for the system. But, as soon as he realised that the functionality of teamwork would depend upon the mutuality of influence process, he took distinctive risks in changing the unilateral influence process through role-modelling, i.e., by effecting change in his own behaviour. It appears that a hierarchically-oriented work-group that has its sanction in the characteristics of the technology in use can undergo change should the formal leader take the initial steps in unwinding the process. In this case, the gradual shift has been significantly appropriate, as the old technology is going to be superseded by a more mechanised technology as in the second unit.

In the second unit, the formal system was premised on the basis of the operation group's legitimacy. But the input of sophisticated technology has provided significantly augmented operational power to the engineering group. The leader of the target system, whose 'loyalty' was more with the operation group, remained vacillating and indecisive — although his 'desire' was to see the end of the inter-group conflict. In this case, the initial move came from the formal leaders of the two conflicting groups as soon as they realised that the new technology demanded an 'equal-status' role for both groups which called for a re-configuration of the systems of group working. The two groups, with the help of process consultants, then worked out the norms of collegial leadership (see

Table 3).

(6) While it has been our objective in TISCO to help the managerial personnel in organisational diagnosis and action-planning using group-method as a vehicle of change, we have often been struck by (based on one year's observation) stable or quasi-stable behaviour change at the individual level resulting in distinct personal growth type of change. One lady commented to a friend, "I don't know what the change programme has done to my husband in his office but I know what it has done to us. Our marriage has been saved". In this particular case, they were alienated from each other and all friendly persuasion in the past ended up in patch-up, no healing. The gentleman, a senior manager, confronted a barrage of work problems with his colleagues during the OD sessions. Conflict often was intense and raw. While working through the issue, led by the Consultant, fellow members entered into an empathic relationship with him. Instead of 'prescribing' for him, which is often our habitual behaviour norm, the members gave him 'understanding'. They struggled to be in his shoes and, to a considerable degree, succeeded in conveying the message of their struggle. Later on, it was found that he took initiative in doing to his wife what his colleagues had done to him earlier. A *rapprochement* became possible and still later on, his work relations with his colleagues started improving.

This and similar other instances indicate that the priority problem calls for priority attention. Those who are bedevilled by intra-psychic or inter-personal problems would, in their behaviour, welcome help from colleagues working together in a learning-changing experimentation which is OD,

provided the help is perceived as catering to their 'special needs'. While it is part of our habitual behaviour to expect 'expert' help in such problem cases, with all the paraphernalia of couch, electric treatment, and drug, it is not uncommon either in experience or in scientific literature (Gordon, 1971; Laing, 1967; Rogers, 1961) to discover that, establishing a helping relationship in a permissive culture does have therapeutic effect. The point that I wish to make is that, while for the bulk of changing managers working on work-related behaviour will be in order, there will be members who would proceed towards change *via* personality issues. The repertoire of the consultant should therefore be such as to respond to the special needs of the members. 'One prescription' OD would not be the answer to such needs. Work-person relationship being complex, it is a more sound precept to be 'client-centred' rather than 'expertise-centred'.

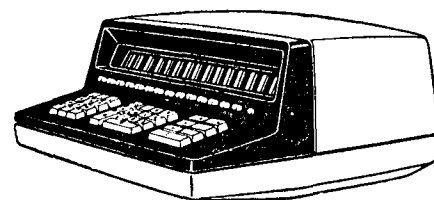
(7) Lastly, the OD programmes in TISCO were introduced in a spirit of level-headed decision-making, rather than in a huff or as an amateurish romance with change. Only after over one year's deliberations on information, gathered on sensitivity training and allied activities, did the Project begin in the Raw Materials Division. It has taken another year for OD to become a part of the plant's activities. The experience gathered at the Raw Materials Division has recently led to the decision to proliferate OD to the Works. Though time-consuming, it seems that, for long-range effectiveness, such deliberations are conducive to the system because exploration along with the consultants provides a unique opportunity to build a trust relationship between the client and the consultant, leading to negligible dysfunctional behaviour on either side while the project would be on.

The third major OD project was initiated in Hindustan Machine Tools in June 1970, and since then over 150 senior to middle-level managers from all the production units and the Head offices have been exposed to the change programme. In some locations, as in HMT IV and V, the coverage includes from the top, the Foreman group; in other units it has remained confined to Manager/Deputy Manager level. The plans are that, during 1971-72 another 200 managerial personnel would participate in the OD programmes.

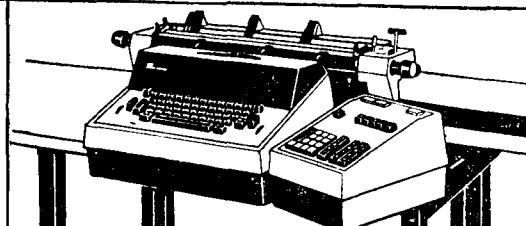
As the first major public sector corporation experimenting with OD the HMT experience may be of particular

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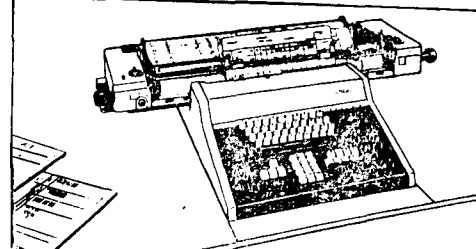


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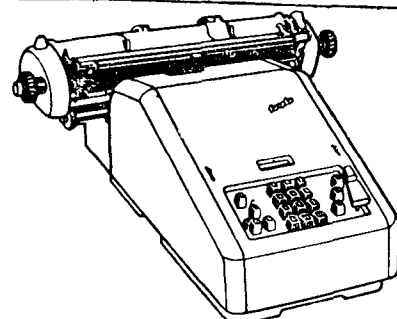


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significance. The first OD Project, which started with the General Managers and Joint General Managers, with the active support from the Chairman, paved the way for the crystallisation of the objectives of the OD programmes in HMT. In brief, these objectives are:

- I — *Collective Goals:*
- (a) Vertical team building;
 - (b) Horizontal team building;
 - (c) Staff-line functional integration;
 - (d) HO — Unit relationship on the basis of openness and mutuality;
 - (e) Improvement of organisation climate for acceptance of new management techniques, such as value engineering, PERT, performance budgeting, etc;
 - (f) Improved inter-personal, intra-group, inter-group and multi-group communication;
 - (g) Improved mechanisms to manage differences and conflicts.
- II — *Individual Goals:*
- (h) Better grasp of one's own responsibility and accountability;
 - (i) Better utilisation of intrinsic motivational forces;
 - (j) Competence development;
 - (k) Better control on one's own self.

As the goals started evolving during the successive OD thrusts, the strategy adopted by the consultants in matching the goals can be schematically presented as in Table 4.

A tentative assessment of HMT project: In January 1971, after about eight months of the inauguration, the Chairman and his senior colleagues assembled together along with one of the consultants to review the OD activities. What emerged during the deliberations is presented below:

A — Achievements at the individual level:

(1) A clearer picture of one's own defensive behaviour which is invariably a road-block to work-effectiveness and meaningful relationship. Gains are, indeed, differential, in that, some managers could develop a better insight into their own defensive mechanism than others but overall the depth of awareness became more than it was before.

(2) Sharper realisation of the areas of competence and inabilities. Here again, the acknowledgement of the realisation is more open in some cases and more cautious in others.

(3) Awareness of motivation, idiosyncrasies, experiences and style of working of others. This awareness has led to acceptance of the other persons, although the degree of acceptance is more in some cases than in others.

(4) Breakdown of 'stereotypes'. Memory of past history, either in the shape of direct or indirect experience,

had in many cases contributed to the build-up of negative images of many managers, causing interferences in inter-personal work relationship. Coming into closer contact with these persons in an 'unfreezing' climate, it became possible to overcome the 'stereotype' in some cases, leading to a dramatic improvement in work relationship.

B — Achievements at the organisational level:

(5) Given a sense of pride as a member of the HMT organisation and a culture of technical competence, a movement took place from a narrow job predilection towards a broader work concept: expansion of work awareness. The HMT managers, we found, were predominantly task-oriented. However, the task-orientation had, very often, a narrow focus on the allotted functions or, more appropriately, on whatever perception developed about these allotted functions. Thus construed, responsibility often assumed a unitary character, leading to conflicts and clashes in terms of ideas and priorities with other colleagues. Gradually, this unitary concept of work was superseded by a federal concept of work.

(6) There was a movement from dependence/counter-dependence to inter-dependence: expansion of openness. As the reality-oriented self-awareness and acceptance of others increased, and as a re-orientation towards work took place, caution, diplomacy, and competition started getting replaced by concern, care, authenticity, and confrontation.

(7) 'Pressure' culture gradually yielded to problem-solving culture. The flux created in the organisation by the economic recession in 1966, and its consequences, have established in some of the financially vulnerable units a work culture of high degree of anxiety and 'pressure' — management

by last minute hurry. Managers placed in key positions having started to operate on feedback data on their behaviour have resolutely started moving away from pressure-orientation to problem-solving orientation. Not that expression of hard feelings was eliminated, but whenever it occurred, exploration came possible.

(8) Improvement in inter-personal and inter-group communication. 'Filtering' and distortion have got minimised.

(9) Improved awareness of organisational problems and lessening of 'scape-goating'. In the past, many managers were concerned with 'segmented' issues. Now, taking a systemic view of a problem, they could exhibit a more mature understanding of the problem.

(10) Gradual shift from a mechanical concept of the organisation to an organic concept of the organisation. A more obvious illustration of the shift is the case of a personnel man in a new unit, offering to take charge of the stores for a period of six months to relieve the purchase man as his job was critical at that juncture. By the traditional way of looking of an organisation, this would not be easy, or even conceivable.

(11) Improved receptivity towards the utilisation of HO services/techniques.

C — Outline for the future:

The review meeting also deliberated upon the course of action for the future in the HMT. Some of the agreed upon items are the following:

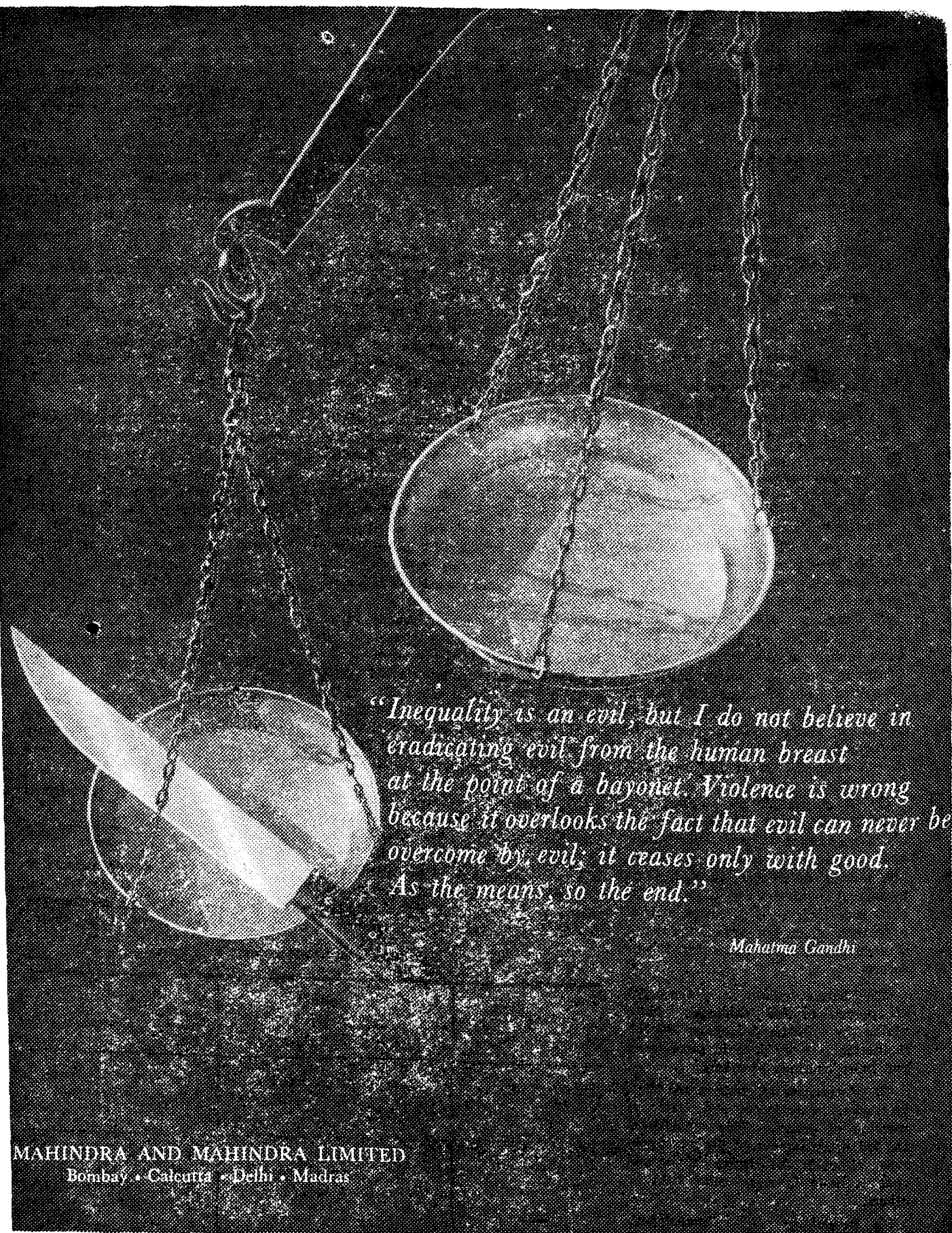
(1) A master plan for competence development;

This will become clear from the schematic diagram in Table 5.

It has been decided that as part of the OD project, a comprehensive inventory of the managerial development needs would be prepared so that appro-

TABLE 5: STRATEGY FOR COMPETENCE DEVELOPMENT

Task System	Critical Areas	Less Critical Areas
Persons		
Competent managers	Autonomy to be assured and sustained helping feedback necessary	Plan needed for more effective utilisation of talents
Less competent managers	(a) Strong supportive action called for (b) At times transfer is indicative (c) Active monitoring mechanism is indicated	Long/intermediate range planning for the development of the managers



"Inequality is an evil, but I do not believe in eradicating evil from the human breast at the point of a bayonet. Violence is wrong because it overlooks the fact that evil can never be overcome by evil; it ceases only with good. As the means, so the end."

Mahatma Gandhi

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appropriate action could be taken on an intermediate-range basis.

- (2) *Need to stabilise the feelings of multiple affiliations and memberships;*

While it is widely recognised that supra-attachments have developed among managers beyond the boundaries of self, inter-person, intra-group and inter-group, it is equally necessary to recognise that unless steps are taken to stabilise the spirit of pluralism, habitual behaviour might re-assert itself. This is being achieved in two ways: (a) review sessions of task-related groups of members and (b) continuous interaction of the across-the-function managers constituting a project team and working together on a project evolved by them. Till end-December 1970, there were over 50 project teams working away on short-term concrete projects which are being reviewed by the teams at periodic intervals.

- (3) *Development of newer varieties of managerial skills:*

Three basic areas have been spotted for the time being:

- (a) *Management Information System development:* With experience in HMT V, it appears that with a long job-cycle time it is necessary for co-ordinating agencies to develop short-term feedback loop. Such experience-based knowledge will be required to lead to the development of new kinds of information systems.
- (b) *Development of new leadership role:* It is felt that, with the evolution of the spirit of team-working, a higher level of responsibility is being assumed by the bulk of the managers making it redundant for many senior managers to perform any longer the mediating role among conflicting subordinates. Thus, the new shift towards broader responsibilities in subordinate managers will require a corresponding shift of the old work-role of the integrative managers as well. They will now be called upon to pay increased attention to the management of the interaction between the enterprise and its significant environment, and less and less attention to the management of the internal system. Similarly, the General Manager of a Unit will be, henceforth, more and more concerned with the management of the interface of the sub-system, of

which he is the General Manager, and its significant environment; less and less with the internal management of the sub-system. Conscious planning of this new role will become an urgent task for the near future.

- (c) *Problem of the super-competent managers:* A genuine strength of the HMT system is the high level of task-orientation of many managers whose technical skills are commendable. However, since the system is consciously moving towards an open system, with emphasis put on the functionally-related group working, there is need for the task-oriented managers also to become relationship-oriented so that the new forms of management can enlist their support and nurturing.

- (4) *Development of new motivation for the technology innovators:*

It has often been recognised that the growth orientation of the HMT system lies in its ability to move towards products and processes which are more and more knowledge-based. Development of new products and stabilisation of their production technology will thus acquire an essentiality. In the light of this future trend, personnel policies and practices will call for a re-evaluation so that the technology innovators can enjoy a system that will motivate them towards the challenge rather than inhibit their creative urges. While it is necessary to cater to the extrinsic needs of the innovators just as also to those of the routine performers, it is quite another matter — calling for skills of sophistication — to develop systems for intrinsic needs to be satisfied.

- (5) *Creating newer organisational forms in the midst of existing, stable systems:*

A new Heavy Press Division has been created within the physical proximity of HMT V; a new printing press production facility will come into being in the existing premises of HMT IV and a major tractor manufacturing facility will be created at HMT III. This juxtaposition of existing machine-tool manufacturing facilities and the newer, not necessarily related, products often involving newer forms of organisational design, will create the problem inherent in the integration — differentiation processes of complex systems. How much autonomy, for example, will vest in the managers of the new productive systems to enable them to deviate from the systems and norms that are already in existence and are found to be functional

for the existing product lines? This, and related issues, will require to be confronted in the near future.

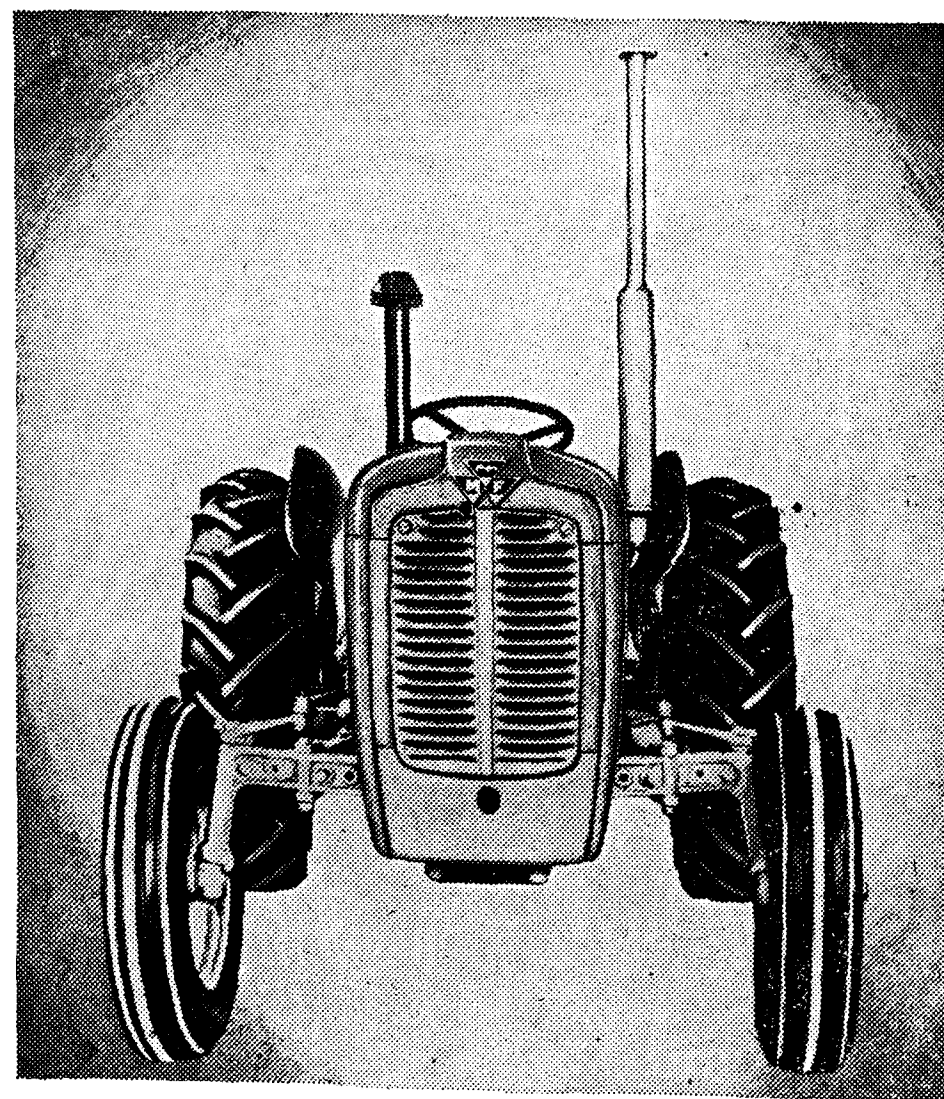
- (6) *Provision of living links in communication:*

Apart from the traumatic experiences of labour-management 'de-relations' dramatised in the series of incidents that took place in IIMT I and II in the latter part of 1970, it became quite evident to the sensitised change-prone managers that, of the communication gaps that existed between the different layers of employees, the one between the lower echelons of the management and the workers was the widest. The analysis also revealed that, while the communication between the executive system (that wing of the management that deals with the industrial relation problems) and the representative system (the trade union leadership) was being maintained — though at times in a tenuous form — there existed little or no communication within the executive system insofar as the base of the communication pyramid was concerned, viz, the workers. Willy nilly, it was believed that, the representative system assumed upon itself the role of the communicator with the workers which was substantially correct in theory and practice. But there are many unique properties of internal communication within an executive system (comprising of a manager and his entire subordinate command) which could neither be relegated to the representative system nor could be effectively performed by anyone other than those who occupy executive roles in the enterprise system. It was felt that this neglected side of the organic system could no longer be allowed to persist and that serious collective effort would require to be devoted in the management of the effective communication system.

- (7) *The need for proliferating the OD approach to union-management relations:*

Along with the deliberations on the communication gap, it came to be realised that, in the long run, the OD thrust could not be legitimised unless its spirit could be enshrined in the union-management relations as well.

While no concrete proposals could be mooted at this stage, it was felt that the consultants' assistance would become imperative to convert a distributive bargaining orientation into an integrative orientation without in any way jeopardising the identity of the union or the legitimacy of its representative role. It was felt that the Kamani Engineering experiment (De and Kamani, in prepa-



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ration) could indeed provide the embryo of an idea that needed to be incubated.

(8) *Need to foster development of behavioural norms that could overcome the forces of 'cluster' leadership:*

It is, we believe, a tribute to the open-system approach that has steadily gained acceptance in the HMT system that some of the Managers could bring out into the open the problems associated with clustered leadership within a sub-system. These could be the forces of casteism or of regionalism, or of other subtle variations that are in currency in India today. While there is an intellectual recognition that such forces might stand in the way of the synergy of organisational and individual effectiveness, in behavioural terms, its existence is not seriously challenged in many organised situations.

In the HMT, at least in one unit, the managers were able to recognise the debilitating effect of such pressures and welcomed the prospect of working through the problem. There is, thus, an awareness of the need that as the work-related issues would be gradually confronted and resolved, tradition-based attitudinal and behavioural stereotypes would demand priority attention.

(9) *Fostering a neo-culture in the system whereby the Head Office service functionaries could become the 'helpers' and the unit functionaries could assume the role of control:*

While it was realised that such issues as the development of an integrative industrial relations system, or the establishment of behavioural norms that would destroy the 'corrupt' aspects of clusterism, are indeed long-term projects, they are nevertheless equally significant in terms of priority allocation — precisely because, longer cycle time problems, if delayed, would on the one hand prolong the cycle time and on the other further complicate the already complex issue. In the same context, it was felt that a new orientation was called for in the headquarters-field relationship, contrary to what has been firmly established in most modern corporations. In tune with the concept of specialised services which the chairman had already established in the headquarters, it was felt that the 'service' concept of the headquarter role should be developed along with the 'self-control' role of the units with a high degree of commitment on both sides. What is being conceived of can be presented in the form shown in Table 6.

TABLE 6: COMPLEMENTARITY IN HQ SERVICES-FIELD RELATIONSHIP DYNAMICS

SERVICE	
I HQ-Field Relationship	III HQ-Field Relationship
Provision of ideas by the HQ and rendering of help by HQ on the basis of mutuality and reciprocity.	Help rendered by HQ on a formalistic basis of requisition and not mutuality. Service-mistrust dynamics calls for "correct" behaviour rather than functional (i.e., innovative) behaviour.
TRUST	
II Field-HQ Relationship	IV Field-HQ Relationship
Field resorts to monitoring activities as an aid to effectiveness and the open system that exists provides systematic data to HQ to seek help.	Field resorts to defensive control mechanism with priority on guarded reporting system for HQ control purposes. Help sought would depend upon whether 'authority' would be impaired.

CONTROL

It is not difficult to perceive that Boxes I and II are complementary just as are Boxes III and IV. The goal, as visualised in the HMT system, is to establish norms leading to Boxes I and II. It may be pointed out, however, that we are not specifically referring to the line organisation that runs through the HQ-Field continuum; we are concerned more with the autonomous staff organisations located in the HQ *vis-à-vis* the line set-up that commands the field.

(10) *Lastly, there is a need to stabilise the changes ushered in and then further the frontier of change through the creation of a cadre of change agents:*

Management of a major system-change demands, in addition to other facilities, a cadre of gate-keepers, not only to informally audit the results of change, but also to generate energies as a 'human dynamo' to fight against the relapse into habitual behaviour and to become a sensitive 'human radar' to record latent and/or inarticulate issues which, but for timely intervention, could dampen the rate of progress of change. An awareness is developing in the HMT system that, while the organisational development unit will continue to spearhead the programme of change, active agents of change will need to be located in each unit so that their role will need to be legitimised in the spirit of helping relationship.

A fourth corporation in which, encouraged by the preliminary reports obtained from the HMT system, OD intervention was inducted was Hindustan Aeronautics at its Hyderabad Division. Here, the first phase was initiated in December 1970 — primarily on account of the permissive climate gradually

built up in the system under the leadership of P C Lal who until recently was Chairman of the complex, and the direct interest evinced by the General Manager of the unit, R M Nayar. It is, indeed, too early to undertake even a rudimentary assessment of the effects and we shall not undertake any such venture. However, encouraged by the initial responses, the HAL system is planning to actively try out the OD in other sub-systems of the HAL Complex in May 1971.

PROJECTS CLEARED FOR IMPLEMENTATION

Encouraged by the results of some of the ongoing OD activities, some enterprises have decided to experiment with the OD approach in the near future (see Table 7).

Before we move on to the next section, we may provide here a highly impressionistic idea of the current status of the OD achievements in the three organisations where they have been in existence for 10-36 months. The data for such an assessment have come from a number of sources: (a) author's own observation of behaviour; (b) experiences shared with him on first- or second-hand basis; (c) observations made by persons belonging to the organisations but who did not take part in the experiments and (d) observations of my colleagues who have participated in these projects. Let me add that, it is not our objective to enter into an invidious comparison of the three organisations. We do look upon the tentative evaluation as a process event. In Diagram 1, we have taken only four variables on the horizontal axis in order to present a non-complicated picture. We do not claim

TABLE 7

Name	Location	Tentative Initial Steps Planned for
Oriental Paper Mills	Brajrajnagar	April 1971
Bokaro Steel	Bokaro	April 1971
Tata Engineering and Locomotive	Jamshedpur	May 1971
State Bank of India	Central Staff Training College	May 1971
Indian Aluminium	Hyderabad	May 1971
Hindustan Steel	Belur	May 1971
Indian Detonators	Bhilai	June 1971
	Hyderabad and Rourkela	August 1971

that these four are the most significant among the relevant variables.

The differential process events as they appear can at best be looked upon as a compound of (a) the characteristics of the managers manning the system, (b) the characteristics of the technology and of the organisational culture, (c) the characteristics of the consultants who have worked with the systems, and (d) the strategies of intervention adopted by them.

TYPICAL ORGANISATIONAL PROBLEMS

In this section we shall, on the basis of our organisational diagnostic studies in India, present some of the recurrent problems that stand in the way of organisational excellence. Most of these propositions have been culled from another source (De, 1971). It is our experience — though limited by the element of time — that these process events are steadily and encouragingly responding to the OD interventions initiated so far.

(1) Attitudes and values of the top leadership of organised activities have a significant flavour of habitual behaviour. Present glories and past successes shelter them against sensitivity and reception of feedback. To a certain degree, their responses to a new event or situation indicate a reactive, as opposed to, a pro-active behaviour.

(2) The existence of cluster or divisive leadership at the operational level often leads to a stronger sentient group (homogeneous emotional bond) as opposed to a functional task group.

(3) Task inter-dependence and inter-penetration remain often unreflected in behaviour. There is often buck-passing and 'scape-goating'. Poor teamwork is often visible in production meetings and progress review meetings.

(4) Individual responsibility and initiative are often hamstrung by im-personal checks and balances.

(5) Upward communication is often a reflection of the perception regarding

the superior's priorities in likes and dislikes, except when it originates in the representative system.

(6) There is a strong tendency to reduce communication in writing, with a low priority for face-to-face communication. It reflects the degree of inter-personal distrust.

(7) Very often, there exists a chasm within the executive system of communication, primarily on account of low commitment to new skills. Transference of past experiences has a high uncritical acceptance at the executive level.

(8) Very often, communication between the executive system and the representative system becomes an excuse for poor inter-hierarchical communication within the executive system.

(9) Usually, there exists some form of directive-type 'conflict resolution' mechanism almost to the total exclusion of systems for resolving inter-personal conflict at the affective level.

(10) Rather than develop a planned system for the generation and utilisation of knowledge, it is often left to haphazard developments — thus leading to disillusionment and apathy at the junior level which is often confused with the problem of the generation gap.

(11) Proclivity towards solution-mindedness, added to the need for anxiety-reduction, often leads to development of mechanical forms of organisational structures and processes, making it expensive — in terms of human and other invisible costs — to become adaptive to environmental pressures.

(12) Existence of a high degree of polarisation in commitment. There are a few overcommitted members in the system, as if, to compensate for a large cadre of the undercommitted. The 'get ahead' group very often clings to the *status quo* as that usually works in its favour, whereas the 'get along' group very often initiates or supports an *anti status quo* movement. Such a

conflict often gets reflected in a power struggle over the control of extrinsic rewards.

(13) There is often a short time-perspective for managerial priorities which result in a 'double-fault' problem-solving orientation: (a) routine gets precedence over non-routine and (b) fire-fighting activities get precedence over fire-preventing activities.

(14) Existence of low reality orientation in executive behaviour. Self-oriented behaviour usually dominates over self-aware behaviour, with the result that realistic self-assessment and owning up of one's own strength and inabilities do not get reflected in behaviour.

(15) In the matter of confronting with an actively changing environment, the routine-oriented, security-conscious and anonymity-seeking propensities show up rather stubbornly in the desire to adapt passively to the environment. At the extremities, are the minority who either respond to the challenges of the environment with the instinct of a controlling parent ego-state or with that of a destructive child ego-state. The active adult, as a problem-solver, does not usually show up as the executive agent.

(16) There exists, almost invariably, a constant human conflict on the one hand between one's own public self and the concealed self and on the other between the public self and the blind self — with the consequence that the intra-psycho conflict overshadows work-rationality and emotionality, often contaminating both.

(17) Inculcation of a narrow concept of 'product sovereignty' to the utter neglect of the process development often adds to an optimistic illusion of what the ends are, or should be.

These propositions are by no means an exhaustive catalogue nor do they claim any degree of finality in organisational diagnosis. However, their recurrence in many financially sound organisations which have a consistent record of achievements comes to us as a matter of some concern. There is a lurking fear that, such a concept of results, however sophisticatedly conceived, will delay the dawn of the consciousness that, a viable organisation, given the current state of knowledge in human sciences, is entirely consistent with the concept of a whole man.

While we cannot claim that OD intervention has brought about such an achievement yet, we indeed are gratified by the yet-to-be complete development process of a number of internal change agents working in their own

organisations. Building on their myriad strengths and skills — which were in existence prior to their commitment to OD — they have been able, in a short period, to sharpen their own life goal in a meaningful way. Also, they are in a position to enter into helping relationship with many others, and all these activities are becoming possible not on the basis of a given authority or allotted status but on the premise of empathy and personal growth.*

FACTORS INHIBITING EFFECTIVE OD INTERVENTION

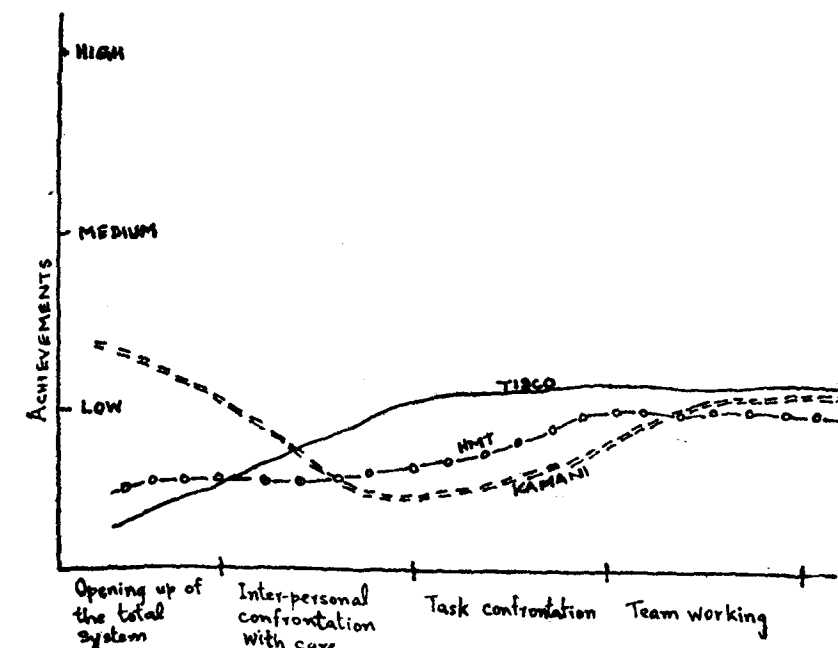
The foregoing description and analyses may create the impression that the OD interventions have had a smooth, success story wherever applied in India. It is only fair to mention that there is no basis for such a judgment. Over the past three years, our record of failure has been no less impressive! Ruminating over those failure cases, we may now be able to codify some of the forces that inhibit the progress of OD (De, 1970B).

In the first place, an authority-figure of the target system must provide active support to the change programme. His lack of interest or sluggish support, or his inability to comprehend, at least to some measure, what the OD intervention is all about, may indeed become a stumbling block to the experiment.

The active role H R Kamani played — including the struggle he went through to get over the resistance and allay the anxiety of many of his colleagues — over a period of three years, the proactive involvement that R N

* I shall mention just a few names, not because they are the only ones, but because I have personal knowledge of their developmental history: V S Baliga — Chief Engineer, Tata Iron Ore Mines, Noamundi; S P Bhattacharyya — EME Base Workshop, Agra; Y V Chavan — President, Kamani Employees' Union, Bombay; H R Kamani — Deputy Managing Director, Kamani Group of Organisations, Bombay; Navnit Kamani — Finance Director, Kamani Group of Organisations, Bombay; T V Mansukhani — General Manager, HMT IV, Kalamassery; S N Pandey — Chief Personnel and Welfare Officer, Tata Iron Ore Mines, Noamundi; R N Sen — Deputy Master General of Ordnances, Army HQ, New Delhi; R N Sharma — Chief Mining Engineer, Tata Collieries, Jamadoba; D Thankappan — General Secretary, Kamani Employees' Union, Bombay; M S S Varadan — Chief, OD Unit, HMT HQ, Bangalore.

DIAGRAM 1: THE STATE OF DEVELOPMENT OF THE THREE OD PROJECTS



Sharma manifested in his behaviour in TISCO collieries, the overseeing support and sympathy that R H Mody and P T K Panicker provided for the Raw Materials Division change programme and the scientific inquisitiveness and active interest in the process change that S M Patil showed in the HMT projects, are the key to the stabilisation of the OD programmes.

By the same token, some of our failure experiences show that, the initial gains in a productive system in the Calcutta region, evoking interest and enthusiasm of the participants, were nevertheless lost, because the target system centrally controlled by the headquarters could not secure the support of the Divisional Manager. Two months' efforts were thus lost. In the case of another Calcutta-based international organisation, the authority-figure gave vague support to the incipient change programme and himself remained too distant all the while, thereby contributing to the sagging of interest of those inside the organisation who took the initiative.

It will be seen that we have experienced two categories of support: (a) authority-figures in an active participation role like Hasmukh Kamani, Navnit Kamani, T V Mansukhani, and R N Sharma, and (b) authority-figures in a supportive role like S M Patil, R H Mody, and R M Nayar.

Secondly, unless the authority-figure has a professional interest in the consultant and his activities and the relationship assumes a trusting character,

the change programme would languish. In the case of an international agency, the change programme 'fopped' primarily because the head of the organisation had no professional interest in the consultant although a warm personal relationship existed. In another organisation, attempts at inducing the change programme with the support of the consultant, received lukewarm reception because of, among other reasons, the lack of any trusting relationship between the principal client and the consultant. The consultant then went into a state of hibernation insofar as this project was concerned. And, instead, he concerned himself with some other projects with encouraging results which came to the notice of the client. At this stage — i.e., one year after the abortive first try, the client approached the consultant for a series of seminars on aspects of organisational diagnosis. These series of interactions slowly and steadily built up a bond of confidence between the two that has recently consummated into an OD project.

Thirdly, should the authority-figure be extrinsically motivated to meddle with a change programme and the intrinsic motivation remain low, the change programme is likely to fail. In a public sector corporation, the chief of a target system enlisted the support of two consultants to build up integrated task teams. While the OD project was launched, it became evident that the chief was primarily motivated by a desire to 'overcome' the op-

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They are part of a thousand odd companies spread all over India that supply most of the components of ESCORT tractors (each has about 4,200 individual parts!) So that's how many people outside Escorts contribute to its operations. And they are mostly small-scale manufacturers.

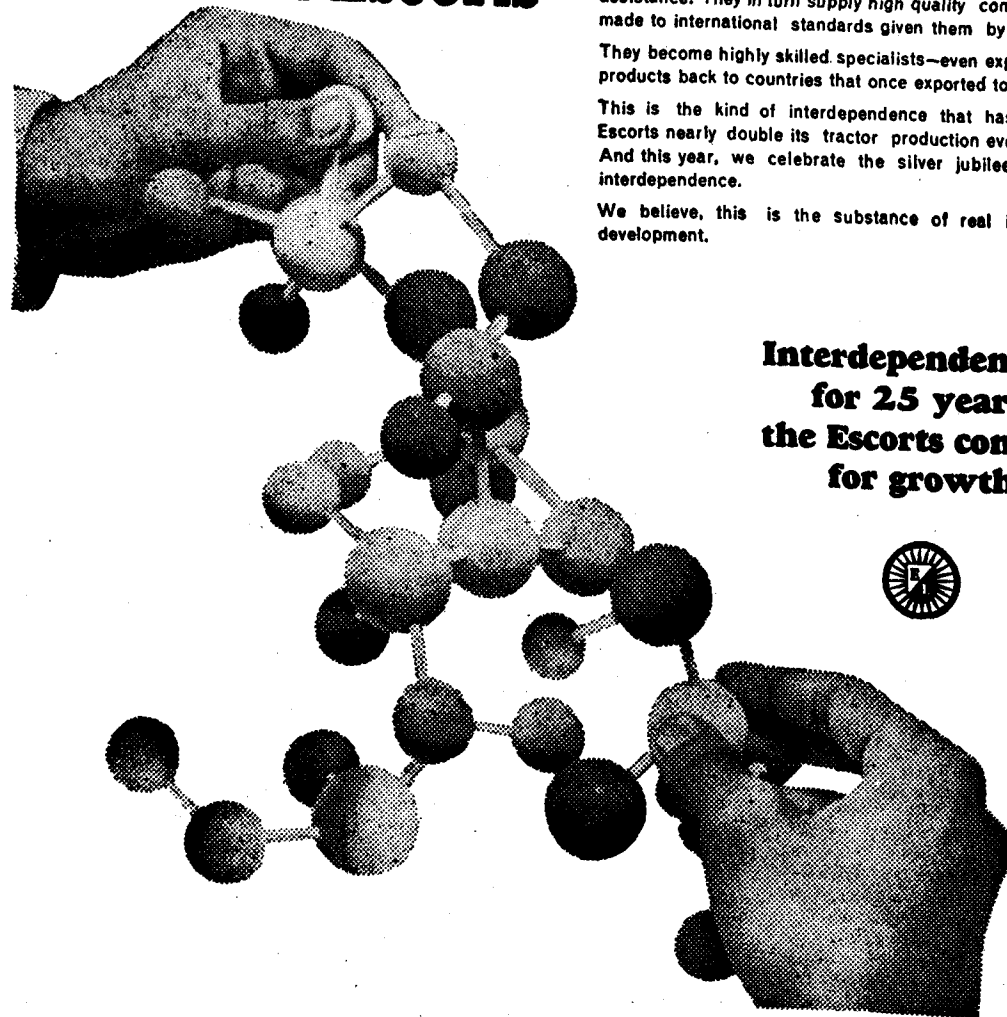
Escorts gives them technical, sometimes even financial, assistance. They in turn supply high quality components, made to international standards given them by Escorts.

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position to his authority, for the fulfilment of which objective he did not receive enough 'support' from the consultants. That was the waterloo of the OD venture. In an international organisation, the situational contingencies favoured an OD thrust. The second and the third level of hierarchy provided enthusiastic support to the OD efforts after the initial fear of the unknown was overcome. There was distinct evidence of a thaw in the relations between the fighting executives of an important operating department. The 'acting' Chief Executive duly 'noted' the progress and even reported it to the consultant with a feeling of appreciation. However, after a period of six months, the Chief Executive became 'cool' to the project. On inquiry he frankly confided that the 'patron' in the parent company had decided to defer a decision on his 'acting' status. So, the OD must wait!

Fourthly, should the 'contact person' (i.e., one who brings in the consultant) be one who does not enjoy enough prestige in the system nor enjoys the confidence of the authority-figure, the OD efforts are not likely to succeed in the enterprise. In a public sector plant, the OD efforts did not take root primarily because the contact person was not effective with the top brass. So, the 'guinea pigs' were the 'small shots' whose frustration was deep after each shot of OD intervention. The project was deadlocked. At this junction a high status executive came into contact with the consultant. Then onwards, the consultant was found professionally competent and attitude-wise 'committed' and the OD efforts then started to receive 'priority'.

Fifthly, the OD type change programme, if confused with the usual training activities, will lose its effectiveness. The conceptual distinction between the two should be clear from the very start. In a public sector 'service' organisation, the Training Manager organised a series of sensitivity training programmes, while the inarticulate premise in his mind was that he had embarked upon an organisational change programme. His consternation was great when he discovered that his brand of OD was what the state of sensitivity training was in early 1950s. In recent months, because of the publicity that some of the OD projects had received, a steady flow of requests poured in, asking for a series of 'OD lectures' in these enterprises for the benefit of the 'young executives'. It requires a super-diplomatic effort to

convey the idea that the 'OD pill', unilaterally, has little efficacy.

Sixthly, OD efforts are most likely to 'fail' should the interventions be aimed at the lower echelon of the management, while the interdependent and interacting higher echelon is plagued by forces of mistrust, competition and authoritarianism. In a medium-sized enterprise, the chairman and his three functional colleagues have been maintaining a semblance of unity while their assistants were brought together by the 'lion-hearted' Training Manager to an exposure to OD. With their respective loyalties remaining intact, these assistants merely succeeded in articulating the conflict which existed at the top and of which they were only too conscious. The bosses could not be confronted with the issue because they were indeed busy with work! In another organisation, since the top management found a 'loyal' Purchase Manager to look after certain important aspects of financial management in disregard of the sentiments and views of the legitimate functionary, it became extremely difficult to establish a task-group out of these managers because a culture of mistrust, personal loyalty, and secrecy, had existed for a long while, which this group was unable to deal with.

Seventhly, whatever the immediate motivation for inviting an OD intervention, unless the top management is mentally prepared to risk a confrontation with its own operant values at some point so as to cause a redistribution of power of the decision-making processes in tune with the dictates of the changing circumstances, the OD thrust will sooner or later be blunted. In the Kamani system the willingness and the ability of the top management to constantly examine the need for a shift in the power base can be pinpointed as a major factor for the OD becoming a living phenomenon in the system. In an industrial organisation, the initial thrust of the OD intervention having had some measure of success (improvement of inter-group working, authentic communication, and resolution of some long-standing interpersonal conflict), attempts were made to extend the frontier of the project, by organising a field-headquarter confrontation on the control dimension of the management. The Chief Executive, initially keen to improve the work relations among the units, became most reluctant to agree to the second phase of the project. He pleaded business commitments and for a delay of the

project. Nothing has since been heard on the proposed second phase.

Lastly, unrealistic expectations of spectacular gains within a short space of time from the target system are likely to cause impatience with the OD progress and then cause a gradual slackening off of enthusiasm. A major system-change programme, which encompasses a re-evaluation of attitudes and values as reflected in behaviour and the recasting of work-systems and processes, is indeed a long-term project — apart from the basic premise that planned change is a continuing process. Whether it is Glacier Metal, or Horwood Manufacturing, or Alcan, or the TRW system, the real pay-off lies in the long-term effects of the change efforts. While it is desirable that a continuous monitoring of effects — even short-term — should be undertaken as an integral part of the OD project, a 'trader approach' to the OD intervention is not the most functional.

CURRENT STRATEGY FOR OD MOVEMENT

Having acquired some experience, we are now seeking to develop a module for OD dispersion in organised activities. This is not to suggest that a universal capsule is under preparation. We want to retain a good measure of flexibility; and yet some degree of uniformity of approach is conceivable, given the state of our experience. Some elements of our approach can be spelled out here:

- (1) Development of an OD model for learning, for some of the key executive development programmes organised by the IIMC. The Behavioural Sciences Group offer a few key programmes, on a repeat basis, for a variety of organisations. Some of these programmes are (a) Managerial Leadership and Conflict Resolution, (b) Organisational Design, (c) New Perspectives in Industrial Relations and (d) Leadership Development for Trade Union Activists. A major input in these programmes is the element of experiential learning from behavioural manifestations, both for the faculty and the participants as a collective entity. The idea is that, we should not only preach the message but should devise the programme so that the 'message' acquires 'meaning' through the process of model and authentic behaviour. These programmes almost invariably evoke a genuine interest in some of the participants

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who wish to pursue.

- (2) The next stage is that, whenever an interest is shown and initiative is taken by a prospective client, we plan a one-day or even a half-day seminar for the top leaders of the target system, presenting concepts and cases in order to clarify ideas about OD. Here we also seek to retain the flavour of OD in a 'here and now' learning focus by blending process-product orientation in such a manner that the intellectual curiosity is met but the 'threat' of an unfreezing process is minimised. One element of this seminar is to lead the participants to an open-system diagnosis of organisational problems, as distinct from the issues, with process help available from the consultants so that there is a 'mini-experience' of OD in addition to 'cognitive exposure' to it.
- (3) Should the response to the exploratory seminar be encouraging, we plan for a series of dialogues between the client and the consultant, so that the dangers and pitfalls are openly explored and understood. Both parties avail of these opportunities to reach out for mutual understanding in terms of attitudes, values and priorities. Efforts are made to reach a psychological contract during this phase. The doubts of the sceptics will have to be confronted during this phase.

PRIORITIES IN APPROACH TO OD THRUST

The decade of the seventies has shifted our emphasis with regard to the priorities of the OD work. While it is undeniable that all sectors of organised activities in India deserve to be planned for the synergy effect of efficiency and humanness, limitations of resources and capabilities imply that we are in the midst of a reappraisal of our OD strategy. To the extent that our ideas have crystallised, they may be shared here:

- (1) Need to shift our emphasis on to the 'key impact groups' for national development.
- (a) A most crucial sector seems to be the top civil servants in the States and the Centre who are concerned with the policy-level decisions and higher-level integrative role. This cadre includes the bureaucrats as well as the technocrats. Recently, Indira Gandhi exhorted the Central Government Secretaries to

work on the plans and programmes of development as a collective entity rather than as a horde of functionaries, each with his own perceptions and priorities. This is no mere homily, should we consider the reality that in 1970-71 there was a shortfall of Rs 160 crores in development expenditure due to the differences among ministries (Nayar, 1971). We believe that the recognition of the problem and its public expression as a high national forum is the first problem-solving movement towards resolution. However, for the pronouncement to become operative, certain action-steps are indicated which the OD intervention can fulfil.

- (b) Simultaneously, it will be a necessary concomitant to expose the younger set of civil servants to the 'experience' of problem-solving orientation as distinct from the shackle of the habitual behaviour. This group, though bound by the limits set by the higher echelon, continues to enjoy a measure of autonomy in the use of the executive power. Already a collaborative effort is afoot between us and the Indian Institute of Public Administration to launch such a programme of OD.
- (c) It is necessary, we believe, to concentrate our energies on such vital industrial sectors as steel, heavy engineering, machine-tools, heavy chemicals, etc. Here too, we would prefer to converge upon a few enterprises before we move on to others. The Kamani experience shows that hurry does not pay and that stabilisation-efforts are more critical than initiation-efforts.
- (d) Using our already popular mechanism of the programme for the Trade Union activists, we would prefer to carry the OD intervention to the virgin field of trade union effectiveness.
- (e) We would like to help the small-scale industry sector, particularly where concentration of such efforts is available, like an industrial estate.
- (f) We would also progressively move on to the field of education, particularly secondary education. Already, an OD project is on in a higher secondary school in Bombay. Should we find the results encouraging, we would like to increase our efforts in this area of national development.
- (2) Another major priority would be to devote attention to the creation of a cadre of 'internal change agents' throughout the vital sectors of or-

ganised activities. We have listed about a dozen names earlier and a potential dozen is at hand. But for the gigantic efforts that are needed, this number is most inadequate. We have devised, keeping the future demand in view, a three-phase programme spread over a period of one year for the development of internal OD specialists. We visualise that, during the 1970s, India would require at least 150 such specialists and that this is an effort which demands inter-institutional collaboration.

This is, indeed, an ambitious project but the encouragement for such a project has come from our limited experimentation within the Behavioural Science Group. This group in the IIMC is highly autonomous within the Institute system and there is an equal amount of freedom for the faculty members within the group. The group operates on the basis of collectively evolved and shared norms, with no sanctioning authority behind them other than the moral-normative orientation that Etzioni speaks about (Etzioni, 1964). Faculty members are free to develop their own interests and specialisations, but because of the permissive climate that operates with almost a total absence of organisational hierarchy, all members of the group, except for one, have got themselves immersed in OD work. The development of such a preference is, by itself, an OD project.

To provide an illustration: Dharni P Sinha, a dedicated student of Anthropology with wide field experience in India, the US, and New Guinea, joined the group in 1968. So did Reginald C Mascarenhas, whose background is Political Science and interests are in the area of autonomy and control as political processes. Both of them voluntarily, and gradually, moved into the field of OD, initially as learners in a climate of collegiality. In two years, through a process of rigorous learning experience with colleague support, both of them moved into leadership role on OD initiative, one in a TISCO project and the other in the HMT project.

We believe that the air of freedom along with the existence of a group culture of openness in giving and receiving feedback, confrontation on the emotional and the task planes, and practice of 'helping relationship' (Rogers, 1961) as a living reality, have all converged to make the group an OD team which is constantly seeking to learn and grow.

In addition to mutual help and support in individual efforts of research and consultancy, a major aid to our OD effort is the collective 'clinicing' culture that has been established in the group (see Table 8).

In sum, we believe that the OD strategy portends well for the future of human systems. The results, though encouraging, are still confined to a few cases of industrial organisations. Its scope seems to be far and wide. This also appears to be the challenge for the coming decades. It is our experience that, the excitement of participating in a moving drama of change and renewal — which OD is — is itself a tonic for our self-renewal and self-actualisation. We believe that such an action programme is one sure way to negate the effects of anomie in the world of academia.

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TABLE 8

Project	Co-ordinating	Consultant(s)	Clinicing Council
Kamani	Suresh Srivastva	Nitish R De	Functions:
TISCO	Dharni P Sinha	Dilip K Lahiri	1 Development of
IIMT	Reggie C Mascarenhas	Nitish R De	OD strategy
TELCO	Mrityunjay B Athreya	Nitish R De	2 Sharing of
Bokaro			data
Steel	Mrityunjay B Athreya	Kamini Adhikari	3 Review of
HAL	Nitish R De	Krishna Swaminathan	Consultants'
INDAL	Nitish R De	Bhupendra K Srivastava	role
HSL			4 Review of
Bhilai	Nitish R De	Mrityunjay B Athreya	Progress/ Failure
			5 Programmes of Development for Faculty
			6 Allocation/ Reallocation of Human Resources

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Indian Entrepreneurship in Historical Perspective

A Re-interpretation

Dwijendra Tripathi

Although, in theory, the entrepreneur as the organiser of the factors of production has been recognised as the central figure in economic development, scholars of Indian economic history have tended to ignore this element in their studies. The tendency has been to stress the sociological factors such as caste or religion or to blame the policies of the British government for the backwardness of the country.

The contention of this paper is that this approach, while it provides useful insights, gives a lopsided explanation, and that a new line of inquiry would suggest a re-evaluation of the development of Indian entrepreneurship.

Empirical data points to the fact that cultural and religious forms are re-interpreted in real life under the weight of changes in the material environment. The so-called Hindu value system transformed itself to permit the entry of non-business classes into industrial ventures, when the new economic opportunities were perceived and grasped by these classes.

Indeed, if entrepreneurship is the response to the disequilibrium between the perceivable opportunities and their exploitation at any point of time, then a study of the constellation of forces which led to the perception of new opportunities by certain sections of society, might yield more satisfactory results.

IT is now widely recognised that entrepreneurial initiative is one of the principal elements in the economic growth of a society. The entrepreneur, as the organiser of the factors of production, may be regarded, as the central figure in economic development.¹ Scholars of Indian economic history, however, have either ignored this element in their studies or paid very little attention to it. The major studies in the field, following the lead given by Max Weber, have either stressed sociological factors like caste and religion to explain the economic backwardness of India, or blamed the policies of the British government.² These approaches, while useful, have presented a one-sided picture. The purpose of this paper is not to complete the picture or to come to any definitive conclusion, but to emphasise the need for a new line of inquiry which may suggest a re-evaluation of the development of Indian entrepreneurship.

The problem of definition presents an obvious difficulty in a study of entrepreneurship. In spite of the growth of a vast literature on the subject in the past few decades, the concepts of entrepreneur and entrepreneurship have remained vague and hazy. However, major definitional controversies have centred around the rise of the corporation economy in which the figure of an individual entrepreneur is almost untraceable. Since such an economy hardly existed in the period with which we will be dealing, it would do to accept for our purpose the classical definition which emphasises capacity to perceive new economic opportuni-

ties and take appropriate action to exploit them, as the hallmarks of entrepreneurial behaviour. Edwin F Gay's stress, on the "disruptive innovative energy" which breaks the "cake of custom" at a given point in the "rhythm of history", probably still constitutes the lowest common denominator in all the definitions.³

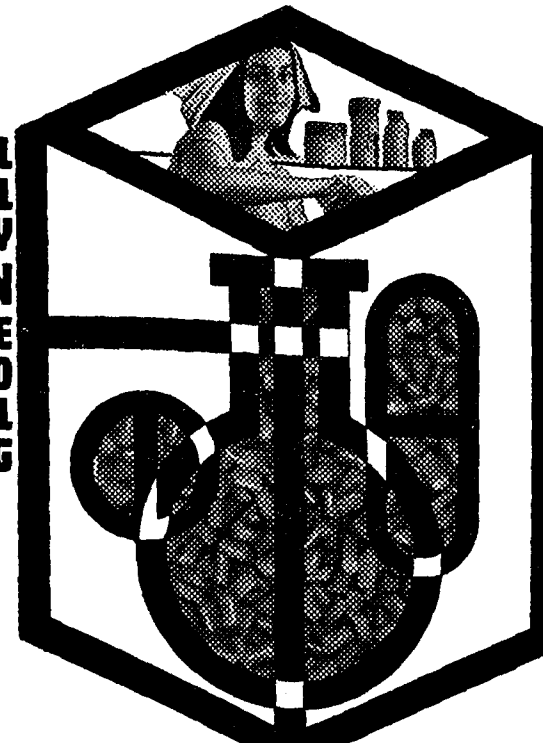
Occupational immobility in Indian society was one of the hardest cakes of custom. In the long rhythm of Indian history, it would be difficult, without intensive research, to spot the propitious moments when this cake was soft enough to be broken. Whatever little we know of the economic institutions and activities in ancient and mediaeval India suggests that the occupational division, sanctified by the caste system among the Hindus, remained more or less intact. We do not have any substantial evidence to suggest any major innovation in the field of agriculture or any other sector of the economy. Social and occupational mobility, which was much easier during the early days, became increasingly difficult. As a result, commercial activities became a monopoly of the *Vaishya* section. There is nothing to suggest that members of the other three Hindu Varnas — the *Brahmana*, the *Kshatriya* and the *Shudra* — ever became interested in trade and commerce even when India had extensive commercial intercourse with many parts of the world, particularly with the countries of South-East Asia.

The beginning of European commercial enterprise in India in 1600 did not disturb to any substantial degree the occupational basis of Indian

society, nor did it effect any qualitative change in the activities of the commercial classes. By all accounts, the demand for Indian goods in Europe was great in the 17th century, and the exploits of the East Indian companies, particularly the English, further augmented these demands. Since the demand for European goods in India was limited, the balance of trade always remained in favour of India. In spite of the restrictions imposed by several European governments against the export of bullion from their respective countries, these companies had to import treasures into India to finance their operations. The fact that the British government had to revise its customs regulations twice in 20 years — once in 1700 and then in 1720 — to discourage the use of Indian textile goods in Britain, testifies to the fact that the activities of the Europeans resulted in net economic gain to India, at least up to 1757 when the British occupied a part of Bengal.⁴

A large portion of these gains went to the mercantile classes. The weavers, who used to manufacture the textile goods in which the Europeans were mainly interested, were too poor to finance their operations. For capital, they depended on the mercantile communities who advanced funds under a system of contract which precluded any marginal profit accruing to the manufacturers. The mercantile communities, it appears, used their gains to finance their traditional activities, viz, trade and money-lending. More empirical studies would be necessary to confirm this impression, but we have some data which lend support to

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the view.

Virji Vora was a 17th century merchant prince of Surat, Gujarat. He had enormous liquid capital and dealt in goods of various descriptions. His mercantile operations were spread far and wide. Whenever the English East India Company needed loans, it approached Vora who would gladly advance funds at exorbitant rates of interest. His position in the market was unassailable, but there is nothing to suggest that the enormous profits he earned were utilised either for diversification or manufacturing. Our information on the House of Malys of Pulicut, in the present State of Tamil Nadu, is more limited. But it appears that the Malys, who came into prominence a little later, also limited themselves to the kind of activities in which the Surat merchant prince was interested. The Jagat Seths, who flourished in the early half of the 18th century in the eastern part of India, depended mainly on money-lending and amassed a huge wealth. They supported the English in their economic and political activities and were a decisive factor in the turn of events which gave Bengal to the British in 1757. The Seths were the collectors of revenue to the Nawab of Bengal during the pre-Plassey days. And they lent their support to the British probably without realising that the emergence of the British as a territorial power would end their main source of profit.⁵

These, and similar, data seem to point to the conclusion that the traditional mercantile classes dominated the business and commercial activities almost till the onset of the 19th century, that they introduced no qualitative change in the business practices of their forefathers, and that they remained wedded to liquidity preference.⁶ Also there is no evidence to suggest that occupational division, sanctioned by the caste system, underwent any change.

Max Weber, and later writers following his line of reasoning, have explained this phenomenon by pointing to the so-called negative elements in the Hindu value system. The Weberian approach presupposes that (i) there is a single system of Hindu values, (ii) that this was all-pervasive and influenced the behaviour and values of the followers of other Indian religions including Islam, (iii) that the Indian community internalised these values and translated them into day-to-day behaviour and (iv) that these values remained immune to, and insulated

against, external pressure and change.⁷

However, it is difficult to identify a single Hindu value system. Hinduism, as a matter of fact, is a collective name for so many sects and sub-sects, embracing so many beliefs—sometimes contradictory and sometimes complementary—that the Hindu value system as a frame of reference is neither meaningful nor convenient. Expressions like 'spiritualism' and 'other worldliness' to signify the essence of Hinduism do injustice to Hinduism by ignoring the materialist content of it (after all, ancient scriptures place equal stress on *dharma*, *artha*, *kama*, and *moksha*), and to the other religions including Christianity by implying that they lack spiritual values. Again, it is doubtful, whether the Hindu influence was so powerful and pervasive; even if it was, one might at least expect that Jain ethics which, according to Weber, approximated Protestant ethics would have instilled among the Jains a spirit of enterprise. A study of whether the success of the Jain businessmen preceded or followed their conversion to the new faith may throw some light on Weber's interpretation. One thing is certain: Jainism, with its stress on *aparigraha* (non-attachment), *ahimsa* (non-violence), *aasteya* (non-stealing), and *brahmacharya* (desirelessness for sensuous pleasure), is neither less ascetic nor less other-worldly than Hinduism. The fact that the business behaviour of the Jains in India was at variance with the essence of their faith might indicate that they did not practise the values which Jainism stressed. As a matter of fact, the behaviour of businessmen throughout the world justifies the impression that their business ethics and values do not necessarily conform to their personal ethics or religious values. In most cases there is a contradiction between the business ethics and the personal ethics of businessmen.⁸

This was certainly true of the medieval Indian businessmen about whom we have data. The ruthless business practices of the Jain Virji Vora, Jagat Seths, and Hindu Malya, would find little support in their religious values. The European travellers have testified that Indian merchants were as shrewd as the devil, that they possessed in plenty business acumen and judgment, and that they were not inferior in any respect to their Western counterparts including the Jews.⁹ Their practices and attitudes find sanction neither in Hinduism nor in Jainism. Obviously, these men, while clinging to religious rituals in their personal lives either

deviated from the spirit of their faiths or interpreted them anew to suit their business practices and activities. In other words, there was substantial difference between the formal expression of ideas as contained in the scriptures and the practices of these men. This may also be true for the rest of the society. Thus, if the behaviour of the mercantile communities was not very entrepreneurial in the modern sense, and the non-mercantile communities did not break the occupational barriers as imposed by the caste system and sanctified in the scriptures, the explanation must lie, not so much in the religious and cultural factors, as in some other factor.

Easterbrook's concept of the 'climate of enterprise' offers a clue to this factor.¹⁰ Such a climate can be explained more in terms of the material environment than in terms of religious and cultural factors. Environmental changes in a society may force reinterpretations and readaptations of religious and cultural beliefs. This is exactly what happened in Japan and in Western societies of today, wedded as they were to religions which, after all, were neither less other-worldly nor less spiritualistic than Hinduism.

Was this material environment in pre-1800 India conducive to the growth of entrepreneurial behaviour, or, to use Easterbrook's phrase again, did the climate for enterprise exist?

The lack of political unity has always been the bane of Indian history. Morris's phrase, "from chaos to chaos in three generations", may be a little too strong, but his basic observation that, at no time in Indian history, over any large region, did political unity survive for more than a century or a century and a half, is substantially correct.¹¹

Whether the short-lived imperial unities led to any qualitative and quantitative change in economic behaviour, is a matter of more intensive research; but our present knowledge suggests that they did not. For, political unity is not enough for entrepreneurial spurt. An effective communications system is an obvious prerequisite, and India lacked it. The pre-British rulers did build some roads, but they were mainly for military purposes, and modes of transport remained primitive and slow. Movement of goods and people was thus never very secure, and conditions became worse during the later Moghuls, partly as a result of the frequent Maratha raids (particularly in western and central-south India), and the rise of the Pindaris and the

Thugs.

Another disincentive to movement was a network of customs barriers. According to Moreland, these barriers—*chowkies*, as they were called—existed in 1600 and later. Most likely, they existed even earlier. As a result, the cost of transportation over a distance of 200 or 300 miles doubled the price of the commodity. The harassing and corrupt practices of the customs authorities added to the trials and tribulations of the situation.

The existence of innumerable systems of currency was yet another adverse factor. At the turn of the 19th century, there were about 1,000 currencies in circulation in India—probably legacies of frequent political fragmentation. Some of these depreciated in value every two or three years and, in the absence of any effective and clearcut system of exchange, bankers and money-lenders fixed their own arbitrary exchange rates. True, there was a system of *Hundi*, the time honoured system of remitting money, but this must have offered little protection against the frequently fluctuating exchange rates, and certainly involved heavy remittance charges.

These political and economic factors led to the development of regional markets—each limited to 200-300 miles—and the so-called village self-sufficient economy. Both were detrimental to the growth of any large-scale commercial undertaking. But even the regional markets were plagued by unpredictable and arbitrary interference by the political authorities. Since far-flung regions were hard to govern from the seat of the imperial government, their governors were left relatively free in matters of administration. Some of these governors, particularly in the 17th and the 18th centuries, were interested in their own commercial enterprises and, on several occasions in many coastal cities, without any prior notice they monopolised for themselves the trade in certain profitable commodities.¹²

While these factors reduced investment opportunities, the taxation policy affected generation of capital. It is difficult to generalise about the Hindu taxation structure in the absence of more reliable data, but taxation under the Moghuls amounted to nearly half the produce of the land. A large part of the taxes, spent on the palace luxuries, were lost for productive purposes. Heavy taxation coupled with the low yield of Indian agriculture brought cultivation to the subsistence level. The ability of the community to in-

vest was very low indeed. Accounts by foreign travellers depict a grim picture of the poverty of the Indian masses.¹³

Two more factors of relatively less importance must be mentioned. First, the religious system of education which prevailed through the 1800s emphasised the importance of a man's calling. Commenting on Hindu education in about 1000 A D, Al-Beruni said that the Hindu people kept themselves aloof from the outer world and were ignorant of the arts and sciences of the West. The situation was still the same 800 years later.¹⁴ The educational system reinforced the occupational structure as it was sanctified in the caste system. Secondly, business was held in low esteem in India throughout the period. Kautilya's belief that, a businessman was a thief but was not called so, seemed to have become a commonly held view in later years.¹⁵

The above description of the material environment in pre-British India, is rather generalised. The state of a society over such a long span of time cannot be compressed in a few paragraphs anyway, and any generalisation about such a complex society as India could be misleading. It is quite possible that intensive researches in regional or local history would indicate variations and it is not suggested that all these factors existed in all parts of India or at every single period of history. Allowing for such variations, however, the conditions described here would approximate the picture of the climate which conditioned and influenced business behaviour in pre-1800 India.

Obviously, the climate was not very favourable. It will be agreed that a weak economic infrastructure, like the one that prevailed in pre-1800 India, was capable of offering little or no inducement for a major entrepreneurial breakthrough to those who were already in business. Again, it was not tempting enough for non-commercial classes to give up their traditional professions. Probably, it would be fair to say that the business castes under the prevailing conditions had pre-empted the business opportunities that could be perceived. According to McClelland, entrepreneurial response, as distinct from adventure or gambling, consists in moderate risk engendered by a combination of achievement motivation and expectancy of reward.¹⁶ It is the low expectancy of reward, more than anything else, which explains the business behaviour and occupational structure in pre-British India. In other

words, there was a rough equilibrium between the perceivable opportunities, on one hand, and business behaviour and occupational division, on the other.

In the mean time, however, India's contact with the Western world was disturbing this equilibrium, slowly and gradually. There were two major factors: (i) the commercial activities of the Europeans in India, particularly the British who soon overshadowed the others, and (ii) the changes in the material environment wrought by British rule.

European companies for Indian trade came to be established after 1600 A D. In the beginning, their fields of operation and their contact with the native population were limited, and their familiarity with the country was slim. Lack of purchasing power plagued their operations. These conditions naturally reduced their ability to have any major impact on the behaviour of Indian businessmen. The British occupation of Bengal, however, changed the situation. For one thing, it facilitated the operations of British free merchants, and the entry of the company's servants into mercantile activities. In other words, beginning with the Battle of Plassey, business horizons of the British expanded with the expansion of British rule in India. Their methods were dubious, exploitative, and arbitrary; but there is no doubt that the British displayed greater aggressiveness, drive, and imagination in their business tactics—perhaps because the British environment in which they had grown up had endowed them with a superior entrepreneurial initiative.

Whether the East India Company played any innovative role is debatable; but the agency houses certainly did. These houses were established in the presidency cities of Calcutta, Bombay, and Madras, during the last decades of the 18th century as adjuncts of British firms in London—either by the free merchants or by the servants of the company who resigned their positions to engage in agency business. The original purpose of these establishments was to facilitate remittances of money to England by Englishmen residing in India. But since this in itself would yield little profit, these houses entered trade and commerce, and added new lines such as European banking and steamshipping. The number of such houses increased, and their activities expanded after the East India Company lost its monopoly of the India trade in 1813. In the wake of the Industrial Revolution in Britain, the

agency houses and the free merchants opened up new vistas for business by indicating that India had vast untapped natural resources waiting for exploitation. They financed and promoted indigo plantations, participated in the risky business of coal mining, established leather manufacturing, and at least one Englishman wrestled unsuccessfully with the impossible task of steel-making in Madras.¹⁷

Admittedly, the demonstration effect alone has limited value for generating an entrepreneurial spurt, but the impact of the superior business outlook of the foreigners on the Indians must be analysed in the context of the material changes that were simultaneously taking place. Among these, were the beginnings of secular education and spread of Western ideas. Although a formal declaration introducing English education was not made until 1835, the process of secularisation had been initiated at the end of the 18th century. By 1830, the effect of the Western ideas and new education was noticeable, at least in Bengal. The tight grip of religious and traditional ideas and practices became loose, and dogmas and superstitions lost the hold they had earlier. In a sense, a new 'Protestant ethic' began to emerge which reflected itself in the establishment of the 'Brahmo-Samaj' in the cultural field. In the economic field, it encouraged the non-commercial classes to look at the opportunities for gain more sympathetically and meaningfully.¹⁸

Viewed in this light, the business activities of Dwarkanath Tagore, a Brahman, would appear to lie in the logic of history. Tagore had great sympathy for Western ideas and culture. He welcomed British rule as a great blessing. He was a supporter of the Brahmo Samaj movement. After the fall of the agency houses in Bengal, as a result of the depression of 1829, Tagore proceeded to fill the vacuum. He founded the Carr Tagore Company jointly with William Carr, an Englishman, to participate in the same kind of activities which had remained in the hands of the agency houses. He established a bank, a steamship company, and a colliery, and promoted a host of minor ventures. Tagore belonged to a big landlord family, and it is possible that the permanent settlement, introduced in Bengal during the closing decades of the 18th century, had improved his financial position and so enabled him to promote his business ventures.

According to Tagore's biographer,

Dwarkanath was the first high-caste Hindu to enter business.¹⁹ Another member of the Tagore family, Prasanna Kumar Tagore, was one of the Directors of the Union Bank, and another Brahman, Radha Madhab Banerjee, also appears on the list. Proper data about two other businessmen, Ramdulal Dey and Muthylal Seal, are not available. But one thing is certain: between 1834 and 1847, a host of partnership ventures were started jointly by Bengalis and Englishmen—an entirely new phenomenon in Indian business life—of which Carr Tagore, Union Bank, Oswald Seal, and Rustomji Turner, were the more prominent ones. It is also certain that, those who participated in these ventures were ideologically and culturally close to the English—either by personal contact or by education. Probably safe in their traditional lines of money-lending and trade, the traditional business classes, with little contact with new values, refrained from entering the more challenging fields. The Indo-British partnerships disappeared in 1847 as a result of mismanagement, their but first appearance was certainly a breakthrough in the Indian entrepreneurial pattern.²⁰

These partnerships remained confined to the lines made relatively familiar by the agency houses or free merchants. Their attitude to unfamiliar or riskier ventures was one of caution. Tea plantation is one such instance. The officials of the English East India Company had begun the search for tea plants in the Assam hills in the 1820s. In the early 1830s, the company established tea gardens in Assam to demonstrate the capability of India to produce tea and with the declared intention that the gardens would be handed over to private enterprise in due course. In 1837, the company was ready to fulfil this promise, but Bengali businessmen felt reluctant to take advantage. Dwarkanath Tagore and a few of his associates made some attempts to form the Bengal Tea Association, but uncertain about the future they gladly stepped aside when some Englishmen established the Assam Company in 1838 in London to exploit the tea resources of Assam. It was thus left to the Assam Company, whose determination for success survived many frustrations and enormous losses for almost 20 years, to establish the plantation on a sound footing.²¹ Likewise, coffee plantations and jute manufacturing were developed almost entirely by British enterprise.

Not in all cases did the founders of

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British enterprises in India have access to sufficient capital. As a matter of fact, most of them were people of moderate or humble means, and a large number of firms which later developed into huge empires had humble beginnings. Their success, however, was the result of two major factors: (1) the use of superior British technology, and (2) their managerial skills which were reflected in their success in floating one enterprise after another by ploughing back profits and in co-operation with other ambitious individuals.²² In the process of doing the latter, they developed, if not originated, an almost unique system of business management—the managing agency system.²³

Thus the activities of the British entrepreneurs in India pointed to increasing business opportunities, gave the Indians a form of corporate management, brought them face-to-face with superior technology, and contributed to their capacity to borrow it by ensuring the availability of personnel to handle the new machines.

Material environment, in the meantime, changed further. During the 19th century the spread of Western ideas and secularisation of education made considerable progress and led India from the mediaeval to modern age.²⁴ The critical and questioning attitude toward religion and society, which in the 1830s had brought new entrepreneurs to the fore in Bengal, touched the western parts of India after 1840, and manifested itself in the establishment of the 'Prarthana Samaj' and, a little later, the 'Arya Samaj'. Both these were reformist sects like the Brahmo Samaj in Bengal. During the same period, political unity and stability was more firmly established, the irksome custom barriers were abolished, security of movement was improved as a result of the curtailment of the Thugs and the Pindaris, and a unified currency for the entire British dominion came into existence. During the latter half of the 19th century, the establishment of the post and telegraph system and the construction of roads and railways considerably improved transportation.²⁵ These changes served to expand the market and, with that, the horizons of business.

However, the Bengalis who had burnt their fingers in early partnerships remained cautious and Indians in other parts, still inexperienced in industrial ventures, refrained from entering those fields which the British had monopolised—the plantation and extrac-

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tive industries. With large and well-developed industries at home, the British were probably not interested in cotton textiles and steel and it was in these fields that the emerging Indian entrepreneurial spirit manifested itself.

The first cotton textile mill, as is well known, was established in 1851 by a Parsee, Cowajee Nanabhoj Davar, in the fast developing city of Bombay. He imported machinery and technicians from Lancashire and entrusted management to his own managing agency firm. Although many in Bombay seemed doubtful about the future of Davar's venture, the Bombay Cotton Spinning and Weaving Mill became an instant success, and the patterns under which it developed became the model for the establishment and management of new mills. In spite of adverse circumstances, opposition from the Manchester lobby in Britain, and unhelpful governmental policies, the Indian cotton textile industry made enormous progress and was firmly established by 1875, primarily in response to external demands in eastern markets and rising internal consumption of cotton goods. Although others entered the Bombay cotton textile industry, the pioneering role was undoubtedly played by the Parsees.²⁶

Again, this community played a pioneering role in the development of iron and steel. J N Tata was attracted to the field as early as the last quarter of the 19th century, in spite of the failure of many an early effort. How Tata was hampered by irksome and complicated prospecting laws, how he later won the support and encouragement of the British government, how he recruited his technicians and imported his machinery from the United States, and how his efforts finally fructified in the establishment of Tata Iron and Steel in the early years of the present century, is well known. Tata, by any standard, was a towering entrepreneur whose vision and imagination, determination and perseverance, and faith and trust in his own ability and mission, survived many a frustration and many a failure.²⁷

To attribute Parsee entrepreneurship to religion would be misleading; for, the pioneer of the Ahmedabad textile industry, the second largest in the country, was a Brahman—Ranchhodlal Chhotalal. Born in Nagar Brahman family, who were the first to come under the impact of Western ideas in Gujarat. Ranchhodlal was educated in Sanskrit, English, and Persian. As a

civil servant, he came into close contact with Englishmen. A few years before Davar floated his company in Bombay, the possibility of starting a mill in Ahmedabad attracted Ranchhodlal's attention and he carried on extensive correspondence with several Englishmen and an American at Broach. Hampered by the lack of capital, however, he had to wait for more than a decade before he could establish his mill company in 1861.²⁸ Becharadas Laskarni, who followed Ranchhodlal in establishing cotton mills in Ahmedabad, was Kunbi, a land-holding community. Other non-Vaishya Gujaratis who entered modern industrial ventures included N M Tripathi, who founded a publishing firm after his own name. In other parts of India, Rajendra Nath Mookerjee, a Brahman, played a leading role in promoting Martin Burn, which eventually took possession of the iron works of Bengal government and later developed into a reputable engineering firm. In Maharashtra, a few years later, Laxman Rao Kirloskar, a Brahman, with technical educational background, founded a company for the manufacture of agricultural machines.²⁹

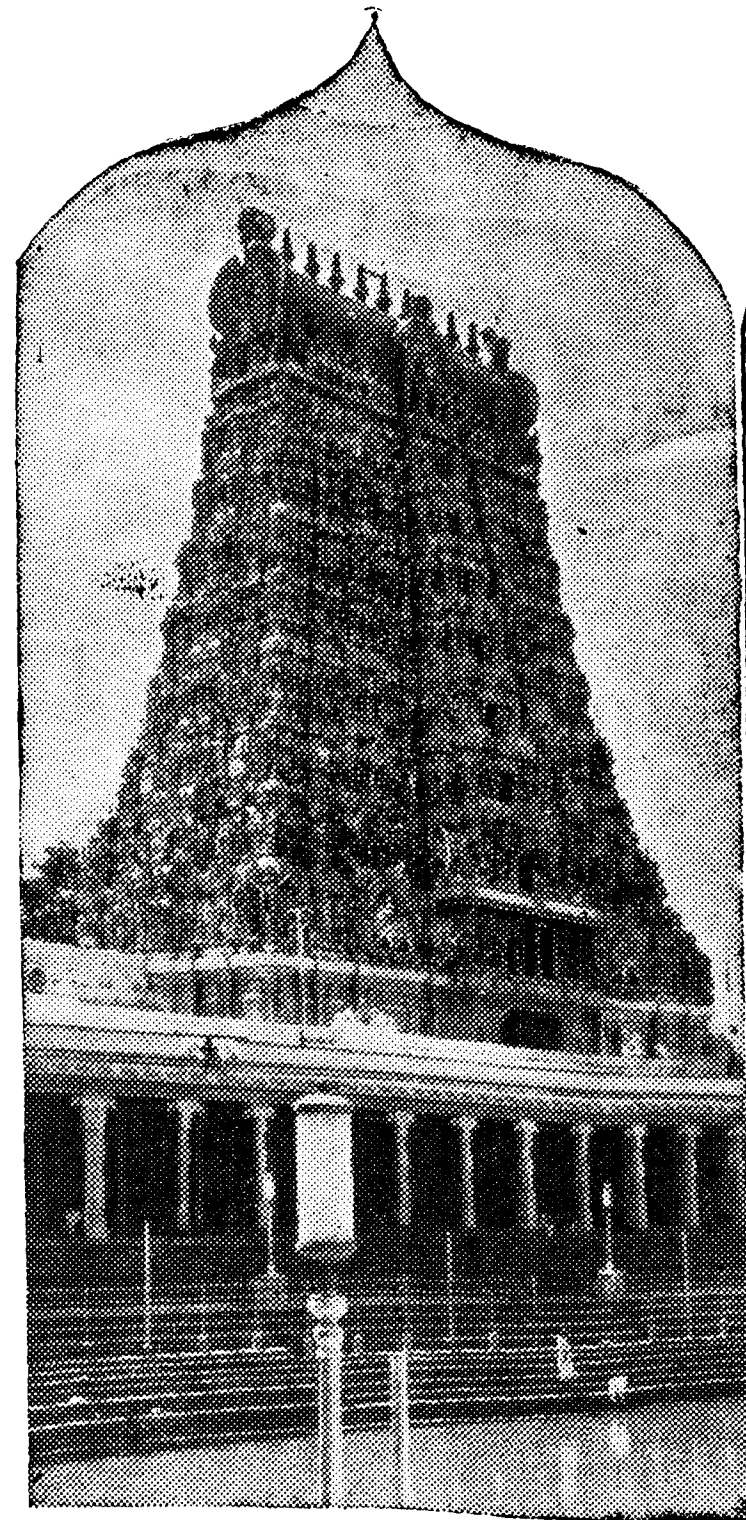
Not religion but exposure to new ideas and values was the common factor between the Parsees and these Hindu entrepreneurs. The Parsees, from the very beginning, were close to the British as their middlemen. They adopted their ways of life and imbibed their culture. Business had been their traditional occupation, but the contact with the new ideas and new business techniques led them to appreciate the significance of the changing environment and emerging opportunities.³⁰ The same was true of the Hindu entrepreneurs, although business was a new experience for them. In most of these cases, while moving away from their traditional occupation, they retained their traditional ways and rituals in their personal lives. Neither they nor their contemporaries found any contradiction between their personal faith and their occupation.³¹

Educational and environmental factors may also explain the behaviour of the Vaishyas and the Jains who lagged behind the entrepreneurial initiative throughout the 19th century. The Jains and the Vaishyas of Ahmedabad and Baroda refused to have anything to do with the cotton industry when the Brahman pioneer approached them for money. The Jains actually entered the textile field only after its profitability had been established. The Marwaris,

who had a strong hold on the money market of Calcutta, remained confined to their trade and money-lending and so was the case with the Chettiers in south India.³² Late in taking advantage of the new educational facilities and late in coming into contact with new ideas, these classes needed greater inducements to grasp the significance of the changing business horizons. It was the First World War and the conditions following it that offered them these inducements. The War stopped imports of several essential commodities and created huge internal demands. Indian industrialists reaped large profits. After the War, the government changed its free-trade policy to offer discriminatory protection to Indian industries. The currency situation, which was fluid and uncertain during the closing year of the 19th century and the beginning of the 20th century, became stable at long last. The Swadeshi movement gave a new upsurge to the demand for Indian goods. All this augured well for industrial ventures and the Vaishyas, the Jains, the Marwaris, and the Chettiers, with enormous capital at their disposal, entered the field with a bang. Some of the famous business houses of today, the Birlas, the Dalmias, the Goenkas, Juggilal Kamalapati, Walchand Hirachand, really developed during the inter-War years. They entered sugar, cement, textiles, construction, chemicals, newspapers and publishing, and a host of other fields. Some of these later entrepreneurs took greater risks than would seem justified during those days. Walchand's efforts to develop shipping in competition with formidable British lines and to establish an automobile industry fall in this category. Simultaneously, non-Vaishya ventures continued to be established. Gujaratis of all castes started a host of firms, and, far down in the south, the Seshasayees, Brahman by caste, established their famous and reputable business of electrical engineering.³³

The infrastructural changes, and more particularly the demands for indigenous products created in the wake of the Second World War, led to the perception of new opportunities. Consequently, by the time India attained freedom, religious inhibitions against business activities had been considerably weakened, the backbone of occupational immobility had been broken, and the outlook of the so-called business communities had broadened. India, thus, was ready for a new leap forward into entrepreneurship.

The new confidence which Indepen-



excellence
IS
timeless

Our philosophy is not new.
It is perhaps as old as
time itself. It's a dedication
to perfection. To doing
the best that can be done.
And then striving
to make it better still.
It's an endeavour that
embraces every field of
our activity. Whether it's
textiles, jute, plywood,
dyes, chemicals
or petrochemicals.



**MAFATLAL
GROUP**

ANAND, P. G. B.

dence generated, the facilities which the national government provided for indigenous ventures, and the qualitative changes which the planned economy brought about gave a further push to entrepreneurial upsurge. It is noteworthy that, notwithstanding its bitter complaints against the governmental policies, the private sector made considerable progress in the year after Independence. While the established business groups responded to the new opportunities by diversifying their activities and entering into foreign collaboration to exploit the relatively less familiar fields, others, till then little interested in such activities, began to make forays into business undertakings of diverse nature.³⁴ Several researches related with different regions of India have indicated that during the post-freedom era, entrepreneurial class transcended, more convincingly than ever, the caste and class barriers.³⁵

Thus, under the weight of the changes in the material environment, the so-called Hindu value system transformed itself to permit the entry of non-business classes into industrial ventures. Hinduism was not, as the Weberian approach would have us believe, immune to external influences, nor had the Indians internalised its value system to such an extent as to withstand the pressure of profitable opportunities which emerged in the wake of material changes. The rituals remained intact, but the behaviour changed significantly.

Thus, the available empirical data points to the fallacy of overemphasis on the religious and cultural values and social organisation in the study of entrepreneurial development in India. A careful probe into the composition of Indian business and of the varied forces which impinged on decision-making at various stages, may lead to a significant revision of existing views. These forces may consist of an interaction of the ever-changing economic, political, and social environment on one hand, and personal influences of caste, family affiliation, nature and level of education, contact with and impact of the activities of others on individual decision-makers, on the other. If entrepreneurship is a response to disequilibrium between the perceivable opportunities and their exploitation, a study of the constellation of forces which led to the perception of new opportunities may yield more satisfactory results.

NOTES

- 1 Arthur H Cole, "Business Enterprise in Its Social Setting", Cambridge, Mass, 1959, p 28; United Nations, "Processes and Problems of Industrialisation in Underdeveloped Countries", New York, 1955, pp 30-38.

- 2 Max Weber, "Religion of India — The Sociology of Hinduism and Buddhism", edited by Hans H Goeth and Don Martindale, Glencoe, 1958; also Max Weber, "The Protestant Ethic and the Spirit of Capitalism", New York, 1958; Max Weber, "India: The Brahman and the Caste" in H H Gerth and C Wright Mills (editors) "From Max Weber: Essays in Sociology", New York, 1958, pp 396-415; V V Bhatt, "Aspects of Economic Change and Policy in India, 1800-1960", Bombay, 1963, pp 9-70; Phiroze B Mehdora, "Entrepreneurship in India", *Political Science Quarterly*, LXXX, Number 4, December 1965, pp 558-580; Helen B Lamb, "The Indian Business Communities and the Evolution of an Industrial Class", *Pacific Affairs* XVIII, Number 2, June 1955, pp 101-115; D P Pandit, "Creative Response in Indian Economy — A Regional Analysis", *Economic Weekly*, February 23 and March 2, 1957; D P Pandit, "A Century of Gestation: Relevance of Non-Economic Facts in Development Studies", *Economic Weekly*, September 22, 1962; H N Pathak, "Small-Scale Industries in Ludhiana", *Economic and Political Weekly*, Volume V, Number 28, July 11, 1970, pp 1091/97.
- 3 Quoted in Arthur H Cole, "An Approach to the Study of Entrepreneurship: A Tribute to Edwin F Gay", in Hugh G H Aitken (editor) "Explorations in Enterprise", Cambridge, Mass, 1965, 31.
- 4 For detailed discussions see S A Khan, "The East India Trade in the Seventeenth Century in Political and Economic Aspects", London, 1923; Bal Krishna, "Commercial Relations between India and England", London, 1924; C J Hamilton, "The Trade Relations between England and India", Calcutta, 1919.
- 5 Brief account of Virji Vora and the Malyas are available in W H Moreland, "India from Akbar to Aurangzeb", London, 1923, pp 145-185; For Jagat Seths, S Bhat-tacharya, "The East India Company and the Economy of Bengal, 1704-40", London, 1954, pp 108-110; P Sinha, Jagat "Seth aur Bengal me Angreji Rajya Ki Niv" (in Hindi), Prayag, 1950, et passim.
- 6 According to a competent authority, both exaggerated expectation and liquidity preference are hindrances to entrepreneurial activities. See A O Hirshman, "The Strategy of Economic Development" New Haven, 1958, pp 20-24.
- 7 For a critique of the Weberian approach see, Morris D Morris, "Values as an Obstacle to Economic Growth in South Asia: A Historical Survey", *Journal of Economic History*, XXVIII, Number 4 (December 1967), pp 588-590; also Hemlata Acharya, "Creative Res-

- ponse in Indian Economy — A Comment", *Economic Weekly*, April 27, 1967. Milton Singer, "Cultural Values in India's Economic Development" *Annals of the American Academy*, May 1956, pp 81-91; Singer's views have been examined by several authorities in "India's Cultural Values and Economic Development: A Discussion" *Economic Development and Cultural Change*, VII, Number 1, October 1958, pp 1-12.
- 8 A few examples may underscore this point. John D Rockefeller in his personal life was an extremely religious man, but utterly ruthless in his business dealings. Allan Nevins, "Study in Power: John D Rockefeller, Industrialist and Philanthropist", New York, 1953. Andrew Carnegie, well known for his charities, adopted dubious means to deal with the labour strikes in his Homestead works. Burton J Hendrick, "The Life of Andrew Carnegie", New York, 1932; An Indian industrialist, Ramkrishna Dalmia, has himself confessed to the contradiction between his personal beliefs and business practices. See Seth Ramkrishna Dalmia, "A Short Sketch of the Beginning of My Life and a Guide to Bliss", Delhi, 1962; and "Some Notes and Reminiscences", Delhi, 1959.
- 9 For a general description of the methods of Indian businessmen see Moreland, "From Akbar to Aurangzeb", pp 145-185; S Arasaratnam, "Indian Merchants and Their Trading Methods, Circa 1700", *Indian Economic and Social History Review*, III, Number 1, March 1966, pp 85-95.
- 10 W T Easterbrook, "The Climate of Enterprise", in Aitken (editor) "Explorations in Enterprise", pp 65-79.
- 11 Morris D Morris, "Towards a Re-interpretation of Nineteenth Century Indian Economic History", *Journal of Economic History*, XXIII, Number 4, December 1963, pp 606-618.
- 12 There is a good discussion on communication system and *chowkies* in Tarashankar Banerjee, "Internal Market of India 1834-1900", Calcutta, 1966, pp 1-52; for currency chaos see K N S Nambudiripad, "A Short History of Indian Currency", Poona, 1953, pp 1-15; Also Moreland, "From Akbar to Aurangzeb", pp 145-185.
- 13 For a discussion on the Moghul tax structure, see D Pant, "The Commercial Policy of the Moghuls", Bombay, 1930; for the poverty of the Indian masses, Tara Chand, "Society and the State in the Moghul Period", New Delhi, 1961, pp 43-72.
- 14 R C Majumdar (editor) "British Paramountcy and Indian Renaissance", Part II, Bombay, 1965, p 89.
- 15 As late as the close of the 19th century, there was a proverb popular in Rajasthan which said that the Jain Bania drank filtered water

Management Reporting Systems

Structure and Design

S K Bhattacharyya

A management reporting system is essentially a mechanism for monitoring the 'mission' of an organisation. That mission has usually been defined by a formal plan in terms of three distinct streams: the desired organisation structure; the time-phased statement of organisational goals; and the critical variables for success.

To the extent that the formal plan is imprecise or inadequate, failing to take into account the actuality of the real-life situation, the *de facto* points of decision-making, and the personnel, the monitoring system becomes open-ended and ineffective. Designers of the reporting system must, therefore, take into account the impact on it of such constraints.

A good management reporting system will not make a company successful. It is the people in the organisation, not the system, that make for corporate success. Yet, lacking a proper management reporting system, management at various levels will have no way of registering their accomplishments in relation to targets, or of taking remedial action.

A related question in the mechanics of designing a management reporting system is the frequency and content of report at the various management levels. An answer to this question, too, has to be related to the three components of the formal control system, since the nature of the information to be provided and its frequency, at each level, must necessarily depend on the control characteristics of each level of management.

A MANAGEMENT reporting system is essentially a mechanism for monitoring the 'mission' of an organisation in terms of the objectives set out in the formal plan evolved by the organisation. The previous article in this series¹ defined the end-products of a formal planning system essentially in terms of three distinct streams:

- (a) Desired organisational structure,
- (b) Time-phased statement of organisational goals and objectives, and
- (c) Critical variables for success of the operations of the organisation.

If the formal planning system fails to set out the structure, the objectives, and the variables, with the required degree of precision, the linked monitoring system is bound to be opened and, for that reason, ineffective. Many designers of management reporting systems fall into the trap of emphasising the mechanics of reporting, without realising the impact of these constraints on the reporting system arising out of the formal planning system.

If the organisational structure has been well-defined, the authorities and responsibilities of the various managerial levels, beginning with the sectional heads and going right up to the chairman, are delineated with precision and clarity. It is dangerous to think of such a structure merely in terms of the 'boxes' appearing in the 'official' organisational chart, because in most real-

life situations, the explicit authorities and responsibilities are at considerable variance with the actualities of the situation because of the operative power structure. More specifically, in many cases, the process of decision-making takes place at levels higher than those set out in the formal organisational chart — either due to ineffective delegation or due to unwillingness of managers to take decisions without obtaining formal or informal approval of superiors. Business life is replete with examples of managing directors who decide upon operational tasks with the misconceived notion that, unless decisions are controlled at the operational level, the desired organisational results would not be achieved. It is also not unusual to find managers involving in their decision-making superiors at several higher levels to hedge their responsibilities because of their perception of managerial accountability.

Ideally, the formal planning system should break up the tasks required to achieve the organisational objectives, both short- and long-term, and match the resulting managerial and operational tasks with well-defined responsibilities at various levels of management. The managerial and operational tasks have to be analysed in terms of the resources necessary for such tasks and the desired outputs, leading thus to the definition of authorities and responsibilities in relation to each responsibility centre, and constituting the mosaic of organisational structure — starting

with the sections to the chairman of the Board. If the actual responsibility centres are different from the optimal structure because of the managerial style and values prevailing in the organisation, it is disastrous to ignore them in the designing of the management reporting system. If the departmental Number Two does in fact make the decisions and for all practical purposes is considered accountable for results by the concerned superior, the perpetuation of the myth set out in the 'official' organisational chart in providing information flow can only lead to ineffectiveness in management reporting and, ultimately, in the rejection of the system by all concerned. How should the designer of a management reporting system respond to the credibility gap in such a situation? Even if it leads to some duplication, the designer must ensure that the 'effective' manager does in fact have access, for purposes of his decision-making, to the information generated in the management reporting system. The designer must thus adopt appropriate procedures for transmission of the reports. Similarly, if the organisational structure is based on centralised operation in real life, then, even though much noise is made about delegation and decentralisation, the designer must reflect the facts of business life in the design of the reporting system.

If the structure problem is beset with inconsistency, the corporate goals and objectives in most situations become ill-defined and obscure. It is very rarely

- while sucking unfiltered blood of the poor. The proverb gives an idea of the popular image of businessmen in India.
- David C McClelland, "The Achieving Society", Princeton, 1961, pp 205-258.
 - For a comprehensive account of the activities of the agency houses see S B Singh, "European Agency Houses in Bengal", Calcutta, 1966, *et passim*; also Hilton Brown, "Parrys of Madras", Madras, 1954, *et passim*.
 - Majumdar *et al* (editors) "British Paramountcy and Indian Renaissance", Part II, pp 31-70.
 - James W Furell, "The Tagore Family—A Memoir", Calcutta, 1892, *et passim*; Also Kissory Chand Mitra, "Memoir of Dwarkanath Tagore", Calcutta, 1870, *et passim*; for a detailed account of Carr Tagore and Company, see Blair B Kling, "The Origin of the Managing Agency System in India", *Journal of Asian Studies*, XXVI, Number 1, November 1966, pp 37-47.
 - N K Sinha, 'Sources and Problems of Business History in India in the First Half of the Nineteenth Century', India Historical Records Commission, Proceedings of the Thirty Seventh Session. XXXVII, Delhi, 1966, pp 75-79.
 - H A Antrobus "The History of the Assam Company, 1853-1953", privately printed, 1957, pp 12-47.
 - The careers of Bird, Heilgers, Andrew Yule, British India Navigation, Parry, among many others, illustrate this point. For details, see Godfrey Harrison, "Bird and Company of Calcutta", privately printed, 1964; Andrew Yule, "Andrew Yule and Company Ltd, 1863-1963", privately printed, 1968, George Blake, "B I Centenary, 1856-1956", London, 1956; Brown, "Parrys of Madras".
 - The origin of the managing agency system is a matter of controversy. While most writers on the subject trace it to the British enterprise, Blair B Kling holds that Carr Tagore was the first example of a managing agency firm. In a recent study Radhey Shyam Rungta has tried, somewhat unconvincingly, to connect the early insurance companies with the managing agency system. For detailed discussions see P S Lokanathan, "Industrial Organisation in India", London, 1935; Raj K Nigam, "Managing Agencies in India", Delhi, 1957; S K Basu, "The Managing Agency System", Calcutta, 1958; Radhey Shyam Rungta, "Rise of Business Corporations in India 1850-1900", Oxford, 1970; Vera Anstey, "Economic Development of India", London, 1924; Kling "The Origin of the Managing Agency System in India"; Also, Andrew F Brimmer, "The Setting of Entrepreneurship in India", *Quarterly Journal of Economics*, LXIX, Number 4, November 1955, pp
 - 551-576.
 - Majumdar *et al* (editors) "British Paramountcy and Indian Renaissance", Part II, pp 89-155.
 - Banerjee, "Internal Markets of India", pp 60-153.
 - S D Mehta, "Cotton Mills of India", Bombay, 1954, pp 13-22; for a fuller account of the Parsee enterprise see D F Karaka, "History of the Parsis", London, 1884, II, pp 1-145, pp 242-295.
 - F R Harris, "Jamsetji Nasservanji Tata: A Chronicle of His Life", London, 1958; D E Wacha, "The Life and Life Work of J N Tata", Madras, 1915.
 - Bhagwanlal R Badshah, "Rao Bahadur Ranchhodlal Chhotlal CIE", Ahmedabad, 1899, *et passim*; S M Edwards, "Memoir of Rao Bahadur Ranchhodlal Chhotlal CIE", privately printed, 1920, *et passim*; Howard Spodek, Manchesterisation of Ahmedabad, *Economic Weekly*, March 13, 1965, pp 433-90.
 - Information on Becharadas Laskarni, N M Tripathi, and Rajendranath Mookerjee is based on discussion with informed persons and company executives. For Kiroloskar see, S V Kiroloskar, "Yantrikanchi Yatra" (in Marathi), Kiroloskarvadi, 1958; Kiroloskar Brothers, "The Professor as a Ploughman", privately printed, nd.
 - Everett E Hagen in "On the Theory of Social Change", Homewood, Illinois, 1962, has put forward the thesis of "deviance" from the general cultural pattern as a causal factor in entrepreneurship. It is tempting to apply this thesis to the Parsee. But in view of the fact that Hagen's thesis fails to explain the lack of entrepreneurship in several "deviant" groups like the American Negroes, it will be fallacious to accept it as the basis to explain the business behaviour of the Parsees. For a masterly critique of Hagen's thesis, see Alexander Gerschenkron, "Continuity in History and Other Essays", Cambridge, Mass, 1968, pp 368-374.
 - Ranchhodlal Chhotlal, for instance, remained an orthodox *Nagar Brahman* till the end of his life who would not eat food cooked by a non-*Brahman*.
 - The *Jains* of Ahmedabad entered the textile field only in 1880 when the Sarabhai family acquired the Calico Printing Mill in the settlement of a debt and converted it into a full-fledged textile mill. For a good treatment of the *Chettians*, see Shoji Ito 'A Note on the "Business Combine" in India', *Developing Economics*, September 1966, pp 367-380.
 - Some data on the development of such firms can be had from R K Hazari "The Structure of the Private Corporate Sector: A Study of Concentration, Ownership, and Control", London, 1966; Also see G D

Khanolkar, "Walchand Hirachand", Bombay, 1958; B D Amin "The Rise and Growth of the Alembic Chemical Works: A History", privately printed, 1939. The author is grateful to Seshasayee Brothers for information on their firm. For other communities including Marwaris see Thomas A Timberg, "Industrial Entrepreneurship Among the Trading Communities of India: How the Pattern Differs" Report Number 136, Development Adviser Service, Harvard University, Cambridge, Mass, mimeographed, 1969.

34 Though a few firms had entered into foreign collaboration even before Independence, it was only after the launching of the second Five-Year Plan, that collaboration became a marked phenomenon in Indian industry. This is evidenced by the fact that, whereas the number of agreements was limited to 20 in the financial year 1956-57, it increased to 338 in 1963-64. P K Shrivastava, "Foreign Collaboration in Indian Industry", Agra, 1967, pp 17-23; *Economic Times*, November 30, 1964, taking the calendar year for reference, gave slightly different figures. For several related issues, see R K Hazari (editor) "Foreign Collaboration: Report and Proceedings of the Seminar Held by the Centre of Advanced Studies", Bombay, 1967, *et passim*.

35 James J Berna S J, for instance, has concluded that industrial entrepreneurs in Madras State during the period of his study (1957-58) came from "extremely varied economic and social backgrounds", Berna, "Industrial Entrepreneurship in Madras State", Bombay, 1960, pp 212, also, pp 176-211; David C McClelland and David G Winter in the course of running a training programme in achievement motivation at Kakinada, Andhra Pradesh, found little support to the view that the value system hampered entrepreneurial motivation, McClelland and Winter, "Motivating Economic Achievement", New York, 1969, pp 289-293. Taking the Umar caste of UP as a case study, Richard B Fox has concluded that caste organisations succumbed to social and material changes, Fox, "Resiliency and Change in the Indian Caste System: the Umar of UP" *Journal of Asian Studies*, August 1967, pp 575-587; A case study on Malabar suggests that in the face of feeble growth stimuli, occupational immobility would act as a formidable barrier to development, Thomas W Shea, Jr "Barriers to Economic Development in Traditional Societies: Malabar, A Case Study", *Journal of Economic History*, XIX, Number 4, December 1959, pp 504-522; James T McCrory, "Small Industry in the North Indian Town: Case Studies in Latent Industrial Potential", New Delhi, 1956.

that organisations *formally* define their goals and objectives with the rigour and discipline which organisational theorists assume they do. Fewer still are companies which define their objectives formally and translate them in terms of goal and primary tasks as visualised by A K Rice² and others. While in most cases there exists the vague assumption that maximisation of profitability (or generation of economic surplus) is the *raison d'être* of the organisation, the determination of the desired quantum of profit in the short run and of profitability in the long run as also the indices of growth, are lacking in most situations. Even where such goals are defined in quantitative terms, the underlying assumptions about corporate attitudes towards risk-taking and innovation, about the 'distinctive competence' of business, about the strengths and weaknesses of the organisation in achieving the desired goals, and about the values of the people in the organisation, are not precisely formulated or related to the development of the corporate goals and objectives. The result, in most cases then, is a well-defined budget based on ill-defined or, worse still, undefined corporate values and variables.

The importance of defining the critical variables for the success of the operations, stems from the fact that management reporting — as distinct from accounting — is concerned with monitoring those aspects of the organisation's operations which are critical to its success rather than with comprehensive accountability. It is not unusual to find that budgets, which are the benchmark for reporting, are based on cost accounting assumptions which emphasise, and focus on, the comprehensiveness of accounting data and their integration in terms of profit — rather than the economic measurement of inputs and outputs of operations which substantially determine the success of the operations. In most situations, therefore, the weights relating to success are distributed on a uniform accounting scale — rather than on a scale of criticality of the various aspects of the organisation's operations.

It might be useful to specifically consider why these constraints relating to structure need to be defined with precision in designing an effective management reporting system. If the basic objective of a management reporting system is accepted as monitoring of data on accomplishments of tasks at various levels, the delineation of the responsibility centres in the organisa-

tional structure, in terms of the tasks to be accomplished for purposes of communication, becomes abundantly clear. The communication process must be related to the actual accomplishment in relation to the planned accomplishment and, obviously, the managers at the respective levels would be willing to be held accountable for their accomplishments only to the extent that the inputs and outputs for the responsibility centre, in respect of which reports have been prepared, are controlled by them. Unless this dimension of controllability is specifically taken into account, the results communicated would be perceived by the managers as unfair in relation to their own situation. This is bound to be dysfunctional in terms of the original objectives of communication of accomplishments in a reporting system. It is, for this reason, that the determination of the appropriate organisational structure and delineation of authority and responsibility levels assume such critical importance.

Another prime objective of a management reporting system is to motivate individual managers to accomplish optimal organisational results. Both practitioners of the art, and leading thinkers in the management control field, have identified the basic conflict between individual managerial objectives and the organisational objectives and have considered the resolution of such conflicts by the achievement of goal congruence, to the extent feasible, as one of the primary determinants of effective management control. Here again, if the corporate goals and objectives are not clearly defined, it would be hardly possible to relate these to the objectives of individual managers for, first, determining the extent of the conflict of such objectives and, finally, generating the motivation by designing a management control system which consciously strives for goal congruence to the extent feasible and ensures that the managers act in the best interests of the organisation when they are acting in their own interest.

ECONOMIC AND POLITICAL WEEKLY

Perhaps the most important objectives in a management reporting system is that there should be prompt reporting in relation to deviations from the desired benchmark of accomplishments, so that the response-time for remedial actions is minimal. Since organisational activity involves myriad tasks, the diagnostic procedure must essentially be related to those critical variables which substantially determine the success of the operations of the organisation. In other words, a management reporting system cannot possibly seek to report on all the detailed tasks undertaken at all levels, but must focus on those which are critical so that they are constantly highlighted for appropriate remedial action whenever deviations are noticed. However, the ability of the management reporting system to do so depends on the accurate determination of the critical variables which determine the success of the operations of the organisations, and on their integration in an apex reporting framework — finally leading to monitoring of organisational accomplishments in terms of profitability, return on investment, and growth.

The Anthony framework for a management control system³ (as further developed by John Dearden and Richard Vancil at the Harvard Business School) can, therefore, be related to the design and structure of a management reporting system (see Chart 1).

In operational terms, the management reporting system must provide for information which helps the managers in monitoring the organisational, as well as his own, achievements in relation to the three following areas:

- Planning of desired end-results broken up in terms of optimal standards of economic inputs required and targeted levels of outputs at various managerial levels,
- Decision-making in relation to the operations for which the manager is accountable, and,
- Measurement of actual accom-

ECONOMIC AND POLITICAL WEEKLY

plishments and remedial action for meeting any shortfalls in desired levels of achievement.

It is necessary to understand that, since organisations are essentially concerned with ensuring that their operations are conducted both efficiently (as

evident in the production of required goods and services at pre-determined costs and their marketing at economically remunerative prices) and effectively (i.e. with products or services conforming to a pre-determined quality which would in turn depend on the

quality of intermediate products or services). They must, therefore, clearly define for themselves the connotations of 'efficiency' and 'effectiveness' in the context of their operations. There is agreement among thinkers in the management control field that, efficiency

CHART 2

Nature of the Control Process	Strategic Planning (2)	Management Control (3)		Operational Control (4)	
(a) Management level	Top management composed of the Chairman, Managing Director, the members of the Board, particularly functional directors.	Managing Director, Functional directors and in large organisations, the departmental heads.		Functional directors/departmental heads/section heads.	
(b) Control objectives	Determining the long-term and short-term plans for achieving organisational objectives and goals.	Monitoring achievement of organisational goals in aggregate terms.		Monitoring completion of operational tasks for accomplishing organisational goals.	
(c) Nature of managerial responsibilities	Choosing organisational objectives and determining goals; Determining the organisational structure; Setting up personnel, financial, marketing and R and D policies; Determination of new product lines as well as expanded production of existing products.	Formulating organisational budgets in terms of sales, costs and profits as well as departmental budgets in terms of desired levels of economic inputs and outputs; Working capital planning; Formulating decision rules for operational control; Measuring, appraising and improving managerial performance.		Scheduling production; Organising marketing of products; Controlling inventory; Controlling resources expended by way of manpower, machine facilities, raw materials and supplies; Controlling credit transactions; Measuring, appraising and improving unit efficiency.	
(d) Information required to be reported	Primarily external economic, political and social information relating to matters which have direct or indirect bearing either on the future operations of the company or in relation to the potential demanded for the products or the services generated by the company. Information relating to past performance compared over a relatively long time-span — say, 3 to 5 years — and projections of probable economic results in relation to different strategies. Information relating to existing competition as well as projections relating to potential competition; Analysis of economic, social and political data for formulation of new opportunities and determination of new product lines.	Primarily internal information relating to past performance — both at organisational and unit levels relating to sales, costs and profits or inputs/outputs, for formulating future levels of desired performance. Financial information relating to working capital. Operational information relating to quantities of sales and production at aggregate and unit levels. Information relating to actual levels of economic performance, measured in terms of revenues, costs and profits (or margins), both at organisational and unit levels compared with budgeted performance.		Entirely internal information relating to levels of production and sales in relation to targeted levels. Input-output analysis in terms of resources expended in relation to outputs generated. Measurements of unit costs, total costs and profitability. Data relating to receivables and payables.	
(e) Frequency of reporting	Relatively long-time-span — say, half-yearly.	Quite frequent — usually, monthly		Very frequent — usually, weekly or fortnightly (sometimes even daily — e.g., production statements).	
(f) Nature of data and source of information	Primarily external economic, political and social data — only partially internal data — analysis of past results	Primarily internal financial data showing the profits or economic surplus generated and the return on investment and budgeted future financial results — partly, marketing and production information, but generally in terms of total sales and production and market share (rather than unit-level outputs).		Entirely production and marketing data — supporting cost accounting data.	

CHART 1: MANAGEMENT REPORTING SYSTEMS — DESIGN AND STRUCTURE

Constraints	Purpose	Criteria
Organisational Structure (Authority and Responsibility Levels)	Communication (Defining Jobs to be Accomplished)	Managerial Controllability
Organisational Goals and Objectives	Motivation (to Act in the Best Interest of the Organisation)	Goal Congruence between Individual and Organisational Objectives
Economics of the Operations (Critical Variables)	Diagnosis (Identifying Deviations from Desired Benchmarks)	Prompt Reporting for Remedial Action on Deviations

in relation to management control is properly related to output and economic performance, and that these are best measured by the following indicators:

MEASURES OF EFFICIENCY AND THEIR INDICATORS

A Output

- (i) Quantity: Achievement of actual output of intermediate and final products and services in relation to targeted output.
- (ii) Timeliness: Time performance as reflected by the ability of the organisation or its units to produce the goods or services, both at final and intermediate stages, at pre-determined times as reflected in delivery schedules, etc.

B Economic Performance

- (i) Sales: Achievement of actual sales volume, revenue and market share in relation to budgeted levels. Also the achievement of the desired 'product-mix' and 'market-mix' in terms of pre-determined levels of such mix.
- (ii) Cost of production: Achievement of actual costs for producing intermediate and final goods and services in line with budgeted standard costs.
- (iii) Profit: Actual profitability achievements in terms of departmental margins or profits as well as organisational profit and return on investment in relation to pre-determined levels of such performance.

The effectiveness of an organisation and its units is best measured in terms of the quality of intermediate as well as final products and services of the organisation and its sub-units. The broad measures of effectiveness and its indicators are the following:

MEASURE OF EFFECTIVENESS AND THEIR INDICATORS

Quality

- (i) Technical specifications: Achievement of technical standards as compared to pre-determined standards set in respect of intermediate and final services and goods generated.
- (ii) Acceptance level of consumers, market trade, or industry, to which the organisation belongs, community in which it operates, etc.: Secondary indicators of acceptance as reflected in complaints, market share, employee

attitudes, productivity, etc.

It therefore follows that the management reporting system at the various levels of the management must focus not only on financial reports setting out costs and other accounting information in relation to the financial budgets, but must also include non-financial information relating to achievement of output and of quality performance. Most management reporting systems fail to do this as they focus only on the economic performance by providing for accounting data which seeks to measure financial performance without paying conscious attention to output and quality performances, which are inextricably linked with the economic performance. Perhaps this allergy to reporting non-financial information can be ascribed to the fact that, most management reporting systems are administered or manned by accountants and financial men who are unfamiliar with collection, storage, retrieval, and analysis of non-quantitative data relating to output and quality performance, which are usually generated in the production and marketing departments.

A related question in the mechanics of designing a management reporting system is the frequency and content of report at various management levels. One cannot attempt to answer this question without paying conscious attention to the three components of the management control process, since the nature of the information to be provided and the frequency of reporting to each level must necessarily depend on the

control characteristics of each level of management.

A broad summary of the control characteristics of different levels would be as shown in Chart 2.

A good management reporting system will not make a company successful. It is the people in the organisation, and not the system, that makes for corporate success. However, having no proper management reporting system, or having a dysfunctional system, will create impediments to success even in the best situation. In such situations, management at various levels will have no way of monitoring their accomplishments in terms of pre-determined targets of desired performance or of taking remedial action for meeting shortfalls. In designing a management reporting system, therefore, conscious attention must be paid to the three aspects relating to the control process — the organisational structure, the corporate goals and objectives, and the critical variables for success — and these considerations must be reflected in the system. An effective reporting system must, therefore, constantly generate, both at the organisational and unit levels, information on economic performance as well as on quality and output performance in terms of the resources and outputs controlled by the managers concerned.

In the last, and concluding, article we shall examine how the effectiveness of a management reporting system is best measured, and how such measurements can be of help in 'debugging' systems.

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Scale, Gestation and Durability

An Aspect of Project Selection

Ranjit K Sau

As early as in 1959, Kalecki and Rakowski of Poland came up with the proposition that the construction of more long-lived plants in an economy growing at a rapid rate is much less attractive and less economically justified than it is in a stagnant economy. Recently Amit Bhaduri has brought into a sharper focus the nature of the trade-off between the advantages of long life of a project and the corresponding disadvantages of long gestation period; and he has reiterated the above paradox.

In this paper, we simply take into account, in addition, the effect of economies of scale also and, as is expected, we find that the paradox still holds.

ECONOMIES of scale are an established fact in many branches of industry and agriculture. As such it is commonly held that if the demand for a commodity is rising at a fast rate, relatively large-scale plants should be built to take advantage of such economies.

Large-scale plants, however, are likely to have a long construction period and, of course, correspondingly a long technical life. There are, therefore, advantages as well as disadvantages of such projects; and hence there is a scope for economic choice.

Pursuing a somewhat similar line of reasoning under certain simplifying assumptions, Kalecki and Rakowski of Poland, as early as 1959, came up with the following proposition: *the construction of more long-lived plants in an economy growing at a rapid rate is much less attractive and less economically justified than it is in a stagnant economy.*¹ Recently Bhaduri in an interesting paper² has brought into a sharper focus the nature of the trade-off between the advantages of long life of a project and the corresponding disadvantages of long gestation period; and he has reiterated the above paradox. In this paper, we simply, in addition, take into account the effect of economies of scale also, and, as is expected, we find that the paradox still holds.

The second component of investment, denoted by M , is given by:

$$x \cdot M(t - \theta) = d \cdot Q(t)/dt \quad (2)$$

or $M(t - \theta) = rAe^{rt}/x$.. (2)

where θ is the gestation lag, and x the output-capital ratio. We know that:

$$K(t - \theta) = L(t - \theta) + M(t - \theta) \quad (3)$$

where K is total investment, L and M being the two components of K respectively. Now,

$$L(t - \theta) = K(t - n - \theta) \quad (4)$$

In other words, the replacement investment in time $t - \theta$ is equal to the total investment as of time $t - n - \theta$, where n is the technical life of the plants. Therefore,

$$L(t - \theta) = L(t - n - \theta) + M(t - n - \theta) \quad (5)$$

$$\text{Similarly, } L(t - n - \theta) = L(t - 2n - \theta) + M(t - 2n - \theta) \quad (6)$$

Or, in general,

$$L(t - jn - \theta) = L[t - (j+1)n - \theta] + M[t - (j+1)n - \theta] \quad (7)$$

$j=0, 1, 2, \dots$

Hence,

$$K(t - \theta) = \sum_{j=0}^{\infty} M(t - jn - \theta) \quad (\text{approximately}) \quad (8)$$

$$\text{Or, } K(t - \theta) = rAe^{rt} (1 + e^{-rn} + e^{-2rn} + e^{-3rn} + \dots)/x$$

$$\text{Or, } K(t - \theta) = rAe^{rt}/(1 - e^{-rn})x \quad (9)$$

$$\text{Similarly, } K(t) = rAe^{r(t+\theta)}/(1 - e^{-rn})x \quad (10)$$

This equation gives the required capital expenditure at time t , the output-capital ratio being given by x .

II

There are evidence to the effect that

the investment cost of plants in a number of process industries such as chemical, petroleum and primary metals follows the so-called 'six-tenths rule'. That is, if i denotes investment cost and q the capacity output of the plant, then:

$$i = aq^b \quad (0 < b < 1) \quad (11)$$

where $b = 0.6$. This is a finding of Chilton³ after an extensive analysis of data relating to various plants abroad. Manne⁴ reports that similar economies of scale exist in India as well; and he has computed the following values for the co-efficient b : aluminium plant 0.77, caustic soda 0.77, cement 0.68, naphtha-based fertiliser 0.79, and coal-based fertiliser 0.63. In an illustrative exercise below, we shall take b to be 0.70.⁵

Now, given the plant-size as indicated by q , the output-capital ratio x works out to be as follows:

$$x = q/i = q^{1-b}/a \quad (12)$$

In view of (10) and (12),

$$K(t) = arq^{b-1}Ae^{r(t+\theta)}/(1 - e^{-rn}) \quad (13)$$

And the number of plants^{6,7} to be constructed in time t is given by $K(t)/q$.

In order to fully understand the implications of (13), consider two alternative plant sizes: q_1 and q_2 , where $q_1 > q_2$; correspondingly $n_1 > n_2$, and $\theta_1 > \theta_2$. Let F stand for the ratio between the two investment costs respectively at time t .

$$F = K_1(t)/K_2(t) \quad (14)$$

Clearly, if $F < 1$, plant-size 1 is preferable to plant-size 2; and vice versa if $F > 1$. In (14), the first term reflects the effect of economies of scale, the second term that of gestation lag, and the third term that of durability of the plant.

TABLE 1^a

Data:	$q_1 = 1000$	$\theta_1 = 6$	$n_1 = 20$	$b = 0.7$		
	$q_2 = 800$	$\theta_2 = 5$	$n_2 = 15$	$1 - b = 0.3$		
r	0.00	0.03	0.05	0.07	0.10	0.15
F	0.70	1.04	1.20	1.35	1.59	2.02

TABLE 2^a

No	Plant Size q	Gestation θ	Durability n	Relative Cost F*	Relative Cost F*
1	1000	6	20	$F_{11} = 1.00$	$F_{11} = 1.00$
2	800	5	15	$F_{12} = 1.20$	$F_{12} = 1.20$
3	500	4	14	$F_{23} = 1.12$	$F_{13} = 1.34$
4	250	2	10	$F_{34} = 1.31$	$F_{14} = 1.36$
5	100	1	5	$F_{45} = 0.78$	$F_{15} = 1.75$

* Note that $F_{ij} = F_{ik} \cdot F_{kj}$ ($i, j, k = 1, 2, 3, 4, 5$) where F_{ij} is the ratio of costs of plants i and j as per equation (14).

TABLE 3

Industry	Plant Size ('000 tons/year)		Percentage cost Difference
	4th Plan Proposals	Manne—Optimal	
Aluminium	30	150	20
Caustic soda	2-35	50-150	18
Cement	200	400	15

Source: Manne, *op cit*, p 142.

One of the interesting aspects of (14) is that, other things remaining the same, if r is above a certain critical value, then $F > 1$ and hence the smaller plant-size is more economical. That is, when the demand is rising at a relatively fast rate, the smaller plant is optimal.⁸ This point is illustrated in Table 1.

If demand is stagnant, $r = 0$, the capital cost of the larger plant per unit of time is 30 per cent less than that of the smaller plant; but if demand grows at the rate of 3 per cent, the former cost is 4 per cent more than the latter. And as r rises, the comparative advantage of the smaller plant rises too. At $r = 0.15$, indeed the cost of the smaller plant per unit of time is only one half of that of the bigger plant.

Now suppose that $r = 0.05$. Consider five alternative plant sizes as given in Table 2. The last column of this Table shows that, with plant 1 (whose capacity output is 1000 units) as the point of reference, co-efficient F is highest for plant 4; that is, the capital cost is minimum with plant 4. Clearly, the cost-curve seems to be U-shaped with regard to the plant size q in Table 2.

For alternative values of r , correspondingly columns of F can be computed similar to the last column in Table 2, so that a complete matrix is formed. Now given any specific value of r , the

optimal plant size would be determined by the column-maximum F .

III

In a discussion about plant size, none should fail to take special note of the highly interesting work of Manne and his colleagues. Manne finds that in three of the four industries studied, there is a substantial discrepancy between the plant sizes and costs that emerge from his model and the actual proposals being considered for the then Fourth Plan. According to his computations the difference in costs affected by plant size optimisation alone might range from 15 to 20 per cent¹⁰ as shown in Table 3.

Thus the plant size recommended by Manne is twice the size proposed in the Fourth Plan for cement industry; five times in the case of aluminium; and even more than five times in the case of caustic soda. Presumably there would be substantial differences in terms of construction period as well as durability of the plants. Now in view of the Kalecki-Rakowski paradox as extended here so as to incorporate the effect of economies of scale, one may simply wonder whether Manne's results are sensitive in this respect, specially because while his recommendation as such involves a large expansion in plant-size, it yields a relatively modest amount

of gain, percentagewise, in the form of cost-savings.¹¹

Notes

- 1 See M Rakowski (ed), "Efficiency of Investment in a Socialist Economy" (Oxford: Pergamon Press, 1966), p 129. The result was initially published in M Kalecki and M Rakowski, "Generalisation of the Formula for Efficiency of Investment", *Gospodarka Planowa* (No 11, 1959); see also M Kalecki and M Rakowski, "Generalised Formula of the Efficiency of Investment" in A Nove and A Zauherman (ed), "Studies on the Theory of Reproduction and Prices: Problems of Economic Theory and Practice in Poland" (Warsaw: Polish Scientific Publishers, 1964). Charles Bettelheim has discussed this problem in his *Studies in the Theory of Planning* (Bombay: Asia Publishing House, 1959), pp 149-59.

Interestingly enough, the year prior to 1959 marked the beginning of the period of "walking on two legs" in China where also this issue had been debated at that time. There are, of course, many dimensions to this problem as indicated by the following quotation. "This general principle [of emphasis on 'large basic construction units'] was first questioned in 1957 by economists both within and outside the planning commission [in China]. They were against the so-called 'gigantism' in industrialisation, and advocated that, for several reasons, more attention be given to small factories. First, due to the generally shorter period of gestation, new projects of a small size could be put into operation quickly. Second, small factories usually have relatively low capital-output ratios, making them suitable for the economic conditions in China, which is short of capital but abundant in labour. Third, a large part of the equipment needed for small plants can be manufactured domestically. Thus the new technological policy could ease the pressure on foreign exchange. Fourth, small plants, when dispersed geographically can make use of local resources, and supply local markets; consequently, the burden on the transportation system can be greatly relieved." Kang Chao, "Policies and Performance in Industry" in A Eckstein, W Galenson and T C Liu, "Economic Trends in Communist China", (Chicago: Aldine Publishing Co, 1968), pp 570-71.

- 2 Amit Bhaduri, "An Aspect of Project-Selection: Durability vs Construction-Period", *Economic Journal* (1968), pp 344-48.
- 3 C H Chilton, "Six-Tenths Factor Applied to Complete Plant Costs", *Chemical Engineering* (April 1950), reprinted in H Chilton (ed), "Cost Engineering in the Process Indus-

tries", (New York: McGraw-Hill, 1960).

- 4 Alan S Manne (ed) "Investments for Capacity Expansion: Size, Location, and Time-Phasing" (Cambridge, Mass, MIT Press, 1967).
- 5 It may be noted here that the investment cost i as defined by Manne, for instance, includes also labour costs required for the construction of a plant. Hence it is by no means an index of the labour-capital ratio in the usual sense.
- 6 This number, therefore, is not necessarily an integer always. We are assuming, for mathematical convenience, that the construction of a plant is divisible. This raises a consistency problem; but let us assume it away in order to get at the heart of the basic principle — without much complications.
- 7 As mentioned above, plant-size q ,

gestation lag θ , and the technical life n are interrelated. Let $Q = f(q)$ with $f'(q) > 0$, and $n = h(\theta) = h[f(q)] = g(q)$ with $g'(q) > 0$. Then the optimum plant-size can be computed by minimising $K(t)$ of (13) with reference to q . Obviously, here the optimisation is being done in terms of construction costs of plants only, without regard to operating and maintenance costs. The rationale for this method is that the latter costs are typically proportional to the output at each plant. See Manne, *op cit*, specially p 39.

- 8 This conclusion can be rigorously proved by an analysis similar to that of Bhaduri, *op cit*, pp 345-47. However, it should be carefully noted that formally there is a basic difference between his model and ours.

- 9 Thanks are due to Nagi Reddy who helped me in computing Tables 1 and 2.
- 10 Manne, *op cit*, pp 141-42.
- 11 The Manne model takes an arithmetic growth of demand. With the base-year 1955-56, the demand for aluminium grows at the constant rate of 30 thousand tons per year relative to the base-year demand of 70 thousand tons. For caustic soda the annual growth rate is 58.6 thousand tons on the base-year demand of 324 thousand tons; for cement the incremental demand is 1,734 thousand tons per year as compared to the demand in 1965-66 to the tune of 13,752 thousand tons. This is equivalent to an exponential growth rate of 23 per cent for aluminium, 14 per cent for caustic soda, and 10 per cent for cement. These are no small growth rates indeed.

Performance Appraisal in Banks

Kalyan Banerji

With the swift expansion in the number of branches and the new functions assigned to them, banks are beginning to feel a new pressure on their organisational abilities.

In the organisational planning to fulfil their new role, banks could with benefit practise management Development. This concerns the processes of recruitment, placement, training, promotion and appraisal, in order to ensure that the right number of staff with the right capacities are available at the right time and for the right places.

In that effort, appraisal is a key factor. This paper, therefore, examines the inadequacies of the present appraisal practices and presents an alternative approach and system based on Management by Objectives.

I

Bases of Appraisal

WITHOUT any formal efforts at Management Development banks have, until recent times, been able to obtain a reasonable supply of officers to fill new positions. Now, with the swift expansion in branches and the new functions assigned to them, banks are feeling increasing pressure on their organisational ability. Management Development relates to the process of organisational planning, recruitment, placement, training, promotion, and appraisal, which ensure that the right number of staff with the right capacities are available at the right time and for the right places. In this integrated process, appraisal is a key factor. If the appraisal system is undiscerning, time can be lost and opportunity delayed in injecting the right experience and the right information to close the gap between what should be and what is. This paper examines the inadequacies of the current appraisal practices in banks and presents an alternative approach based on Management by Objectives.

Formal appraisal reports on staff are of recent origin in banks. When banks were small in size, decisions on salary and placement were made on the basis of personal knowledge and were centralised. These decisions continue to remain centralised, notwithstanding dispersion of branches and staff. The geographical spread of branches meant that the executive who decided the salary increases and placement had very limited personal knowledge of the personnel on whom he made decisions. He had to rely on appraisal reports. With the rapid expansion of branches and staff, since it was no longer possible to remember either the names or the faces of staff members, resort had to be made to recording of judgments on the staff in the form of annual appraisal reports.

A researcher in appraisal practices would be surprised at the form and

content of the reports on the basis of which salary decisions were made in the past by banks. Reports were sketchy, and limited to a few personality traits like ability to work hard, obedience, sincerity. Rating of a staff member in these traits was frequently 'high' or 'low' because the rater knew the individual to be high or low in some specific trait. Elaborate appraisal forms, heavily loaded with assessment of personality traits, marked the second phase of development of appraisal practice in banks.

Appraisal on the basis of 'personality traits' necessarily involves subjective judgments. Personality traits such as initiative, enthusiasm, loyalty, ability to get on with people, carry connotations as varied as there are people making the judgments. This approach suffers not only from vagueness but also from arbitrariness. Assessments are generally made on the basis of impressions and feelings and are the results of unanalysed previous experience. It amounts to 'playing God'

TABLE: MANAGEMENT GUIDE

Key Result Areas, Key Tasks and Performance Standards			
Description of key result areas and key tasks (key tasks describe the action context of each key result area)	Performance Standards (conditions which exist when each key task is well done)	How performance is measured (i.e. control document)	
1 ORGANISING: to ensure that all branch officers fully understand and accept the organisation structure of the branch.	(a) all branch officers accept accountability to their superiors and understand the organisation of the branch.	(a) Management Guides and Review meetings.	
2 BUSINESS DEVELOPMENT: to maintain a continuous search for new deposits compatible with Bank Policy.	(b) all branch officers are aware of their own duties and those of their subordinates.	(b) — do —	
	(a) Growth in total of new customers (current and deposit) to increase from 350 in half year December 1970 to 800 in half year to June 1971.	Monthly summary from accounts opened and closed book.	
	(b) number of customers lost to reduce from 50 in half year December 1970 to 20 in half year June 1971.		
3 TRAINING: (a) to identify the training needs of all branch staff and to ensure that such training is provided.	(a) Staff performance is not adversely affected by lack of training.	Review meetings.	
(b) to ensure duties are rotated within the branch.	(b) all clerical staff are fully trained in at least two jobs within 6 months of joining branch.	Review meetings.	
LOCATION: MANSORAVAR, GAUHATI	DEPARTMENT: MANAGEMENT	JOB TITLE: AGENT	JOB REFERENCE NUMBER: MMG 213

on the part of the appraiser.¹ The subjective character of the appraisal system in banks has undermined the acceptability of salary and placement decisions. Performance appraisal had become a method used by management to discipline employees. Ratings were used to withhold salary rises.

Protection of bank staff against arbitrary treatment developed with the growth of unions in banks. The area of management freedom in respect of clerical and subordinate cadres has already been narrowed down considerably,² and the link between performance appraisal of clerical staff and their salaries has been snapped. In recent years, officers have united in order to bargain collectively. In fact, the appraisal of an officer has limited influence on his salary, and the current appraisal system has been used for granting increases in salaries. Presumably, the current appraisal system continues to influence management decisions on transfers and promotion. Yet, practising bankers are only too aware that such decisions are seldom based on 'appraisals'. Indeed, the need for an objective appraisal system was limited when management in banks was concerned with 'direction' of people rather than with 'development' of people. The sudden need for

officers to man new branches and fill new management positions has highlighted the absence of Management Development in banks in the past.³

The 'traits approach' is ill-suited to act as a basis for training. Intrinsically it hardly favours the idea of 'training', and instead encourages concentration on 'selection'. A traits-based appraisal system may identify integrity as an area of weakness in an individual. A comment to the effect that an officer lacks integrity may do more damage than good to the individual. Research has indicated that those who have attempted self-development based on the traits approach have abandoned it — either in despair because they have not attained the desired qualities, or in pride because they believe they have.

It is necessary, therefore, to design a system of appraisal which will be a movement away from comments on personality traits and mean closer adherence to the principle of performance on the job. Instead of appraising the man the endeavour needs to be to appraise the man on the job. The objectives of such an appraisal system will be to clarify responsibility for results; to identify potential managers; to indicate areas of weakness and strength in individuals so as to serve

as a guide for the bank's training and placement policies; and to provide an updated inventory of personnel.

II

Assessing Performance

It is not possible to prejudge the capacity of individuals with any certainty. Of critical importance, therefore, is the need to judge their on-the-job performance. An officer's past and present performance can be a reliable measure to his future performance. The ability of management to judge an individual's performance objectively is basic to the continuing success of banks in locating persons with potential and in providing developmental opportunities.

Can we judge performance of individuals in banks in an objective manner? Time and again, bankers have argued before labour tribunals that in a service industry like banking, performance of individuals cannot be measured. And yet, it has also been argued that staff productivity in the banks has been falling. These two stands are not reconcilable. The Sastry award maintained: "In the banking industry, it is very difficult to fix standards of work by means of time and motion studies".⁴ Nevertheless it stated: "Even so, productivity of

labour, measurable or not, is the chief source of income to the firm".⁵

Undoubtedly, there are enormous problems in the measurement of white-collar productivity; but it could be done if an officer is judged by results and not by the mere activity in which he engages himself. This is made possible by Management by Objectives (MBO) which has been described as a system which integrates the company's need to clarify and achieve profit and growth goals with the officer's need to contribute and develop himself.⁶

In such a system, a bank begins with a statement of its goals. This permits the definition of the functions which it must perform to meet these aims and of the organisational structure required to perform them. Major objectives, relating to a specified period of time, are then determined for the bank as a whole and for its regions and branches; these can be then subdivided into a hierarchy of sub-objectives for each region, branch, department, and individuals.

Bank objectives and individual objectives are integrated through Management Guides. A Management Guide is a record of priority objectives and of the means by which the achievement of these objectives can be measured, in such a way that the officer is committed to taking the necessary action. It has three major features. First, it lists the results that the job holder is required to achieve, which are agreed mutually between him and his superior as having a major impact on job performance. These are Key Result areas. Second, corresponding to each Key Result area are Key Tasks which are priority tasks identified to facilitate achievement of the Key Result areas. Third, performance standards relating to each Key Result area are also agreed upon between the job-holder and his superior. Performance standards describe clearly the conditions that exist when each Key Task is being done well.

In setting performance standards, the aim is to assist the job holder to think in terms of consequences of performing each of his Key Tasks well. There are two main types of performance standards. First, there are quantitative standards which can be expressed in numerical terms. Where applicable, such 'hard' standards are preferable because of their precise definition. Secondly, there are qualitative standards which are not directly measurable but must be judged — for instance, the quality of a report, or the usefulness of advice given. While not

appearing to be as precise as 'hard' standards it is occasionally necessary to set qualitative standards, especially at managerial levels. These too can be as definite in describing the conditions of acceptable Key Task performance.

Performance standards are, therefore, not descriptions of action to be taken but descriptions of results. They should be able to respond logically to the question, 'What level of results has to be achieved?', before we agree that the task is being done well. Further still, while this might test the logic of performance standards it still does not test relevance or acceptability. The relevance test would consist of finding an answer to the question: 'If this result was not being achieved would you or your superior seriously plan a course of action to make sure it did happen?'. This would eliminate the setting up of standards for the sake of having them. Acceptability of standards, on the other hand, is ensured by the process through which standards are arrived at — i.e. by mutual agreement between job-holder and his superior.

The process of arriving at performance standards is like trying to locate a house in an unknown town. Key Result area gets us to the right town, the Key Task gets us to the right street. If the house (i.e. the appropriate performance standard) still cannot be located then the following questions should produce the answer. Is the difference between the task 'being well done' and 'not being well done' related in any way to the time when things happen? (i.e. the time standard). Is it related to the degree of achievement? (i.e. the 'how well' standard). Is it related to the cost incurred in performing the task, (i.e. the 'cost' standard). Is it related to the manner in which the task is performed? (i.e. the 'how' standard). The last question is appropriate where the method of doing a task is described.

Job identity or definition is necessary if performance in a job is to be assessed. Clear recognition is required of the essential elements in every job in the bank at all levels, the relative importance of each job and the required standards of performance. Without this analysis, an officer tends to retreat to the familiar, i.e. to do the things that he likes doing and is familiar with, and to react to the day-to-day crises as they occur. A management guide helps to avoid this situation. By setting standards of performance, the job-holder is led to discipline himself to identify the results

that he should be achieving in priority areas, i.e. his Key Result areas. This tends to reverse his preoccupation with how he fills in his time and causes him to concentrate on the consequences of his actions. An illustrative excerpt from a management guide for a branch agent is presented in the Table.

III

Setting Up the System

Individual objectives contained in Management Guides are set by discussions between superior and job-holder. The superior encourages the job-holder to contribute his views and put forward what level of attainment he would consider reasonable for the coming year. Together, the superior and job-holder agree on the objectives to be achieved for the coming year. A control system is then devised to enable both the superior and the job-holder to assess the job-holder's achievements compared with his objectives at intervals sufficiently frequent for timely action to be taken to deal with major variances from the objectives.

The next stage is the self-review made by the job-holder. The self-review process follows from the system of personal accountability for performance which MBO represents. Every job-holder, therefore, systematically compares his actual performance with his Management Guide standards, and analyses the reasons for his performance. He is also expected to consider what he feels to be his own training requirements against the background of his actual achievement, and to record these. This provides the basis for the review meeting between the job-holder and his superior when the Job Improvement Plan is determined. A Job Improvement Plan is a document comprising a series of job improvement objectives, set and reviewed at intervals of six months. It also details the action required to be taken to achieve job objectives.

At the review meeting, a formal review is carried out to analyse the job-holder's achievements for the year and the reasons for any major variances from the year's objectives. New objectives, in accordance with the cyclical planning routine, are agreed upon.⁷ Because branch dispersion creates problems of personal communication, such a review meeting provides a frequent opportunity for the superior to give personal leadership. It involves him in discussing general policy as the background to the job-holder's next

improvement — seeing where he fits in.

Appraisal is something that goes on every day even though Management Guides are reviewed every six months. It is possible to view it in terms of accounts involved in daily book-keeping, with the half-yearly review as the balance-sheet. Cross checks will need to be provided. In banks, an officer would move in the course of his career from branch to branch. There will also be movement at the managerial level; there will be visits to the branch by inspectors and regional managers; there will be reports made when he attends training courses within the bank. Not all these reports need be taken as of equal value. Nevertheless, over the years, one builds up a picture, a trend. The effective use of cross checks reveals the differences between men, reporting which puts the decision maker very much on inquiry.

In the short term, a performance appraisal system serves as a basis for remuneration based on performance. This, in the context of collective bargaining in banks and in the absence of job evaluation, may not be possible at present. It is, however, possible if 'cost of living' as the main criterion for salary increases is abandoned in

favour of the 'productivity principle'. This approach has been adopted by unions in British banks.⁸ Mid-term, a performance appraisal system should provide a flexible base for training. In this, every job-holder himself needs to be involved. In particular, he may answer the question 'What do I feel are my training needs?'. Training in banks can be carried out in three different ways which should interlock. There is training within the bank, training on the job within the working group situation by colleagues, and that form of training which we normally call 'self-development'.

In the long term, a performance appraisal system could serve as a basis for planning managerial succession. It could serve as the basis for personnel inventory and, more importantly, as the sub-inventory of executive material. By a process of grading, it should be possible to see if there is an excess of talent or whether there are gaps to be filled by training and recruitment. An appraisal system can also serve as an effective medium of communication between the bank and its staff, provided both sides are committed to a fair and objective system of appraisal.

It is no longer possible for management to be arbitrary in its judgment on

the staff. Basic social values of workers, their attitudes, and aspirations, have undergone a change.⁹ Appraisal system based on MBO is directed to fulfil those individual and organisational needs.

Notes

- 1 D McGregor: 'An Uneasy Look at Performance Appraisal', *Harvard Business Review*, May-June, 1957.
- 2 Kalyan Banerji: 'Conflicts in Work Environment in Bank Industry', *Economic Times*, October 18, 1968.
- 3 "Report of the Working Group on Training and Development of Higher Banking Personnel", Reserve Bank of India, 1968.
- 4 The All-India Industrial Tribunal (Bank Disputes) — the Sastry Award, 1953, p 75.
- 5 Sastry Award.
- 6 J Humble: "Management by Objectives in Action", McGraw-Hill, London, 1970.
- 7 Kalyan Banerji: 'Planning for Performance in Banks', *Economic and Political Weekly*, May 22, 1971.
- 8 Olive Robinson: 'Representation of the White Collar Unions: The Bank Staff Associations in Britain', *British Journal of Industrial Relations*, March 1969.
- 9 Report of the National Labour Commission, Ministry of Labour and Employment and Rehabilitation, 1969.

Price Fixation in Public Sector

A Case Study of Insecticides

G P Keshava

Production and marketing of insecticides in the public sector has a rather short history. There is only one undertaking in the public sector at present producing and marketing insecticides: Hindustan Insecticides. A study of the pricing of insecticides in the public sector would, therefore, be tantamount to a study of the pricing policy of Hindustan Insecticides.

This article seeks to look into the various factors that have affected the development of the pricing policy of this undertaking.

[The author is grateful to the authorities of the HIL'S Head Office in New Delhi for giving access to the official files, and to S Mazumdar for giving assistance in the collection of material.]

I Background

HINDUSTAN Insecticides was registered as a fully government-owned company on April 1, 1954, with an authorised capital of Rs one crore. The primary products of the company comprise technical and formulated DDT.

The company was originally to operate a DDT plant in Delhi set up with the aid of UNICEF and WHO. Initially, the Delhi factory had a production capacity of 700 long tons which was later increased to 1400 long tons per year. With the setting up of the second factory at Alwaye in 1958, the production capacity of the company increased to about 2800 tons.

The need for indigenous production of insecticides for public health purposes had led the Government of India to approach UNICEF and WHO for assistance in this connection. UNICEF agreed to give technical equipment for a plant in Delhi, while WHO undertook to provide technical knowhow. The Government of India and UNICEF entered into an agreement, known as the Basic Agreement, on May 19 1949, defining the principles on which the aid from UNICEF was to be obtained. Later, in July 1952, another agreement was signed between the Government of India and UNICEF and WHO, laying down in detail the terms and conditions on which aid from these international agencies was to be secured. This agreement, known as the Bavri Agreement, provided the basic framework within which the Delhi factory was to be operated, and was referred to as the 'Plan of Operations' for the Delhi unit.

Investment in the company initially comprised (1) the dollar aid given by UNICEF and (2) the rupee investment made by the Government of India. The assistance given by WHO was in terms of specialised services and, as such, it did not constitute an 'account-

ing' investment. The aggregate investment made by UNICEF was \$ 250,000. The rupee investment required for the factory was initially estimated at Rs 22.45 lakhs which was later sizeably revised at Rs 37.70 lakhs to allow for an increase in the production capacity from 700 tonnes to 1,400 tonnes per year. The aggregate capital investment of the company, (defined as the sum of subscribed capital, reserves and surpluses, and loan capital) stood at Rs 38 lakhs in 1955-56. It increased to 119.20 lakhs in 1957-58, the year by which construction work at the Delhi plant was nearing completion. With the setting up of a new plant at Alwaye, the capital investment of the company rose sharply, to Rs 185.05 lakhs in 1960-61. By the end of the Third Five-Year Plan it stood at Rs 256.93 lakhs.

In the original agreement between the Government of India and UNICEF it was stipulated that the Delhi factory would have a production capacity of 700 tonnes per annum. Later, the UNICEF was approached to provide for an upward revision of the production capacity to 1,400 tonnes per annum. In actual practice, the attainable capacity turned out to be somewhat lower at 1,320 tons as the effective period of operation for the plant was worked out to be 330 days in a year.

The second factory of the HIL at Alwaye was set up with the same production capacity as the Delhi factory. The effective capacity of the plant was estimated to be 1,344 tonnes of technical DDT per annum.

The Delhi and the Alwaye factories went into production in 1955 and 1958, respectively. Good management and ready availability of the right kind of raw materials helped attainment of full capacity in the output of these plants in a rather short time. The aggregate output of technical DDT at the

Delhi factory was a mere 281 tons in 1955. It increased rapidly during the subsequent years and, by 1959, exceeded the attainable capacity.

II

Pricing for the Delhi Factory, 1955-60

The pricing policy of the company was initially formulated in the light of the commitments made by the Government of India to UNICEF and WHO. The Plan of Operations agreed to by the three parties — UNICEF, WHO, and the Government of India — provided that the entire output of the Delhi plant would be used for the Public Health Campaign and that the factory would be run on a no-profit-no-loss basis. The Plan of Operations came into effect on July 16, 1952, and was to remain in force for a period of seven years. During this period, the Government was put under explicit obligation to ensure the supply of the products of the Delhi factory for the execution of public health programmes undertaken by the Government. Article II of the Plan of Operations defined the objectives in setting up the DDT plant as follows:

- (1) to ensure a regular domestic source of DDT for use by public health authorities in India;
- (2) to develop and expand public health campaigns based on the technique of residual spraying, to which purpose the total output of the plant will be devoted.

The basic idea behind the stipulation of no-profit-no-loss basis of pricing, though nowhere clearly stated, was to make the products of the plant available to the consumers at as low a cost as possible. The use to which the products of the plant were to be put, viz, malaria eradication, gave the industry a kind of public utility status in which the no-profit-no-loss basis of pricing has long been advocated.



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Although the Plan of Operations gave fairly clear instructions on the general policy regarding pricing, it did not provide adequate guidelines for the implementation of the policy. The Plan of Operations was entirely silent on the related questions of pricing and costing of by-products, pricing of inputs in the context of an imperfect market for the same, and capacity utilisation — particularly pricing under conditions of underutilisation of capacity. Nor did the plan provide any standards for ensuring the operational efficiency of the factory.

The task of giving specific content to the policy of no-profit-no-loss was left to the Government. As a matter of fact, in the initial stages, decisions regarding pricing of the products of the company were taken by the Government Department concerned rather than by the Board of Directors of the company. The Articles of Association of the company, which were intended to provide the guidelines for its policies, did not make any reference to the question of pricing or to the related question of distribution of the final products.

Shortly after the Delhi factory went into production, the question of pricing the products was discussed at a meeting of the representatives of a number of Departments of the Central Government including Health, Finance, and Production. At this meeting, held in April 1956, the Managing Director of the HIL proposed a price of Rs 2.50 per lb and Rs 2.00 per lb for technical and formulated DDT, respectively. These prices, he pointed out, were not in conformity with the cost of production of the factory which were expected to be somewhat higher than the same but they were in conformity with the import prices. The representative of the Health Ministry which was the sole customer of the products of the company at that time felt that parity with the import prices was a reasonable basis for price fixation for the time being. The representative of the Ministry of Finance also lent his support to the above viewpoint. Finally, it was decided that the prices proposed by the Board might be adopted after ensuring, by further investigation, that they did not exceed the prevailing import prices.

After consultations with the authorities concerned — such as the Directorate General of Supplies and Disposals, and the Malaria Institute of India — the Board of Directors of the company, took a formal decision on pricing, on

August 22, 1955. It adopted the policy of fixing prices on the basis of the average rates of imported DDT for the time being, subject to review after a period of six months. The price of Rs 2.50 per lb for technical DDT appeared to be quite justified by this criterion. The price of Rs 2.00 per lb suggested by the company earlier for 50 per cent formulated DDT, however, turned out to be somewhat higher than prevailing import prices. Yet the Board decided to adopt this price for the time being, as that would ensure conformity between the ratio of cost of formulated and technical DDT at the Delhi factory. While taking the decision on pricing, the Board felt that as the factory was to work on a no-profit-no-loss basis and as its entire produce was to be placed at the disposal of the Malaria Institute, the price factor was not of much consequence. Necessary adjustments could be made later, once the position stabilised.

The decision to fix DDT prices in the light of import prices was a departure from the principle of no-profit-no-loss adopted by the company. In the initial years, it was, however, the best that could be done. The decision was taken mainly in view of the following considerations: First, the non-availability of the actual cost figures during the first two to three years of the operation of the plant; actual costs are a kind of *post-facto* results, and it is only after production has taken place that actual costs are known. Secondly, during the gestation period the actual costs are almost inevitably higher than costs would be at full utilisation of capacity; fixing the prices on the basis of the gestation period might therefore be misleading. Thirdly, the import prices could provide a built-in standard by which the management would assess its operational efficiency.

In later years, as the production of the factory increased and knowledge about costs accumulated, the prices of the technical and formulated DDT were fixed at Rs 5.51 and Rs 4.41 per kg, respectively, for 1956-57. The corresponding prices for the subsequent year were fixed at Rs 4.96 per kg and Rs 3.86 per kg respectively, and these were continued in 1958-59. In 1959-60, the prices of the two categories of DDT were further brought down to Rs 4.00 and Rs 3.40 per kg, respectively.

In all these years, the actual costs of production of each of the two categories of DDT turned out to be considerably lower than the prices charged to the customer of the company, i.e., the

Malaria Institute of India. As a result, the company had to refund large sums of money to the Malaria Institute to make up the difference between the actual cost of the products and the revenue receipts from their sales. The amount thus refunded was Rs 8.70 lakhs in 1956-57, and Rs 7.52 lakhs in 1957-58. It increased to a little over Rs 18.00 lakhs in 1958-59 and Rs 23.20 lakhs in 1959-60. The sale prices of the products of the Delhi factory, as shown in the company's ledgers, were thus a kind of provisional price. The actual price of each of its products was the cost of production.

The policy of no-profit-no-loss was continued till the end of 1960-61, the year marking the expiry of the Plan of Operations governing the commercial policies of the enterprise. The Plan of Operations was originally intended to remain in force for seven years. Later, the POP period was extended by one year for administrative reasons. On the eve of the expiry of this period, the Government as well as the company's management started to think afresh on the price policy.

III

Pricing for the Alwaye Factory

The Alwaye factory went into production in 1958-59, 1959-60 being practically the first complete year of its operation. Thinking on the price policy of its products had, however, started much earlier in 1957. Here again, the initial deliberations on the question were made in the Government rather than in the control board of the company. In a meeting held on September 11, 1957, attended by the representatives of the Ministries of Finance and Health and the HIL, it was decided that the pricing policy for the products of the Alwaye factory should be determined in keeping with the provisions of the Plan of Operations of the Delhi factory. It was further decided that both the factories should charge the same price for the material sold to the Malaria Institute of India, irrespective of whether it was produced at the Alwaye or the Delhi factory. The basic objective of this decision of the Government was to ensure that the Ministry of Health got the material from the HIL at a price which more or less corresponded to the cost of production of the same. Further, it was anticipated that the Ministry of Health would be the main customer of the products of the Alwaye factory as well.

In 1958-59, there was a breakdown

in the Delhi factory, as a result of which it could not fulfil its output targets. The output of the Alwaye factory was, therefore, used to cover the resultant shortfall in the supply of DDT to the Ministry of Health. The question of pricing the products of the HIL during this year was considered at the twenty-second meeting of the company's Board of Directors at which the following decision was taken:

- (1) All supplies made to the Health Ministry from Alwaye should be at the rates applicable to their supplies from Delhi, and
- (2) All other supplies should be made at the rates fixed by the Board from time to time."

The decision of the Board was obviously in conformity with the earlier decision of the Government to ensure the sale of the company's products to the Government at a uniform price. Further, parity with the cost of production of the Delhi factory would ensure supply of insecticides to the Government at more or less the cost of production. In conformity with the above decision, the prices of technical and formulated DDT, supplied by the company to the Government, were fixed Rs 2.25 and Rs 1.75 per lb, respectively.

In the subsequent year, 1959-60, the position altered considerably. The Health Ministry made direct requisition for formulated DDT to the equivalent of 900 tonnes of technical DDT from the Alwaye factory. This was over and above the supply of 249.96 tonnes of the same by the Alwaye unit on behalf of the Delhi factory. The company felt that the material sold directly by the Alwaye factory to the Ministry of Health could not be priced on the same basis as the material sold by it on behalf of the Delhi factory. The question was considered at length at the twenty-eighth meeting of its control board at which it was decided that (1) the part of Alwaye's production supplied to the Ministry of Health on behalf of the Delhi factory should continue to be priced at the cost of production of the Delhi factory, and (2) the prices of the supplies made by the Alwaye to the Ministry on its own account should be fixed on a commercial basis determined by the company's board from time to time. The primary consideration bearing on the company in taking this decision was that the principle of no-profit-no-loss drawn from the Plan of Operations, governing the operation of Delhi factory, was by no means binding on the Alwaye factory.

The above decision of the company's board obviously marked a significant departure from the Board's earlier decision taken at its twenty-second meeting. In effect, it implied sale of Alwaye's products to the Ministry at a price higher than that of the Delhi factory. However, the company did not adopt a dual price structure for the Government as a sequel to the adoption of the new policy. The provisional prices for the Delhi products and the Alwaye products were kept at par in 1959-60 as in the previous year. But, whereas the Delhi factory was constrained to surrender to the Malaria Institute the excess of revenues over costs at the end of every financial year, the Alwaye factory was not subject to any such constraint. In other words, the Alwaye factory retained its profits, while the Delhi factory did not.

In determining the policy on the distribution of its products, the company continued to give first priority to the requirements of the Ministry of Health. But the requirements of the Ministry in 1959-60 were not such as to account for the entire output of the Alwaye factory, with the result that the company was constrained to seek an outlet for its products in the private sector. In 1959-60, a part of the output of the Alwaye factory was sold to small-scale units in the public sector, through the DGSD, and another to the private sector, technically designated as 'trade' by the company. At its twenty-eighth meeting, the company's board considered the question of the pricing policy for sales to trade also. Broadly, it was felt that the prices of this category of products should be fixed in the light of the principle of 'what the traffic will bear'. Accordingly, a price of Rs 2.00 per lb of technical DDT was fixed for this category of sales which was marginally higher than the corresponding price for the Government. This was a case of price discrimination in that it meant charging different prices to different customers for the same product. While the principal motive behind the company's adopting this kind of policy was to further the commercial interests of the enterprise, the price structure adopted by the company was by no means based on a study of the relative elasticities of demand for DDT in the public and the private sector.

The cost of production of DDT at the Alwaye factory turned out to be more or less the same as that at the Delhi factory in 1958-59 and in 1959-60. The production cost of technical and formulated DDT at the Delhi fac-

tory in 1958-59 worked out to Rs 3.24 and Rs 3.06, respectively. The corresponding figures for the Alwaye factory were Rs 3.42 per kg, and Rs 3.00 per kg, respectively. In the subsequent year there was a fall in the production costs of both these units. The two categories were produced respectively, at Rs 2.62 and Rs 2.20 per kg at Delhi, and at Rs 2.69 and Rs 2.69 per kg at Alwaye. The Alwaye unit earned a total profit of Rs 18.53 lakhs in 1959-60.

IV

Pricing Policy in the Third Plan, 1961-66

On the eve of the expiry of the POP, the Government became increasingly concerned about the question of pricing policy. The requirements of DDT during the Third Plan period were discussed in detail at a meeting of Government officials held on April 23, 1959. It was felt that the requirement of indigenous technical DDT for the anti-malaria campaign would be about 5000 tonnes at the peak of the campaign. Later, about 3,000 tonnes per annum would be needed for maintaining the programme.

In view of the sizeable needs of DDT for the anti-malaria campaign, the meeting underlined the need to set apart the entire production of the Delhi factory for the Ministry of Health. In regard to the output of the Alwaye factory, however, it was felt that a part of it, some 500 long tonnes of technical DDT, should be made available to the private sector, i.e., 'the trade' in the company's terminology.

The likely requirements of DDT having been estimated, the Government referred to the Plan of Operations for obtaining guidelines to decide the terms and conditions on which it would obtain its supplies.

Article II of the POP, specifying the objectives for setting up the Delhi plant, made it amply clear that in allocating the products of the plant, first priority was to be given to the Malaria Eradication Programme. It was felt that, since the company as a legal body had taken over all the assets and liabilities of the Delhi factory, it should honour the commitments made by the Government to the international agencies earlier. The Delhi plant should therefore continue to regard meeting the requirements of the Ministry of Health as its primary responsibility. The stand taken by the Government was corroborated by UNICEF.

In the light of its own deliberations

and the opinion expressed by UNICEF, the Government took the view that HIL should continue to cater to the needs of the Health Ministry from the output of the Delhi plant even after the POP period had expired. However, it did not think it necessary to make it obligatory on the company to earmark the entire output of the Delhi factory for the Ministry. The Ministry took the view that HIL should only ensure that the Delhi plant's output would be made available for the Malaria Eradication Programme to the extent that it was required for the same.

As for the prices at which the company's output was to be obtained, the Government was for obvious reasons keen to ensure that it obtained its supplies at as low a price as possible. In early 1959, on the eve of the expiry of POP period, officials in the Ministry of Health were of the view that the Delhi factory products should continue to be supplied to the Government at cost even after the POP period was over. Subsequently, however, the Government's thinking on the question underwent substantial change, partly owing to a change in the company's attitude and partly owing to the stand taken by UNICEF. On closer examination of the contractual position specified in the Plan of Operations, the company discovered that it was not really necessary for it to adhere to the no-profit-no-loss principle after the expiry of the POP period. The company communicated its view to the Government which set the latter to a re-examination of the question. The matter was referred to UNICEF also, which on a detailed study of the issue concurred with the view of the company. In a letter to the Government in June 1960, UNICEF pointed out that, on the expiry of the effective period, the various provisions of the POP would become inoperable, excepting those contained in Article II specifying the permanent objectives of the Delhi plant. The provisions relating to pricing contained in the Plan of Operation were not of a permanent character and, therefore, could not be treated as obligatory on the company.

After due consideration, the Government accepted the point of view of UNICEF and agreed to the Delhi plant being run on a commercial basis, on the same lines as the Alwaye factory. The company's Board having received the necessary communication from UNICEF and the Government, decided to discontinue the no-profit-no-loss

principle with effect from April 1951. This did not immediately result in a rise in the sale prices charged by the company for the Delhi plant's products. Sales prices of the company in 1961-62 were kept on par with those in 1960-61. The result of the new policy was abolition of the practice of refunding the difference between cost and price for the products of the Delhi factory supplied to the Malaria Institute of India. In effect, therefore, the actual price charged by the company after March 1961 was higher than before, and thus the pricing policy for the Delhi factory did undergo a marked change after March 1961 coming on par with that of the Alwaye factory.

Notwithstanding the substantive alteration in the pricing policy for the Delhi factory, the company did not make any formal enunciation of the new policy — except for stating that the policy of no-profit-no-loss had to be abandoned in favour of the commercial principle. 'Pricing policy' refers to the relationship between cost and price. Enunciation of pricing policy involved exercises in two directions: (1) projecting the gross surplus to be earned and (2) determining the relationship between costs and prices of individual products during the period in view. There is no evidence that the company's Board took the trouble to clearly enunciate either its policy or even its approach to these questions.

Implicitly, however, a pricing policy for the Delhi factory did emerge with the removal of the constraint regarding the refund of the surpluses to the Health Ministry. During 1961-62, the first year of adoption of a uniform approach towards pricing of Delhi's and Alwaye's products, the company earned a gross surplus of Rs 31.28 lakhs* which represented 15.6 per cent of the total capital investment of Rs 199.57 lakhs in the company. Keeping this in view as well as the fact that, from this year onwards, the company was at least technically free to determine its pricing policy, it may be surmised that, in fixing the prices, the company kept the objective of earning a gross profit of around 15 per cent on its capital investment. It may be reiterated, however, that there is no recorded evidence of the company having an ex-ante objective of this kind, so a conclusion like the above would at best be in the nature of a guess.

In the subsequent year, 1962-63, the

*Inclusive of interest payable to the Government of India on its loans.

company raised the prices of DDT for almost all categories of its sales. These price changes were introduced with effect from May 1, 1962. The price of technical and 50 per cent formulated DDT sold to the Malaria Institute (Health Ministry) were raised from Rs 3.20 per kg to Rs 3.70 per kg and from Rs 2.80 per kg to Rs 3.05 per kg, respectively. At the same time, there was an increase in the company's production and sales in 1962-63, compared to the previous year. The upward revision of prices along with the increase in sales brought about an increase in the surpluses of the company, despite the rise in costs. The increase was about Rs 12 lakhs — from Rs 23.28 lakhs in 1961-62 to Rs 44.56 lakhs in 1962-63. In terms of profitability, the rate of return on the company's investments increased from 15.6 per cent in 1961-62 to 21.2 per cent in 1962-63.

In the subsequent years, prices of most raw materials used by the Delhi and the Alwaye factory underwent significant changes. The overall effect of these price-changes was steady increase in the total money costs of inputs of the Delhi factory from 1962-63 to 1966-67 (excluding 1964-65). The same was more or less true of the Alwaye factory, with the exception of 1965-66, which witnessed a fall in input prices in relation to the preceding year.

In spite of the increases in the input prices, the company did not introduce any change in its price-structure from 1962-63 to 1966-67. The profitability of the company, as reflected in the rate of return on its investments, did not show any substantial decline as a result of the increases in the input prices. The rate of return earned by the company on its investments was 19.8 and 20.5 per cent respectively, during 1963-64 and 1964-65.

Two important factors neutralising the effects of the increases in input-prices were (1) increase in factor productivities in both the Delhi and the Alwaye factories and, (2) increasing incomes from the sale of by-products. Another important factor contributing to the same was the increase in its sales to trade. The sales of technical DDT to trade from the Alwaye factory increased from 153.60 tonnes in 1962-63 to 650.22 tonnes in 1966-67. The margin of profit on the sales to trade being much higher, this diversification of sales considerably increased the receipts of the company per unit of output. Because of these 'relieving' factors, the company was able to meet its financial commit-

ments to increase its revenues and declare a dividend, without increasing its prices.

The favourable market situation has encouraged the company to undertake an expansion programme. During the Fourth Plan an additional investment of Rs two crores is envisaged in this

industry. As a result of this, the production capacity of the company will be more than doubled. Assuming that the company will be in a position to earn the same rate of return on capital as at present, by the end of the Fourth Plan it will be in a position to undertake fresh investments from its own

resources to increase its production capacity. Its potentialities in this direction will be further accentuated if the Government relaxes the control over the distribution of its products. For, in that case, it would be in a position to diversify its sales according to the prevailing market conditions.

Management Convention or Shadow-Play?

S Srinivasan

LACK of realism and barking up the wrong tree marked the deliberations of the first All-India Management Convention held in mid-February at New Delhi. This could not have been due to ignorance or naivete on the part of those who participated in the convention; most of them are either senior professional managers or hard-headed industrialists or mature academics in the field of management education. Besides, one of the star performers, namely, our Prime Minister, is a consummate politician. The inescapable inference, therefore, is that many of those who spoke did so with tongues in their cheeks for which they must have had their reasons.

Running like a scarlet thread through most of the speeches was the totally untenable assumption that business, as a whole, will fulfil its social responsibilities, once the professional managers were made sufficiently aware of the crying need for social justice in a land where two-thirds of the total population live below the poverty line. The Prime Minister, for example, urged the managers to work for achieving a "social minimum basis for every individual".

THE MANAGER'S LIMITED SPHERE

Now, the question arises: are the professional managers in India in a position to bring about such changes, even if they have the right ideal and willingness to translate them into reality? Professional managers in our country can be broadly divided into four categories. The first consists of those working in large-scale enterprises in the private sector, the bulk of which were family businesses until recently. The policy-makers at the top level in these units, despite their being public limited companies in the eyes of the law, are scions of the founding families or relations and friends of those who controlled the managing agency houses. Holding substantial

blocs of shares, the outlook of these men is by and large predatory, although many of them may have become familiar with the techniques of modern management. They do hire professional managers of high calibre to take care of the financial, technical and marketing sides of their businesses, but the professional managers seldom have a voice in decisions pertaining to areas like (a) the level of profit to be aimed at; (b) quantum of profit to be ploughed back; (c) determining the volume of employment to be maintained; (d) sharing the gains of productivity between the manufacturer, employees and consumers; (e) recruitment, promotion and remuneration of senior personnel; (f) investment in buying of existing factories from third parties or setting up of new factories or expansion of capacity of the units they already own or diversification and (g) wage settlements with unions. Sometimes the professional manager is consulted about investment decisions in the sense he is asked to select the best project among given alternatives using profitability as the sole criterion. In the circumstances, what scope is there for the professional manager to hasten the ushering of an era of social justice? The best the most progressive among them can do can only be marginal. They can, for example, ensure fairness in the matter of recruitment and promotion of junior staff, improve human relations a bit and occasionally suggest to the top brass courses of actions that will reflect the acceptance of social responsibility on the part of the organisation. If he does it too often, he is written off as a chap who lacks "the money sense".

Take the second category of professional managers. It comprises those who are employed in firms that are wholly or partly foreign. Recruited and promoted as they are on the basis of their performance, they are, as compared with those in the first category,

better paid, more competent and sophisticated and enjoy a certain measure of autonomy within a well-defined sphere. They are, nevertheless, executives in the strict sense of the term; they implement policy decisions taken by their principals abroad. The latter's objective — and it is only to be expected — is not the regeneration of the Indian economy but to secure a return on invested capital that will be relatively higher than can be earned elsewhere. Their outlook is, therefore, not unlike that of the average British employee of the bad old East India Company so admirably described by Macaulay. The fact that in some cases the foreign company happens to own only a minority of shares does not make the slightest difference because management is invariably in their hands. The arrangement suits the Indian partners admirably since they too are making money hand over fist.

PUBLIC SECTOR MANAGERS

The third category of managers is made up of those employed in the units in the public sector. The bulk of them, at the senior levels at any rate, are not drawn from the ranks of the professional managers. They are mostly civil servants, either retired or in service, or politicians who get their jobs as rewards for services rendered to the party in power. The autonomy and freedom from interference enjoyed by the managers in the public sector units is considerably limited as compared with managers working in the private sector. The latter are at least clear about the objective of the organisations they are working for, namely, maximisation of profits whereas managements of the public sector units have not even been assigned a goal. They just go on carrying out orders and asking for directions from ministers, secretaries of ministries and sundry politicians who happen to have a pull with the right quarters. The general manager's preoccupation is not

with results but with not infringing the rules or taking wrong decisions for which he is sure to be hauled over the coals at some distant date in future. The financial controller is concerned not with profits or productivity but spying on the general manager and reporting expenditure incurred in violation of the official procedure. Industrial disputes are not the personnel manager's baby but the stamping ground of ministers and politicians anxious to hit the headlines. In a set-up of this nature what contribution can the managers make to the task of evolving a more egalitarian society?

And, as for the managers in the medium to small-scale industries in the private sector, they are veritably the snakes in Iceland. More often than not, the manager is himself the owner and entrepreneur as well. With the outlook uncertain and finances limited, his sole obsession is with quick profits. He has little use for values like social responsibilities, fair wages, sharing the gains of productivity, etc. He is, therefore, very often more rapacious than the owners of large-scale businesses who can afford to be and are a little more generous. In fact, the rapacity of the owners of small-scale industries is on the increase these days, thanks to their being the government's blue-eyed boys. Far from being a rational sentiment, the imperfect sympathy the government oozes for the "small man" seems to be more in the nature of a rebound reaction to the official antipathy towards big business houses.

UNSPOKEN HOME TRUTHS

So much for the capacity of professional managers to make business realise its social responsibilities. And yet not a single professional manager among those who took part in the Convention stood up to voice these home truths. Indeed, some of them sounded more like spokesmen for their employers. The infiltration of owners and entrepreneurs into the ranks of the professional managers may have had something to do with this. The academics in the field of management education too thought it prudent to confine themselves to making innocuous observations and polite noises. Not for them to sharply indict the owners for their failure to provide the necessary conditions for encouraging young trained managers to put into practice what they have learnt.

The industrialists and entrepreneurs preached a homily to their brother-

owners to accept the obligations imposed by distributive justice, as if it only needed an impassioned appeal to make the leopard change its spots. While Mafatlal urged the business community to ensure economic growth with social justice, Mahindra upheld Gandhiji's concept which required rich men to hold their wealth in trusteeship for the poor. Who needs to be told that the acquisitive instinct is too deep-rooted to be disturbed by high-minded speeches? This is true of industrialists not only in India but throughout the world. Businesses in the industrially advanced countries in the West contribute to social progress only to the extent they are compelled by circumstances or it is sheer good business to do so. High wages and satisfactory working conditions in the American industry, for example, are certainly not due to the big corporations' enlightened acceptance of the need for economic justice; they are the consequence of the considerable bargaining power of the trade unions. It took more than a decade of black terrorism, violence and an endemic threat to law and order before leading corporation heads began to think of training the unemployable among Negroes, giving jobs to members of "minority groups", adopting ghetto high schools with a view to upgrading them and launching pilot programmes for building low cost houses. Even so, the move to use the company's talent, capital and organisational skill to repair the rattles in the nation's social machinery is confined to an elite group of firms. Not many small or even medium-sized companies have joined the effort. They have less money and resources to devote to anything beyond the pursuit of profit. That profit is and will continue to be the major, if not the sole, preoccupation of industrialists the world over is a fact of life. Nothing is gained by denying or glossing over it.

'GROWTH' AND 'DEVELOPMENT'

What about the philanthropic-minded captains of industry, it may be asked. The answer is simple. One swallow of a J R D Tata or a Mafatlal does not make the summer. Besides, they are like benevolent dictators; splendid chaps so long as they are on the scene, but who can predict their successor's attitude?

The industrialists were so busy calling the Leviathan ashore — how else can one describe an appeal to owners to achieve distributive justice? — that they did not bother about the

distinction between 'economic growth' and 'development' getting blurred. The two were treated as though they were synonymous concepts. A phase of considerable economic growth in terms of a sharp increase in GNP can well synchronise with a period when development is almost stagnant due to resources being funnelled into profitable projects but which contribute little to social welfare. As the American economist Galbraith has taken considerable pains to point out, plenty of capital and entrepreneurial skill are available for the manufacture of luxury goods which the consumer may well do without while education, hospitals, housing for low income groups and public parks are allowed to starve for funds. Such a state of affairs, while it may be considered deplorable in a country like the United States, spells disaster for an economy like ours which is forever short of capital.

WHOLE AND SOLE RESPONSIBILITY

The Convention would have been an extremely fruitful exercise, if only it had set out to clearly define the respective roles of the professional manager, the owner/entrepreneur and the state in achieving what the Prime Minister chose to describe as "a social basic minimum for every individual". The professional manager's whole and sole responsibility is to run the undertaking entrusted to him with the utmost efficiency. It means that he should try to secure the maximum output for the minimum input in terms of money, machinery, materials and men, subject, of course, to the obligation of giving a square deal to the men who report to him. This goal is the same for all managers irrespective of the character of the units they are called upon to manage. There is no excuse for his relaxing his vigil in the pursuit of this objective of maximum output for minimum input on the ground that certain public sector units have been set up not for making a profit but for providing avenues for employment or for supplying to the consumer a commodity or service at or below cost. The professional manager has to strive towards the highest possible level of productivity all the same, leaving it to the government to decide whether productivity gains should be utilised to increase the public revenues or reduce the state subsidy as the case may be or to charge a lower price to the consumer or to raise the rate of remuneration or level of welfare of the employees.

The role of the owners and/or entrepreneurs is to help the managers achieve their goal. This is best done by avoiding needless interference with the authority of the managers in the operational field and on matters relating to personnel policies. Not infrequently, the boards of directors try to settle industrial disputes over the heads of senior managers either because the owners have no confidence in the judgment of their managers or because of an anxiety to curry favour with some ministers or other busybodies who are keen on getting kudos for having settled the dispute. Whatever the reason, the consequences of settling industrial disputes in this fashion are serious. The line managers are sold down the river and become objects of derision in the eyes of the workers and union leaders. Nor is that all. All attempts at fostering the habit of bipartite negotiations (Government never hesitates to pay lip sympathy for this objective) are effectively sabotaged. This sort of thing happens with sickening regularity in public sector units as a result of which managers who are supposed to handle industrial relations are reduced to acting merely as conduit pipes.

ROLE OF STATE

As for the state, it has a crucial role to play in fostering economic development which is consistent with social justice. First, it should learn to cash in on the predatory instincts of industrialists by allowing them to produce for profit but protecting the consumer when profit becomes profiteering. Far too often the owner in the private sector is allowed to get away far too easily at the expense of the consumer. Protected by a captive market and an out-moded cost-plus basis approach of the Tariff Commission, the industrialist in the private sector is invariably successful in justifying the prices he charges the consumer. Also, he is able to pull wool over the eyes of the government with the magic mantra of import substitution for which no price seems to be too high. If there is an increase in some element of cost, must this always be passed on to the consumer? Why can't the state ask the manufacturer to absorb part or whole of it by stepping up his efficiency and a rigorous cutting down of his variable costs as well as overheads? This is a sphere where the state has been an outstanding failure. It has yet to learn to be more wily and sagacious and less ham-handed in bringing avaricious indus-

trialists to heel.

Another major responsibility of the state is to prevent the flow of resources into channels that might not add significantly to the community's welfare and divert them into projects that would yield social dividends. The Industries Development and Regulation Act gives the requisite powers. The positive aspect can be taken care of by the public sector taking up projects which are socially desirable but may not necessarily be money-spinners. The approach has got to be selective and not doctrinaire. It does not make economic sense to grandly proclaim that the public sector must capture the commanding heights of the national economy or that nationalisation is a cure-all for every type of industrial ailment.

Development of the backward regions of the country through industrialisation again depends on state policies. This does not mean giving in to the agitation of ambitious politicians from States who would like to see each State having its own steel mill, cement plant, paper mill, sugar mill, textile mill and a petroleum refinery not because they can be worked there economically but because they are status symbols which would get the agitators the votes they are after. It means a long term programme of starting enterprises that would fit in with the techno-economic surveys of the respective regions.

VITAL ISSUES AVOIDED

The Prime Minister could have used the platform to outline some such programme for heralding the millennium she referred to. She could have also held out an assurance that the managers in the public sector would be given the necessary freedom from interference from ministers, sundry politicians, official top brass and party men. She could have warned the industrialists not to run to the government for a price rise before doing everything possible to achieve the maximum efficiency and economy. She could have assured the Convention audience that government is out to encourage bipartite negotiations and will curb its temptation to act as the big brother eager to settle the quarrels between naughty children who cannot be expected to know what is good for them. Above all, she could have made it quite clear that state interference in shaping the contours of the national economy there has to be, but such interference will not be bumbling, wooden or self-righteous. Instead she

merely outlined the sort of social order we should strive to establish and left it to the professional managers to somehow accomplish this miracle.

Here and there a lone voice gently lifted the fringes of the carpet to reveal a glimpse of the issues that had been swept under it. Not being beholden to anybody, the trade union leaders were refreshingly frank. Sarabhai's thought-provoking address raised certain broad and germane issues that are bound to influence the art and science of management in the years ahead.

These, however, were drowned in the drone of polite speeches, mouthing of clichés and pretty homilies addressed to no one in particular. The Convention thus turned out to be a sad story of missed opportunities, a shadow-play with skirting the vital issues as its theme. The only persons to profit from the session were the caterers, the climbers and head-line hunters.

Brain Drain

PROPOSALS to slow down the 'brain drain' of skilled labour from developing nations are outlined in a United Nations report based on case studies of five countries — Cameroon, Colombia, Lebanon, Philippines and Trinidad and Tobago.

The report states that the outflow from these five countries of high and middle-level manpower increased in the second half of the 1960s, leading to a very high loss in terms of education investment. It estimates that the total cost to Lebanon of educating skilled workers who left in 1967 was about \$40 million. The flow of high and middle-level personnel to France cost the Cameroon more than \$2 million for 1967-69. In the case of Colombia, the loss between 1965 and 1968 of high-level labour was put at over \$164 million. And the loss incurred in 1968 alone by Trinidad and Tobago was about \$21 million.

Percentage figures show the effect of the migration to developed countries. The report states that an estimated 27.7 per cent of Colombia's high-level manpower emigrated between 1964 and 1969. About 25 per cent of the 400 Cameroonian professionals and technicians studying in France from 1967-69 did not return to their native country. The number of similar workers leaving the Philippines in 1966 was 1,266, up from 382 in 1965.

Competitiveness of Indian Steel Exports

Samuel Paul

The significant rise in India's steel exports in recent years was undoubtedly facilitated by the industrial recession. With the onset of domestic revival, exports have begun to decline. Yet, in the long run, steel exports may be worth encouraging. A continued export programme can be sustained only if adequate capacities are built in to produce those categories in which we are most competitive.

The purpose of this paper is to examine both the short-run and long-run export competitiveness of the five major steel categories manufactured by the main steel producers and rerollers in India. The 'FOB export realisation' has been used to gauge short-run competitiveness, while the 'domestic resource cost' has been employed to measure long-term competitiveness. The five categories have then been ranked by these criteria.

It becomes evident that the conflict between exports and domestic demand-pull might have been accommodated if the available billet capacity had been fully utilised. In any case, the conflict points up to the need to curtail luxury uses of bars and rods. In fact, the 'domestic resource cost' criterion shows up that the opportunity cost of restricting the export of bars and rods has been rather high.

A better insight into the country's comparative advantage in steel can be had by considering the major product groups separately. At the same time, estimation of the domestic resource costs of foreign exchange for the major product groups, by providing a basis for comparing the relative performance of the industries that have been built up in the country, would provide policy-makers useful guidelines for future investment decisions.

THE purpose of this paper is to examine the export competitiveness of the major steel categories manufactured by the main steel producers and rerollers in India. Steel is by no means a homogeneous product. Product categories, such as rails, structurals, bars and rods, and sheets, differ in their capacity requirements as well as their end-use patterns. The product-mix of the steel industry can be varied within limits in the short run, and with greater ease in the long run. Both short-run production planning and capacity planning must take into account the competitiveness of steel products so that an efficient product mix is achieved. Needless to add that, analysis of competitiveness is only one side of the coin of export planning. The other is the assessment of international demand which is equally important. A useful starting point, however, is the study of competitiveness.

The major steel categories we shall examine are: rails, structurals, bars and rods, sheets and billets. All these products have been exported, although the relative importance of each has varied, depending on the conditions of demand and supply, both at home and abroad. From Rs 14.5 crores in 1966-67, exports of these categories have gone up to Rs 54 crores in 1969-70.¹ These products, however, are not the final products in all cases. Some, like sheets and bars and rods, may be further processed by other industries and then exported

as engineering goods of various kinds. The competitiveness of the basic steel categories should, therefore, be compared with that of other goods which use steel before one can decide whether to push the basic steel items or the further processed goods. This type of analysis, however, will not be attempted in this paper.

The significant rise in India's steel exports in recent years was undoubtedly facilitated by the industrial recession. With the onset of domestic revival, exports have begun to decline, both because manufacturers have found it more profitable to cater to the internal market and because of the restrictions on export which have been progressively imposed by Government. In this process of indiscriminate choking of exports, we may forget the fact that, in the long run, steel exports may be worth encouraging. While it is possible to launch a crash export programme when idle capacity exists, a continued export programme can be sustained only if adequate capacities are built in to produce those categories in which we are most competitive. We need, therefore, to rank the products by some measure of competitiveness. Further, we need also to assess the likely impact of the export of the competitive items on the domestic market. Would their export, for instance, restrict the growth of important sectors of the economy?

In the rest of the paper, we shall examine the problems raised above in

some detail. The problem of export competitiveness will be discussed in section I. The impact of exports on the domestic sector will be analysed in section II. The conclusions of the study will be summarised in section III.

I

Analysis of Export Competitiveness

The export competitiveness of a product needs to be gauged both from the short run as well as the long run points of view. The criteria used for evaluation will naturally differ, depending upon the time perspective adopted. In both cases, the basic question to ask is whether the domestic resource cost per unit of net foreign exchange earned justifies the product's export.

In the short run, when idle capacity exists, the real cost of increasing output up to the capacity limit is the cost of the variable inputs (indigenous and imported) required for producing the additional output. In fact, if the variable inputs themselves have no opportunity cost, then, from a national point of view, the real cost of the extra output will be zero. On the other hand, if the existence of idle capacity is due to input supply bottlenecks, the variable inputs themselves may be in shortage so that their opportunity cost will be positive. In the case of steel exports, for instance, the basic input of steel itself is in short supply. Hence, the net foreign exchange earning of steel pro-



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ducts in the short run should be gauged in relation to the true input cost of steel. The capital (capacity) cost of the steel product is not relevant to the analysis.

The criterion adopted for measuring competitiveness must depend on the time perspective of the study and the economic conditions prevailing in the industry. Let us define the short run as a period of two years. Currently, there exists considerable idle capacity in steel making, rerolling, rail, structurals, and merchant mills. Capacity utilisation in ingot steel manufacture in 1968-69 was about 70 per cent. In rails, structurals and bars and rods, capacity utilisation has been even less, varying from 50 per cent to 60 per cent. Similar conditions continued to prevail in 1969-70 also.

We conclude from the above data that, increased output of the different steel items is possible for the next two years without any expansion of capacity. During this period, it is the availability of ingot steel that will be crucial to stepping up the production of the various steel products. Since steel is the basic scarce input that is required for all exportable steel products, it is meaningful to use the FOB export realisation less the cost of direct imported inputs per tonne of the product, as the criterion for measuring short-run export competitiveness.² Categories of steel exports may, then, be ranked by their FOB realisation per tonne of product. The higher the realisation, the better the export competitiveness of the category.

In Table 1 we give the value, quantity, and realisation per tonne of five

categories of steel exports, viz, bars and rods, rails, structurals, billets, and sheets. The data are given for the four most recent years. The value of exports is reported at the official exchange rate and net of subsidies.

The following conclusions emerge from the data given in Table 1.

(1) Bars and rods are the leading category of steel exports, both in terms of tonnage and value. This dominant position has been maintained throughout the period under study.

(2) The per-tonne realisations of all categories have fluctuated substantially over the period. However, the trend has been upward except for billets. The per tonne realisations of all categories rose steeply in 1967-70, except that of billets. It would seem that the realisation figure for billets fell because over one-third of this category consisted of ingots.

(3) The export of sheets has all along been marginal though the per-tonne realisation has been high. Because of the precarious internal supply situation and capacity constraint, sheets have never figured as a major export. We shall, therefore, ignore this category altogether in the rest of the short-run analysis.

(4) Of the steel categories which have been exported in bulk, bars and rods had the highest per-tonne realisation in 1969-70, though in the preceding two years rails held this position. The lead of bars and rods over rails in this respect is marginal but its lead over structurals is quite substantial in 1969-70. The question now is whether this trend may be expected to continue—at least

for the next three years. In the absence of any market forecasts, all one can say is that, of the different steel products, bars and rods may be expected to have a more steadily growing demand in view of their general purpose uses in construction. Rails and structurals are more specialised in nature and may perhaps run into market limitations and instabilities faster than would bars and rods.³ Based on this reasoning, it would seem that bars and rods will continue to have a short-run competitive edge over other items in the steel industry. By implication, if there is a limit on the basic inputs required by exportable steel products, bars and rods should receive the highest priority.

(5) The data given in Table 1 show billets to be the most uneconomic among steel exports. It makes much more economic sense from a national point of view to process billets further and to export items such as bars and rods. Since rerolling capacity is available on a large scale, extra foreign exchange can be earned at practically no extra cost, if only the billets are turned into bars and rods.

In the long run, increased production will invariably require an expansion of capacity itself. The real cost of an incremental unit of output will now be the full cost of the scarce domestic resources used up in its production. In terms of export competitiveness, a meaningful long-run measure will be the domestic resource cost incurred per unit of net foreign exchange earned by exporting the product under study. Different products may, then, be ranked by their domestic resource cost per unit

of net foreign exchange earned. The lower the domestic resource cost, the greater the export competitiveness of the product.

The domestic resource cost of a product i may be defined as to sum of the values of the domestic non-exportable (non-traded) inputs used in its manufacture valued at domestic prices net of indirect taxes,⁴ depreciation expenses for the use of capacity, and wages and return on investment valued at social cost. The domestic resource cost per unit of foreign exchange earned of product i (D_i) may be defined as

$$D_i = \frac{\sum_j X_{ji} + d_i + w_i + r_i}{F_i - (m'_i + m''_i)} \quad (1)$$

where X_{ji} = value of indigenous, non-exportable inputs supplied from the j th industry (net of indirect taxes) for the manufacture of one unit of the i th item less the value of imported inputs required by X_{ji}

d_i = depreciation charges per unit of product i

w_i = wages per unit of i

r_i = return on investment per unit of i

F_i = FOB foreign exchange receipt per unit of i

m'_i = CIF value of imported inputs (direct and indirect) per unit of i

m''_i = FOB value of exportable inputs per unit of i

The numerator of the formula (1) is nothing but the sum of the value added by manufacture specific to product i (per unit) and the cost of the non-exportable (non-traded) inputs used up in manufacturing product i . Exportable inputs are excluded because they are not relevant in measuring the comparative advantage of product i . These inputs could have been imported at international prices for the manufacture of product i if their local prices were higher. Alternatively, they could have been exported if their international prices exceeded the local prices. The high or low costs of input-producing industries should not influence the appraisal of the final product. The only exception is where non-exportable inputs such as power, transport, and other localised services, are involved. These inputs have no international markets and exist solely to service the indigenous indus-

tries. Manufacturers have no alternative but to buy these inputs. The degrees of efficiency of the industries producing these inputs will, therefore, have a bearing on the comparative advantage of the final product. This is the rationale for treating non-traded inputs on par with primary factors of production in estimating D_i .

The denominator of formula (1) represents the net foreign exchange earned per unit of product i . The cost of the direct and indirect imported inputs and the FOB value of the exportable inputs associated with product i are deducted from the FOB export realisation to get the net foreign exchange earned per unit of product i . Thus exportable or traded inputs are excluded from the domestic cost side as well as earnings side.

Wages and return on investment prevailing at any given time may fail to reflect their true long-run social cost. Hence it is necessary to value labour and capital services at social cost. However, a similar problem may exist with regard to other costs too. For instance, a case may be made for valuing X_{ji} also at social cost, since they contain wage and profit components which may not necessarily reflect their social cost. The revaluation of input costs, however, is a difficult task and the only adjustment made here in that direction is to estimate these costs net of indirect taxes. The methodology we have adopted for estimating D_i thus suffers from several limitations.

In the present study, it has not been possible to use formula (1) for estimating D_i . The main problem was that detailed cost data were not available. We have relied, therefore, on an indirect method for estimating D_i . In brief, the approach is to start with the prices of the major steel categories which were determined on the basis of cost of production and to estimate D_i by subtracting from the prices all elements of cost excluding those found in the numerator of formula (1). Thus, in the case of basic steel items, an approximate measure of D_i is given by the following formula:

$$D_i = \frac{P_i - \sum_j E_{ji} + \sum_j T_{ji} + m'_i}{F_i - (m'_i + m''_i)} \quad (2)$$

$$\text{Since } P_i = \sum_j E_{ji} + \sum_j X_{ji} + \sum_j T_{ji} + d_i + w_i + r_i + m'_i \quad (3)$$

where F_i = domestic price per unit of product i net of indirect taxes

E_{ji} = value of the domestic exportable inputs supplied from the j th industry for the manufacture of one unit of i less the value of imported inputs required by E_{ji} and net of indirect taxes

T_{ji} = indirect tax on the j th input required for the manufacture of one unit of i

Formula (2) should not be treated as generally applicable to all products, but as an approximation which is reasonably valid for the basic steel items which have government-regulated prices. The basic price data are taken from the Tariff Commission Report on steel prices.⁵ This is the latest published report in which the method of price fixation and cost structure are explained in detail. The price of each steel category is arrived at by adding to the input costs (variable and fixed) an element of return on investment. While wages are not valued at social cost under this method, the rate of return permitted may be taken as a reasonable approximation of its social cost.⁶ By contrast, open market pricing would have permitted an abnormally high rate of return.

The main problem with the set of prices given in the Tariff Commission Report of 1962 is that they are out of date. Costs have increased substantially since then and the government has revised steel prices subsequently. However, in the absence of detailed information on these price revisions, it is unwise to assume that the prevailing prices continue to reflect the cost structures of the products involved. Instead, we have reworked the 1962 prices by adjusting them for cost increases since 1962. For this purpose, we have relied on the increases in works cost experienced by a major steel company whose cost structure was the basis for the Tariff Commission Report of 1962.⁷ By not adjusting the overheads and return provided for the different steel categories for cost increases, we have left some room for an underestimate of their true domestic resource cost. However, this may not vitiate our results seriously for two reasons. First, the major part of the cost increases would have occurred in the works costs and not in overheads which are in the nature of a fixed cost. Secondly, works cost is the major component in the cost structure and we may have accounted for a substantial part of the cost increase

TABLE 1: VALUE, QUANTITY AND FOB REALISATION OF STEEL EXPORTS

Products Category		1966-67	1967-68	1968-69	1969-70
Bars and rods	Value (Rs. lakhs)	1179.05	1823.03	1834.86	2461.02
	Quantity (Tonnes)	2,13,352	3,13,007	3,08,861	3,46,823
	Realisation per tonne (Rs.)	553	582	594	710
Rails	Value (Rs. lakhs)	43.63	259.80	471.29	901.02
	Quantity (Tonnes)	10,925	40,716	74,351	1,27,317
	Realisation per tonne (Rs.)	399	638	634	708
Structurals	Value (Rs. lakhs)	155.95	982.56	1,941.68	1,725.89
	Quantity (Tonnes)	25,956	1,64,803	3,26,566	2,63,591
	Realisation per tonne (Rs.)	601	596	595	655
Billets	Value (Rs. lakhs)	n.a.	358.71	474.35	158.73
	Quantity (Tonnes)	n.a.	75,315	1,09,668	54,389**
	Realisation per tonne (Rs.)	n.a.	476	433	292
Sheets	Value (Rs. lakhs)	70.64	39.95	22.31	12.37
	Quantity (Tonnes)	13,435	6,372	3,435	1,744
	Realisation per tonne (Rs.)	526	627	649	

* Exports by rerollers also included.

** Includes 18433 tonnes of Ingots.

Source: Steel Exporters Association, Steel Rerollers Association.

TABLE 2: DOMESTIC RESOURCE COST PER UNIT OF FOREIGN EXCHANGE

Category	$P_i - (\sum_j E_{ji} + \sum_j T_{ji} + m'_i)$ (Rs)	$F_i - (m'_i + m''_i)$ (Rs)	D_i (Rs per \$)
Billets	493	48.53	10.60
Rails	676	78.27	8.64
Structurals	664	72.13	9.21
Bars and rods	631	75.73	8.33
Sheets	825	79.33	10.40

that has occurred, even though we have ignored the changes which may have taken place in overhead costs.

From the adjusted prices thus estimated, we must now take out $(\sum_j E_{ji} + \sum_j T_{ji} + m'_i)$. The major inputs (E_{ji}) used by steel are iron ore and coking coal. Of these, India exports iron ore only and it should be regarded as a traded input. Since coking coal is not exported, we have treated it as a non-traded input. Indirect taxes on inputs (T_{ji}) and imported inputs (m'_i) are negligible in the steel industry.⁸ We have, therefore, assumed zero values for these terms.

An estimate of F_i for each product group was obtained by taking the average of the FOB export realisation per tonne of the group (excluding subsidies) for the two most recent years, 1968-69 and 1969-70. The most recent experience of Indian exporters in this field is taken as an indication of what F_i might be in the future. From F_i , we then subtract m''_i , an estimate of which is given by the FOB value of our iron ore export (1.8 tonnes of iron ore per tonne of steel). No adjustment is needed on account of m' since it is assumed to be zero.

On the basis of the foregoing procedures and assumptions, D was estimated for the five basic steel categories. Results of the analysis are reported in Table 2.

We do not claim that the domestic resource costs, reported in Table 2, are truly representative of the steel industry as a whole. The simple fact is that, we did not have access to the cost data of all the steel companies. We did, however, attempt a comparison between the company which provided us the data and another for which partial cost data were furnished in the Tariff Commission Report. The comparison shows that, there is a good deal of similarity between the pattern of relative product costs of the two companies. The steel industry and government agencies which, unlike the academic researcher, have access to the complete basic data

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tic demand. We examine below, as a case in point, the conflict that has arisen with respect to bars and rods.

In 1968-69, when there was little evidence of excess demand,¹⁰ the domestic availability of bars and rods was nearly 1.25 million tonnes. It is difficult to estimate the rate of growth of demand in 1969-70 over the preceding year. If one were to rely on the Fourth Plan projections, the construction sector is expected to grow annually at the rate of 8.6 per cent. In the pre-recession years, on the other hand (1961-65), the rate of growth of production of bars and rods in India was of the order of 12 per cent per year. To be on the liberal side, let us work out the domestic demand for bars and rods assuming a growth rate of 12 per cent. In 1969-70, the demand would have been for 1.40 million tonnes and, in 1970-71, it could have gone up to 1.57 million tonnes.¹¹ In 1969-70, the net domestic availability of bars and rods was 1.35 million tonnes. The shortage that emerged during that year, therefore, would have been of the order of only 50,000 tonnes.

In the absence of complete production data, it was difficult to guess what the magnitude of the demand-supply gap would have been in 1970-71. It is important, however, to note that the total billet capacity in the country is 2.4 million tonnes. Even after meeting the domestic demand for 1.57 million tonnes of bars and rods, there will be capacity left for making 6 lakhs tonnes of bars and rods in the current year even if we leave 10 per cent idle capacity. If exports were to continue in 1970-71 at the same level as in 1969-70 (3.47 lakh tonnes), there should, in fact, be no difficulty in reconciling the domestic and export demands. In other words, adequate billet capacity exists today to accommodate the demands of both domestic users and exporters of bars and rods for at least the next two years, and there is no need to sacrifice exports for the sake of domestic consumptions.

Of course, all this may sound academic to those who are familiar with the problems in improving the utilisation of existing steel capacity. The fact remains, however, that failure to fully utilise available billet capacity lies at the root of the conflict between the domestic and export demands for bars and rods.

Given the prevailing situation in the steel industry, it is realistic to admit that, a genuine conflict has emerged between the demand for domestic con-

sumption of bars and rods and exports. From a national viewpoint, there are at least three alternatives open to the country which need to be considered: (1) Ban the export of bars and rods; (2) Produce more bars and rods for export at the cost of rails and structurals; if domestic consumption of bars and rods is not to be curtailed, then, more billets can be diverted for the export of bars and rods only by drying blooms to the rails and structural mills; and (3) Export bars and rods at the cost of domestic consumption.

(1) Banning Exports of Bars and Rods:

We have seen above that, bars and rods are a leading, and perhaps the most competitive, foreign exchange earner in the steel industry. Given the nation's acute need for foreign exchange and the high priority attached to exports as reflected in the 7 per cent growth rate proposed in the Fourth Plan, it would be most unwise to think of banning, or even reducing, the export of bars and rods. Further, the export market for this item has been built up over a period of years through painstaking efforts. To cut off this market abruptly will be inconsistent with all the pronouncements on the export policy of the country. Banning exports is, therefore, not a remedy that should be considered seriously.

(2) Export at the Cost of Rails/Structurals/Billets:

If domestic consumption is not to be curtailed at all, export of bars and rods can take place in the short run only at the cost of other steel exports, since the production of all items must be met from a limited supply of scarce steel inputs. An obvious alternative is to step up the export of bars and rods by reducing billet exports. This, clearly, will result in a net increase in foreign exchange earning for the country at practically no extra cost at all. The argument could be extended to structurals also, since its per-tonne realisation seems to have fallen significantly below that of bars and rods—perhaps because of the relative instability of the external market.

The case for cutting down on rail exports is not so self-evident. For one thing, the per-tonne realisation of rails is comparable to that of bars and rods. Rail exports do not hurt domestic consumption. There is, however, an indirect way in which rail exports may hurt bars and rods. Rail capacity could be used for the production of billets also. To the extent that export quality rails

have a larger per tonne capacity requirement than domestic rails, rail exports result in less capacity being available for billet production which could have been used for the export of bars and rods.¹² Thus the opportunity cost of export rail production can be much more than the cost of its steel input, as the capacity limit is approached.

While the high opportunity cost of export rail production may not be apparent in the short run at a time when idle rail capacity exists, the picture will change drastically when expansion of capacity is contemplated. The long-run growth of exports will require investment for expanding the production capacity for various steel categories. If the capital cost per tonne of export rails is higher than that of bars and rods or structurals, then, the rate of return on the investment for rail capacity will tend to be lower than that for bars and rods or structurals. Thus, though in the short run, rails appear to be about as good for export as bars and rods, in the long run, it may not be as worthwhile from a national point of view. At this stage, we merely want to draw attention to this possibility, but no definite conclusion can be drawn. Since we have not been able to get the basic data required for such a comparative analysis of rates of return.¹³

If domestic considerations require that less of bars and rods be exported, obviously foreign exchange earnings will be hit. It would therefore make more economic sense to curtail the export of items, such as billets and structurals, which earn less per tonne and divert the scarce steel inputs for maintaining the export level of bars and rods.

(3) Export at the Cost of Domestic Consumption:

The third alternative suggested above is to maintain the level of exports of bars and rods by denying the domestic market its full requirements of the product. Obviously, the growth of certain sectors will be hit under this alternative. In assessing this alternative, then, it is necessary to find answers to two questions. First, which sectors will be hurt by the export of bars and rods and how serious will the consequences be for the economy at large? Second, if the consequences are serious, what can be done to minimise the impact without curtailing the export of bars and rods?

END USES OF BARS AND RODS

Bars and rods are used in manufacturing as well as in construction activities. According to the National Council of Applied Economic Research, approximately 50 per cent of the demand for bars and rods in 1970-71 will be for use by manufacturing industries.¹⁴

Let us examine the end uses of bars and rods in construction in greater detail. Here again, the NCAER projections provide the only basis for analysis. Table 3 gives the pattern of end uses in construction projected for 1970-71.

The pattern of end uses of bars and rods, and not the projections in absolute terms is of interest to us. Even if the absolute estimates given are unlikely to be achieved, we may assume that the pattern of consumption in terms of relative shares might be more reliable.

From the data given in Table 3, it appears that private construction is the single largest user (32 per cent) of bars and rods used for reinforcement. When

TABLE 3: PROJECTED PATTERN OF END USES OF BARS AND RODS, 1970-71

Uses	Quantity (tonnes)	Share (per cent)
1 Manufacturing industries	1,087,000	49.7
2 Reinforcements		
Industrial construction	122,057	5.58
Railways	128,361	5.87
Agriculture	108,714	4.97
Other sectors*	167,182	7.64
Social services (government)	220,000	10.06
Private sector construction	353,000	16.14
Total	2,186,000	100.0

* Power projects, irrigation, ports etc.

social services (building of schools, hospitals, etc) are added, these two sectors together are expected to consume nearly 52 per cent of all bars and rods that go into construction. If the domestic consumption of bars and rods is curtailed, other sectors, such as industry, railways, and irrigation, are the least likely to feel the pinch, since they may get higher priority through government allocations. The brunt of the burden will be felt by private residential construction, and perhaps to a lesser extent by social services. If social services are also taken care of through allocation of quotas, the central problem boils down to an appraisal of the consequences of a squeeze on private residential construction.

The most obvious consequence that can be predicted is that the volume of private residential construction will not grow at the desired rate. What are its implications from a national point of view?

(1) Bars and rods are most widely used for construction of multistoreyed buildings in urban areas. Rural housing, especially for the lower income groups, need not be hit if a shortage in bars and rods emerges. This is an important aspect to bear in mind in today's conditions when socio-political factors have assumed increased significance.

(2) Housing for the middle and upper income groups, particularly in urban areas where multistoreyed buildings are becoming increasingly popular, will be hit by the squeeze on bars and rods. This naturally will entail some hardships for certain segments of the population. On the other hand, one might argue that the burden will be felt by groups which are most capable of bearing it. The very fact that the Government has not accorded any priority to urban construction confirms this point.

(3) A shortage of bars and rods for construction might lead to a more economic use of this product. According to many experts, construction in India is characterised by an overuse of steel.¹⁵ A shortage, and the consequent increase in cost, may force users to economise on the use of bars and rods. If this much-needed trend develops, the adverse impact on the volume of private construction may not be as severe as many would imagine.

POTENTIAL SAVINGS IN STEEL CONSUMPTION

Technological progress in recent years has made it possible to plan ways and means of economising on the use of bars and rods in construction. Two types of

savings have been suggested by experts as feasible under Indian conditions.

(1) Improvements in structural designs can be introduced so that less of steel will be required for reinforcement.

(2) Newly developed deformed bars can be substituted for ordinary mild steel bars and rods. The two important brands of deformed bars being manufactured in India today are "Torsteel" and "Tistrong". It is estimated that, as a result of structural design improvements and the use of deformed bars, a saving of nearly 40 per cent is possible in construction.¹⁶ In other words, of the one million tonnes of bars and rods required for reinforcement as per Table 3, four lakh tonnes could be saved as a result of these two reforms.

Obviously, the proposed changes cannot be introduced overnight. The use of deformed bars is growing, and the real problem is a shortage of billets for its production. It is not difficult to see that, increased production of deformed bars will ease the problem facing the construction industry. Given the supply constraints operating in the economy, increased production of high tensile deformed bars would seem to be an effective answer if the adverse impact of the export of bars and rods on domestic construction is to be minimised.

Reforms in structural designs and adoption of new standards may take long to yield significant results. Users, including engineers, need to be educated on the new developments. Systematic efforts will have to be made to influence government department practices relating to construction. Though these changes may take time, efforts in this direction will yield the country a greater pay-off eventually than a shortsighted policy of slashing the export of bars and rods which might be the expedient thing to do in the short run.

III

Conclusion

In this paper, we have examined the export competitiveness of five basic categories of steel, viz, billets, rails, structurals, bars and rods, and sheets. A measure of the short-run competitiveness was given by the FOB export realisation per tonne of the different products. The criterion of domestic resource cost per unit of net foreign exchange earned was used as a measure of long-run competitiveness. The five product groups were then ranked according to both measures. The major conclusions of the study are as follows:

(1) In terms of short-run competitiveness, bars and rods led other product categories in 1969-70. If the preceding two years are also taken into account, rails turn out to be even more competitive than bars and rods. However, bars and rods may be expected to have a more steadily growing demand in view of their general purpose uses in construction, than rails and structurals which may run faster into market limitations and instabilities.

(2) Judged by the domestic resource cost criterion, which can be interpreted as a measure of long-run competitiveness, bars and rods are the most competitive steel category followed by rails and structurals—in that order. The least competitive item is billets. The ranking provided by the criterion should be of considerable interest to those who plan the country's export strategy.

(3) Bars and rods, rails and, structurals, have figured prominently in the steel exports of recent years. However, with the revival of domestic demand last year, restrictions have been progressively imposed on the export of bars and rods. An examination of the conflict between exports and domestic demand-pull in bars and rods shows that both claims could have been accommodated if only the available billet capacity had been fully utilised. Even if the latter alternative is not feasible, it would be preferable to put the squeeze on domestic consumption than to ban the export of bars and rods. The conflict which has emerged points up the need for curtailing the luxury uses of bars and rods. But for the ranking provided by the domestic resource cost criterion, it may not at all have been obvious that, the opportunity cost of restricting the export of bars and rods was rather high.

(4) Estimation of the domestic resource costs of foreign exchange of the major product groups in the country, will provide us a basis for comparing the relative performance of the industries which have been built up. To be meaningful, the analysis should be attempted at a fairly disaggregated level and for all important products. We have shown above that we can get better insights into our comparative advantage in steel if we examine its major product groups separately. The ranking of industries, based on an adequately disaggregated analysis of domestic resource costs, would give policy-makers useful guide-lines for future investment decisions.

Notes

- 1 According to the Steel Exporters' Association of India.
- 2 Strictly speaking, the criterion should be the bloom requirement per tonne of each product category, since the basic input common to all is the bloom. There will be some loss of weight (yield) as the processing continues from one stage to the next. Further, if special export quality or specifications are to be met, the loss will be even greater. We have not been able to estimate the yield differences for lack of data. FOB realisation per tonne is, therefore, retained as the criterion in spite of this limitation.
- 3 Nearly two-thirds of our exports of structurals have been to two countries, the Soviet Union and Iran.
- 4 Whether non-traded inputs also should be excluded is a debatable point. We follow Corden's procedure of leaving them in. See Corden, "The Structure of a Tariff System and the Effective Protection Rate", *Journal of Political Economy*, June 1966, pp 221-37.
- 5 Tariff Commission, Report on the Fair Ex-Works Retention Prices of Steel, 1962.
- 6 The rate of return permitted in steel pricing is 12 per cent. No firm estimates of the social rate of return is available. Harberger has estimated a social rate of return for Indian industry of 13 per cent. See his 'Investment in Man vs Investment in Machines: A Case of India' in Anderson and Bowman (editors), "Education and Economic Development", Aldine Press, Chicago, 1965.
- 7 While we have relied on the data furnished by this company, we have neither examined any internal records nor compared the data with those of other steel companies for reasons explained earlier.
- 8 Indirect import content may be significant, but we have ignored this aspect in view of the paucity of data.
- 9 We assume that, since our share of the world market is negligible, the elasticity of foreign demand for our bars and rods is infinite.
- 10 Except towards the end of the year when shortages began to be felt.
- 11 Note that the estimate is for domestic consumption only.
- 12 This problem will arise only when normal billet capacity has been fully utilised. Export rails are 18 metres in length as against the 13 metres of domestic rails and require frequent roll changes.
- 13 The domestic resource cost criterion gives some evidence on this, but is by no means completely satisfactory since we have no separate data on the resource costs of special export rails.
- 14 NCAER, "Long-Term Projections for Iron and Steel", (1968), p 141. There is some confusion on this fi-

gure, as on p 82 of the same report the estimate given is 25 per cent. See G S Ramaswamy, 'Revolution

in Reinforcing Steel', *The Hindu*, March 23, 1970.

16 Ibid.

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Understanding Occupational Change in India

I P Desai

Occupational change has been understood largely as change in the activities of the members of a society to earn their livelihood. The change is observed in terms of changes in the distribution of these activities in the socio-economic structure of society. From this it is only a step further to describe change by classifying activities in terms of role expectations and positions and evaluation of these role positions.

Insofar as the social implications of these occupational changes are concerned, generally recourse is taken to study of occupational groups, their social characteristics, psychology, etc. In these types of study, social mobility is a favourite subject.

All this is useful. But there is a feeling of inadequacy about these studies, insofar as they are taken as indicators of social change. This feeling of inadequacy can be pinpointed to activities being made the central point of observation and analysis and their being related to some of the economic, social and psychological attributes of different occupational groups.

But the question that arises is: can a man not continue the same activity and yet change his person, i.e., his social relationships? Also can a man not change his activity and not change his social relationships?

The point of departure of this paper is the affirmation that a man can change his occupation and yet not change his person and vice versa. This affirmation requires us to shift the centre of attention from activity to person, i.e., to social relationships. It is argued that irrespective of the number and variety of occupational activities and the number of persons engaged in them, there could be occupational change if there is change in social relationships. It is further submitted that in India occupational change in this sense is taking place more widely than statistics of change in the number and variety of activities suggested.

I

OCCUPATIONAL change has been largely understood as a change in the activities of the members of a society to earn their livelihood. The change is observed by the increase and decrease in the distribution of these activities in the socio-economic structure of a society. This is done by counting the number of persons engaged in different activities. This is what is done in our Census in the industrial classification of workers.

Different types of activities involve different degrees of manual labour and of skill. Occupations are also classified on these bases into manual, semi-skilled, skilled and so forth. Sometimes they are also referred to as white- and blue-collar on these bases and also on the basis of remuneration—wage and salary.

It is only a step further from this classification that change is described by classifying these activities in terms of role expectations and positions and evaluation of these role positions. The change is then described in terms of these statuses such as managerial, supervisory, manual, etc.

The expressions, opportunity structure or opportunities and accessibility to them, are also used with reference to the number of jobs and their availability. These depend on economic

and technological developments. In the ways mentioned above of observing the occupational opportunity structure or occupational change, the types and number of activities and the number of men engaged in them are the objects. Description and analysis based on these observations do give us a picture of occupational structure and occupational change. It has also the advantage of narrow utility. It has also relevance and usefulness with reference to general economic development, technology of production, etc.

Insofar as the social implications of these occupational changes are concerned, generally recourse is taken to the study of occupational groups, their social characteristics, their psychology, etc. In these types of study, social mobility is a very favourite subject. All that is useful. But there is a feeling of inadequacy about these ways and the studies based on them, insofar as they are taken as indicators of social change. The feeling of inadequacy could be pinpointed to the activities being made the central point of observation and analysis and relating them to some of the economic and social and psychological attributes of different occupational groups. Some knowledge has been gained from these studies and that need not be ignored or thrown away. But the question that arises is, can a man not continue the

same activity and yet change his person, i.e., his social relationships, his relation to other men? Also, can a man not change his activity and remain the same person, e.g., when a sweeper in the village is employed in the railways as a sweeper?

The observations in India make us inclined to answer both the above questions in the affirmative. Probably the similar affirmative answers would be obtained if the past of some of the societies called developed, and the present of some of the societies called developing, are studied. But the point of reference in this paper is the Indian case. It is affirmed here that a man changes his occupational activity, that is the activity to earn his livelihood, and yet he may not change his person, and that a man may not change his occupational activity but his person might be changed. The affirmation is the point of departure of this paper.

The above affirmation requires us to shift the centre of attention from activity to person, i.e., to the social relationships in which he is involved while engaged in the activity to earn his livelihood or the social relationships in which he enters when he changes that activity. This does not mean that activities are to be ignored. In fact, when empirical observations and analysis are to be made keeping the social relationships as the focus, the

place of activities in the study will have to be determined. It may happen that the question of determining its place might not be answered satisfactorily. The difficulty of making the empirical studies from the view that will be presented below might turn out to be the weakness of the view. But that is likely to be an operational difficulty. The view is very simple and is not new. We would say that irrespective of the number and variety of the occupational activities and the number of persons engaged in them, there could be occupational change if there is a change in the social relationships of the man engaged in the activity to earn his livelihood. It is further submitted that in India occupational change in this sense is more widely spread than the figures of change in the number and variety of activities might show.

It is here that the particular activities and the social relationships of the man engaged in them could be selected for observation. But for proceeding from occupational change to social change the social relationships of the occupational activity will have to be made the centre of attention and will have to be related to the wider social structure and the type of society. That is not an easy task. But it is worth attempting. What is attempted in what follows is to illustrate this understanding with reference to the Indian case.

II

In any society at a given point of time there is a given division of labour and specialisation of functions or activities. This could be taken to mean a degree of differentiation in activities and the roles and positions associated with them and the organisation of these activities and status roles at a particular point of time. This differentiation and organisation of the role positions would be understood as the occupational structure of a society and that could be further understood as the way in which human labour in that society is distributed or allocated.

This mechanism of disposition of human labour is a part of the general mechanism of allocation of other non-occupational roles in the society. It could be taken as an aspect of the nature and manner in which the human beings relate themselves in the wider society. This mechanism involves other sub-systems or institutions in the society and the occupational structure also consequently relates itself to those other sub-systems

and the systems of norms, values and beliefs. The last mentioned system is supposed by some to be autonomous. But there is general agreement that the other systems and the allocative mechanism do interact with one another.

It could be thus seen that the occupational structure of society is intimately related with the wider structure of society and that the occupational activity to earn one's livelihood involves an individual with other individuals, thus establishing social relationships with them. For the purpose of understanding the social implications of change in occupational structure or occupational change, occupational activity could be understood also as a social relationship between an individual and another individual or group of individuals or between a group of individuals and another group of individuals. The rules regulating these relationships and the structure created by them could as well be the object of observation for understanding the occupational structure and occupational change and its social implications.

The rules governing these social relationships could be distinguished according to their nature as customary, traditional, status determined and legal or contractual. Occupational change could thus be understood as change in the relationships between individuals. The social implications of this change are that it affects the whole gamut of relationships in which the individual lives in the rest of the society. How this sort of change in occupational relationship affects the other systems and how the other systems affect these changes is a relevant question and it can be the subject of particular studies.

III

The occupational structure of contemporary India will be better understood by the comparative view of that structure, say in the late 19th or early 20th century. India's main occupation was agriculture. Agriculture was an open occupation in the sense that anybody irrespective of his caste or religion could take to it. But there were such difference as between owning the land and tilling it. The UP Brahmin, even the poor one, though he owned the land did not till it due to a religious belief attached to his caste or "varna" position. The other Dwija castes without the religious belief did not till the land but owned it. They either got it tilled by the labour of others or rented it out to others. The

other castes owned their land and tilled it themselves and also took other's land to till, in addition to their own. Some others tilled the land taken on rent only. Others never possessed or rented land but only tilled it as labourers. Agriculture thus implied so many status roles and not only one.

The occupational roles of village artisans such as Carpenter, Blacksmith, Potter, Tailor and Barber were caste determined and the skills were acquired in the family at the workbench. The occupational relationships in these occupations were what are known as "Jajmani" relationships. Weaving of cloth was a caste inherited occupation and it was done largely in the home of the weaver. But the raw materials were supplied by the trader and the cloth was owned and sold by him.

Thus what type of activity would be allotted to an individual was largely determined by his birth in a family and a caste. The relationships between say a carpenter, tailor or an agricultural labourer and the owner of land or between a weaver and the trader, including the remuneration for labour, were governed by tradition and custom. In a broad way it could be said that it was not so much the activity as the person that a man demanded and it was not so much the activity as the person that a man offered. Work and person were not separated to the degree that they are separated today. Labour was not a commodity that was sold and bought and there was no labour market and no labour force as there is in contemporary India. That is the big change in occupational relations and occupational structure, i.e., the way in which human labour is disposed in contemporary Indian society.

This change has cut at the relationship between occupation on the one hand and the family, caste and the village community on the other hand. There is an opinion, also with the force of some evidence behind it, that the members of a particular caste of an agricultural labourer still remain largely agricultural labourers or carpenters become carpenters in a factory or weavers become weavers in a textile mill. If this is happening it is due to historical reasons or due to individual circumstances. But that does not damage the contention of this paper. What is important is that the members of these castes can and do choose to go to any other occupation. Or, they may even choose to starve and no em-

ployer can compel them to work for him as he could do in the past. Freedom of the individual characterises the new occupational structure of India, whether the occupational activity is unskilled manual, semi-skilled, skilled, white-collar, blue-collar or professional.

Judging by the percentage of population dependent on agriculture, India is an agricultural society. But judging by the existence of an agricultural labour force and a labour market, by the production of goods for the market, and by the investment of capital in agriculture, the character of agriculture has changed. Agriculture is no longer subsistence agriculture, and a way of life. It is becoming an industry. Land has also become a commodity to be sold and purchased in the market and it is merged with capital as a factor of production. Thus capital and labour become two important factors of production governed by the mechanism of the market. Free capital and free labour to be used anywhere by anyone for the production of any commodity are the two factors which made possible the new disposition of human labour in Indian society. The emergence of labour as a free commodity has affected the occupational structure of India giving rise to the class of workers who sell their labour in the market. Free capital has given rise to the class of owners and managers of capital. The new forms of economic organisation which never existed in the past could not be possible without free labour and free capital.

Free labour needed free capital and the market in which the demand for and supply of labour met. The price mechanism plays an important role here. New forms of economic organisation also became necessary to meet the exigencies created by the labour and capital markets. Thus the new occupational relationships are very closely associated with the new economic institutions.

The rise of owners of capital, entrepreneurs or managers of capital and free labour force made possible the change in the variety and quantity of goods and services produced for the market and not for subsistence or immediate consumption. This in its turn opened the way for the changes in the technology of production. This change in its turn created a number of new activities requiring different skills which could not be acquired in the homes at the work bench. That

required a new system of training. This had its consequences for the educational system. These new activities resulted in creating greater division of functions and specialisation with different remunerations and rewards. This has given rise to a new hierarchy of status roles and relationships in which the incumbents to the role positions enter. These relationships have a very wide range and they are also more indirect, and general. The rules governing these relationships are not based on custom and tradition but on law. They are impersonal in a different sense from custom and tradition which are also impersonal to a degree.

It is also necessary to note that these changes in the nature of occupational relationships were first ushered in by the British government in the government directed activities. That government itself was organised on principles different from those on which government was organised in India before the British took it over. It was for the first time in India that the state recognised the individual and his freedom in theory. In practice there were limitations because of the colonial nature of the government. But the free worker and free capitalist were the child of British rule in India. This contribution of the political system to the occupational structure need not be confused with the failure of British government to rear up its own child. The nature of the state itself was such that it could rear up its child at its own disadvantage. So that task was left to the government of free India. The first employers under the new occupational relationships and organisation were the British government in India. It is also probable that their first demand was for white-collar employees and not so much for the technical employees. Actually what are called industrial occupations in any sizeable number came much later, say, during the First World War and thereafter.

The preference for white-collar and government occupations was created first because of the nature of employment, i.e., the occupational relationship and also because of status considerations.

The new occupational relationships were well defined and specific between the persons occupying different positions in the establishment. One could enter into them by definite procedure known to every one, provided the incumbent had requisite qualifications. It was a contractual relationship which could be dissolved by either party

again according to well laid down procedure. The hours of work and remuneration were fixed and binding on both the employers and the employees.

The occupants of the white-collar government positions acquired certain status and respect in their own society. This respect and status probably had some relation to the power and authority that the posts carried with them. Also the white-collar positions required certain educational qualifications. That was an additional element which gave respect to these persons. Moreover, most of these positions were in the urban areas where the occupants of these positions could live in a particular style.

Thus the role of the political system in bringing about the change in the occupational structure and in affecting the disposition of human labour in society is very vivid in the Indian case.

IV

While this development is not denied, it is argued by some with force of evidence behind the argument that the old order is still existing and it is not so weak as it is presumed to be. One comes across from responsible persons such expressions as that "India is in the age of both the jets and bullock carts". This is a very expressive way of describing the situation. But we must guard against slipping into the belief that this is something peculiar to India. Somehow or other we have avoided the question arising from the situation. It is very legitimate to ask, when the two orders, one based on tradition and custom and the other based on law, exist together, is their relationship like water and oil or do they interact? The answer is that they interact. The further question is: what emerges out of that interaction?

Differences exist and will continue to exist regarding the nature of this interaction and the nature of the resultant. There is a tendency among the social scientists and general social thinkers to avoid these questions. This tendency has been more in evidence after Independence. One of the reasons is that our thinking has become more analytical than at any time during the last 150 years. The evaluative type of thinkers are confronted by them and that also makes assertions difficult. That is not a sign of decay but one of development in the intellectual level of Indians. While we are concentrating more on what

is an efficient social order, we seem to be believing that the question what is a good social order is not the concern of the social scientist. This gives a feeling of sterility or impotency of analytical thinking. Evaluative type of thinking and analytical type of thinking are not incompatible with or inimical to one another. The present development seems to be a little one-sided. In contrast to this development, in the minds of the social thinkers of the 19th century in India the nature of the resultant was uppermost. While many of them approved and advocated the changes in the institutions such as marriage, family, caste, education, etc., they also verbally defended the Indian culture as they understood it. Very few understood the process of change but they desired the future type of Indian society to be the one as it existed then in England. It was referred to as the Western society in general. But some of them were not sure of what was referred to in general terms as Western culture.

Regarding the process of interaction, their position was based on their understanding of the resultant of interaction. Consistently with their ambivalence towards the new culture, they also advocated slow evolutionary change and the co-existence of the old and the new. Some (the extreme rationalists) understood it as a conflict between the old and the new and believed that the old was not desirable and that its future was doomed. They also advocated the new culture. So some understood the nature of interaction as that of co-existence, co-operation and competition between the old and the new order. But some also understood it as that of conflict between the two. Gandhi called the future Indian society culture as Ram Raj.

In the 20th century after Gandhi's death Nehru defined the future order as that of a socialistic pattern, socialism etc., and that continues today. He also followed the policies of co-existence of private and public sector, or of mixed economy, i.e., capitalist as well as socialist. Yet the ideal society according to him was the socialist society minus political dictatorship of socialist society with parliamentary form of government of British type. After Nehru's death the slogan of socialist society has become more widespread than during his lifetime. But it has also become more profane or meaningless. It has come

to have private meanings for every individual. So the confusion started by Nehru continues, and it becomes confounded. It is interesting to see that a section of politicians is supporting Indira Gandhi as a protector against communism, violence and political radicalism.

Though the word socialism was used by Nehru, his practical measures show that the society he was ushering in was not a socialist society. Nehru's social thinking was eclectic. Probably the eclecticism was enhanced by the exigencies of the circumstances or the practical problems he had to face.

Nehru and Radhakrishnan never tired of preaching that Indian spiritual values must be maintained along with science, technology and all that was referred to as "Western" by the social thinkers in the 19th century in India. But there is a difference. The image of the "Western society" that the 19th century thinkers had was that of the youthful bourgeoisie rational capitalist society in the sense in which Weber described it. During Nehru's time and also today after his death that society seems to have lost its youthfulness and vigour and its consequent glamour. One of the important reasons for this changed image is that nearly similar material results as those achieved by the "Western" capitalist societies have been achieved by other societies based on different economic and political organisations. Nehru was attracted by that society and thought an order based on the good points of both could be achieved. What it was, he did not know and did not say. In the meanwhile, the interaction between the old and the new continues and the order emerging out of the interaction is taking shape. The task before the Indian social scientists is to describe or analyse this emerging order and project the direction of its movement. But that is not the task that is attempted in the present paper. From what has been said in the foregoing regarding occupational change, it appears that the emerging resultant of the interaction between the old order which could be described as feudalistic and the new social order called the bourgeoisie rational capitalist order, the type of society in which we are and also moving towards, is the bourgeoisie rational capitalist society. May be that there are Indian variations in it.

The empiricist will shout down this suggestion as speculative, etc., and ask

for facts and analysis, etc. He is welcome to do so. But the point is that before we search for facts and analyse them, it is necessary to be clear about what we are searching for and about the fact that what we are searching for has relevance to the wider social change.

The image of the order is something that exists in the minds of men, an abstraction carved out from the objective realities. That image is a potent motivation to action and if we observe the social currents or movements, there is evidence for holding the view that the image of the social order that all groups have is that of the capitalist society. What are the anti-socialist democrats, etc., defending, if not the capitalist order? What are the anti-capitalist socialists, etc., attacking, if not the capitalist order? It is interesting to observe that the capitalists do not say that they are for the capitalist order. That may be their wisdom. But it is also true that the socialists are also not attacking capitalism so often, so openly and so vehemently. They will have to attack the views of many who are on their side in the political fight. In this regard a study of history of social movement might reveal that the social thinkers in the 20th century are less frank and less clear than those of the 19th century. That may or may not be so, but the image of the new social order that both the sides have is that of a bourgeoisie rational capitalist order. Those who consider that order desirable might defend it. Those who do not consider it desirable might attack it. But it is necessary to be clear about what is being defended or attacked, at least for those who are in the fray.

A modification may be necessary here. There are many features in the Indian development which might not fit in with the description of bourgeoisie rational capitalism. In the general conduct of life and in economic ethic, rationality is not so much in evidence. It could be that the state in which the Indian society is is nearer to what Weber called adventurist capitalism or what Marx called in little stronger terms, predatory capitalism. But the direction is clear.

These are the broad but relevant social implications of occupational change as understood in this paper.

V

It is the change in the nature of occupational relationships and organisa-

tions, and in the modes of recruitment, the terms and conditions of employment and of work that bring about changes in the evaluation and preference for activities rather than the activities themselves.

The growth in the number and variety of activities has significance for economic development and consequential social phenomena. The growth in the number of persons employed in different activities indicates the spread of the new occupational relationships and the new social order.

But what is more important is the acceptance and approval of the new occupational relationships by practically the whole population in preference to the old occupational relationships. Even the illiterate member of the lower-most caste in the remotest village in India desires this new type of occupational relationship. In this sense the occupational change is nearly complete. It is much wider than the statistics regarding occupational change based on the change in the activities of individuals to earn their livelihood show. It must also be noted that this change has not come suddenly. Even as late as the early years of the 20th century, service was the last in the scale of preference of occupations. Agriculture was considered the best occupation and business was the second.

Therefore, this phenomenon of change in the occupational relationship needs to become the centre of attention of the sociological analysis. The new employee is just not an unskilled or a skilled manual earner. He

is a new person. The newness about him is that he has a wider social space in his search for earning his livelihood. He is the person who has been freed from the restrictive relationships and valuations of the old society. He does not like domestic work. He prefers to be a peon who might have less than the domestic worker. A peon's duties are specified, during fixed hours on a fixed number of days, on a fixed scale of pay. These aspirations and evaluations and the outlook are dysfunctional to the old feudal society and they are functional to the capitalist society. In fact, as it has been maintained in this paper, they are a child of the bourgeoisie rational capitalism. The new order could not exist without them as it could not exist without the freedom of capital and labour. But as it has been suggested in Section IV the new order is not able to tackle the social problems because that order has not realised its own potentialities. It is as yet of the adventurous or predatory nature. This may be so because a feudal stratum with its feudal mentality might have penetrated the bourgeoisie which hinders the development of bourgeoisie rational capitalism. This point suggests that the analysis of the new bourgeoisie is necessary to test the contention of this paper. Equally necessary is the similar analysis of the Indian worker.

VI

Urban areas began to be characterised by the new occupational relationships. This changed the character of the urban areas of the old feudal so-

ciety and created new problems characteristic of the new capitalist society, e.g., anonymity, employer-employee relationship, housing, health, etc.

This growth and spread of urban areas was made possible by the physical movement of human beings, which was facilitated by the developments in transport and communications. That established the link between the urban and the rural with all its implications. The migration was helped by the real and believed opportunities in urban areas, by the expectation of better monetary rewards of labour than in rural areas, and by the idea of better living conditions. The new outlook penetrated the rural areas. The old concepts such as that India is rural India and that the urban is dependent on the rural are becoming out of date.

The combined effect of all the occupational change was the creation of differentiations within the social groups of the old society both in urban and rural areas. That changed the old relations between those groups. That change in the old relationship also struck at the division of labour based on sex and at the old stratificatory system by striking at the occupational relationship based on caste, family and village community.

All these structural changes threw up individuals who would utilise the opportunity to move in wider social and geographical space. That gave rise to the phenomenon of social mobility, which characterises the capitalist society as distinguished from the moribund feudal society of the past.

The Student Question

Jit Singh Uberoi

It is the student rush, rather than the student revolt, that is our real problem. What our people are asking for at present are three things. Firstly, they want the right to enter university as a kind of universal human right. Secondly, they want assured progress up the ladder once they are on it. Thirdly, they want assured employment of some non-manual kind at the end of their turn at university.

No amount of what is called student participation in the process of university government can secure them these things. Furthermore student participation in this sense cannot solve the deeper problem of colonised self-estrangement in our intellectual culture, any more than it can solve the problem of educated unemployment in our national economic life.

Nevertheless there is everything to be said for student participation in university organisation, government and management. It will not cure our student unrest, but it might hopefully channel some of it into improving our university system.

I SEE no real point in starting, in the usual way, with what is happening in other countries. It is a kind of meaningless ritual forced on us by intellectual advertising agents of the affluent nations. I am more impress-

ed by the differences than by the similarities in the world. A valid comparison of a given social phenomenon like the student revolt in two places must compare not only the form of the phenomenon but also its function,

and that cannot be done superficially. We are always hearing about certain Western countries, but what the students actually did and achieved in Paris in May 1968 was nothing very much when compared with what the

students did in China in May 1919 and thereafter. In China they helped to create modern Chinese culture, secular, democratic and anti-classicist, through their revolutionary struggles. When are we going to study that Asian phenomenon, or the student movement in Bangla Desh, even closer home?

Or take the case of Afghanistan, an Asian country that I happen to know as a sociologist. In the very recent past the students of Kabul University have played a great political role. They came from a background of a culture where Islam, king and country were the important values. Now the students there are fighting for freedom and democracy in all spheres of life. But I think that their *student movement* cannot be compared with ours without also bearing in mind the difference between their *national movement* and ours. Afghanistan's modern history is the history of political independence, national reconstruction on modern lines but under an authoritarian regime, and then secular and democratic reforms — in that order of sequence. Their population explosion has not yet come and it may never come.

The national history of India has been completely different. Even when similar things have happened they have happened in the reverse order, and that makes all the difference. Here the so-called population explosion came first, with all its many implications, and national political independence came last in the sequence. We are an abysmally poor, over-crowded and late-developing country, over-exposed to foreign influences. We have not yet thoroughly decolonised our hearts and minds and permanently mended our broken will.

INTELLECTUAL LIFE SPLIT

This history has a direct bearing on our educational system. Under the regime of British imperialism and colonialism the national intellectual life was split up and divided into two streams. On the one side we had the idealists who soon retreated into religious and denominational institutions with a mediaeval syllabus. On the other side were the opportunists, mindful of the gains of employment, who came forward to get an English education with a modern syllabus. The two streams are still estranged. Aligarh and Deoband, the college and the *gurukul*, still stand back to back rather than face to face as they should. I mean that subjects like astronomy and astrology, for example, are taught and

learnt in different institutions, in different languages and for mutually incomprehensible purposes. Our university students, I have found, know absolutely nothing of the students in the seminaries of Haridwar or Deoband. Thus it is that our hundred universities are not places where science and religion, idealism and opportunism, tradition and modernity, can confront one another in an authentic and fruitful intellectual dialogue. Indeed the official universities are places where such an exchange is systematically avoided. The cow protection people have excellent journals that circulate widely, but we have no comparable university journal, whether of the teachers or of the students, for study and discussion and the propagation of ideas. For the vast majority, science in the widest sense has come to be allied with opportunism and religion with idealism — and never the twain shall meet!

It is no wonder then that our students seem to many of us to lack intellectual curiosity and commitment, and our university syllabuses in the humanities and social sciences seem to some of them to lack relevance to the native life and ideals around us. I personally believe that this problem of colonised self-estrangement of the mind, which deprives all our intellectual endeavour of its vitality and authenticity, is relevant also to work in the physical sciences, but I will not go into that complex question here. A colonised national culture is one that is forcibly divided against itself in every field of thought.

Our men students in the official universities come or are sent to university to prepare for employment or to postpone unemployment. The girls are sent, most of them, to learn how to behave, and in order to be kept out of mischief until they can be suitably married, university education providing a partial functional substitute for the old dowry. It is quite useless to pretend that their years at university are meant in either case to be a period of experiment and discovery, intellectually or socially or sexually or politically. If any of these things do happen, that merely shows how some human spirits among students and teachers can survive any system of education.

Lastly, by way of completing the background, is the well known fact that, while there have been many apparent changes in India, there has been precious little growth and that too spread very unevenly. Most often

it has been a case of spreading the butter so thin that almost everyone ended with virtually dry bread as before. Where the rate of change is much faster than growth we are always likely to get a situation of meaninglessness and markedly disorganised behaviour in a section of society. This is the situation known to sociologists as *anomie*.

Whatever may or may not be the case in certain other countries, we have to understand that, against this contemporary Indian background, our students are generally struggling for *participation in society*. It is the student rush, rather than the student revolt, that is our real problem. What our people are asking for at present are three things. Firstly, they want the right to enter university as a kind of universal human right. Secondly, they want assured progress up the ladder once they are on it. Many of them consider it inherently unjust that anyone should be sent down from university for any reason, academic or disciplinary. Thirdly, they want assured employment of some non-manual kind at the end of their term at university. There is no student unrest on other issues of educational principle, although there are plenty of specific grievances.

In my view, no amount of what is called student participation in the process of university government can secure them these things. Furthermore student participation in this sense cannot solve the deeper problem of colonised self-estrangement in our intellectual culture, any more than it can solve the problem of educated unemployment in our national economic life.

NEED FOR PARTICIPATIVE SYSTEM

Nevertheless I am all for student participation in university organisation, government and management. It will not cure our student unrest, but it might hopefully channel some of it into improving our university system. The present system of organisation is a colonialist legacy, totally unlike what the British had at home. It is a rigid bureaucratic set-up unsuited to growth and with no adequate conception that the sole reason for its existence is to serve the needs of the university as a corporate academic community. Indeed at present there is nothing very much for the students to want to participate in. Even the majority of teachers are non-participants in university decision-making and ad-

ministration, and the decisions scarcely ever concern anything very imaginative. There is thus the general need for an organisational change from what we may call a bureaucratic system, motivated by a hierarchical executive spirit, with at most only *ad hoc* committees of consultation, to what we may call a participative system, with proper functional decentralisation and an orientation to corporate academic excellence and growth. At the same time one must recognise that democratic participation in university decision-making and administration for students as well as teachers is an ideal desirable not so much in itself but for the sake of ensuring a system of education and research of high quality, relevance and responsibility in the changed national circumstances of today and tomorrow. It will be harmful all round if the meritocratic principle and the democratic principle ever come into a clash in the university — even more harmful than the clash of these two with the bureaucratic principle.

There is another fundamental issue on which there is a singular lack of clarity. Our student leaders as well as some teachers unfortunately seem to be in two minds on the question whether university reform from within the community, a process such as the one started in Delhi University, is a process in which they should seek increased intelligent democratic participation or whether they should seek instead a confrontation with the so-called Establishment from an independent position of strength. A clear decision in favour of the first alternative would require them to do more homework on the contents of reform, on the new proposals for restructuring of post-graduate and undergraduate courses and examinations, for example, and specially on the vocationalisation of undergraduate courses. Following the second alternative would perhaps require even more homework to be done, though it would be of a somewhat different kind. As a matter of fact continuous study and building up of the sinews of organisation are necessary conditions for successful action in either case. The present confusion of attitudes has landed us in the paradoxical position where weak students' unions and teachers' organisations make extravagant demands, which even when conceded in theory cannot be put into practice. The situation is one that evidently benefits a few, whose very weakness is their strength, but at the cost of continued lassitude and dis-

interest among the many.

As regards the nature, scope and organisational framework of students' participation, including the question of students' participation in statutory decision-making bodies of the university, it is useful to distinguish between general problems of policy in different areas, e.g. syllabus, teaching methods and programmes or a code of conduct for the campus, and specific individual cases, e.g. criticism of the appointment of a particular teacher or of his work. In general students can participate with advantage at the first level rather than at the second; there are probably some areas where they can profitably do both. Similarly, one should consider student consultation on academic matters apart from consultation on executive matters. Again there are some executive matters, e.g. discussion of university finances or certain classes of discipline, where student participation will be an advantage. There are other areas where participation can be invited by the systematic dissemination of information that is unnecessarily treated as confidential, e.g. assessment of examination performance, including examiners' reports. In fact this move might improve the examination system. The regular procedures of joint consultation should serve as a democratic school of reason-

Pressures for School Enrolment in Asia

THE mounting pressures on education facilities in Asia, where total school enrolment in 18 countries has jumped from 90 million in 1960 to about 160 million today, will be a major topic of discussion at the meeting of Asian Education Ministers in Singapore from May 31 to June 7. Among the other subjects to be considered by the meeting will be the problems of education in rural areas and the need to step up the teaching of scientific skills. Another area of concern will be to see that increased education does not lead to the emergence of a skilled group for whom no work is available. The conference will also consider better adaptation of curricula; selection of new courses for study; reorganisation of examination systems; improved teacher education; and remedial, upgrading and leadership programmes.

In the ten years since the first conference of Asian Education Ministers in Karachi in 1960, there has been considerable changes in the pattern of education in the countries to be represent-

ed argument, discussion and persuasion and help develop the habit of negotiation. Some of the energy now uselessly expended on covert factional agitation and specific individual cases wrongly worked up may then flow into more constructive channels. Measures are also needed here to make the constitution and functioning of students' unions themselves more democratic, and increase active participation in union activities.

I must however confess one fear. As yet there has been insufficient detailed homework done and no wide discussion in Delhi University by either side on student participation, as on other new ideas. There is not even a proper literate forum for it, such as a university journal or newspaper, as I have said. In this circumstance there will be a temptation for well-meaning academics to reach for a ready-made solution after some liberal Western model, and for the students, or for some of them, to react with a ready-made criticism after some other model. Then both sides will fail again for the lack of authenticity. Mao Tse-tung, whose stray thoughts sometimes appear on our walls, once had a very good slogan, "Without investigation there is no right to speak." I recommend its truth to everyone, including of course myself.

ed at the meeting. The university level of education has grown especially fast, from 1.8 million in 1960 to about 5 million now. Secondary enrolment has also more than doubled, from 16.7 million to some 36 million today. The phenomenal rise at these levels reflects social policies to try and meet manpower needs for skilled, middle level technicians as well as for qualified graduates in specialised fields. Yet, at the same time, it raises the increasingly evident possibility of creating a class of educated unemployed or misemployed. Although the rate of increase in the number of children at primary schools has slackened recently (from an annual 6.4 per cent in 1960 to a little under 4 per cent now), nine of the 18 countries in the region have an enrolment rate at the first level of 90 per cent and over — compared with only five countries in 1960. Five countries now have rates from 60 per cent to 90 per cent, and four are still below 50 per cent. A large number of those at primary school are, however, above the normal primary school age.

Union Bank of India

Report of the Board of Directors

1. The Directors have pleasure in presenting the audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1970.

2. In the first full year after nationalisation the Bank's performance can generally be considered quite satisfactory. In spite of the rise in operational expenses, burden of implementation of new wage scales, both for workmen and officer staff of the Bank, and load resulting from opening of as many as 101 new branches, the working results were quite satisfactory. The net profit for the year, after providing for taxation, came to Rs. 48,73,826.75 from which the following appropriations have been made :

1969 Rs.		1970 Rs.
8,75,000.00	Amount transferred to Reserve Fund in terms of Section 3(6) of the Banking Companies (Acquisition and Transfer of Undertakings Act, 1970.	9,75,000.00
15,00,000.00	Amount provided for Bonus to Staff	21,50,000.00
8,67,347.40	Balance amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.	17,48,826.75
32,42,347.40		48,73,826.75

3. Both in respect of resources mobilisation and resources utilisation, the performance of the Bank can be considered very satisfactory and in tune with the national objectives. Organisationally also, there is room for cautious optimism about the Bank's ability to face the new challenges and resulting problems better than in the past. As a result of various measures already introduced or proposed to be introduced, the Bank should be equipped to meet the new situation with confidence.

4. Statistically speaking, in the year 1970 the Bank had the satisfaction of registering deposit growth at a rate faster than

that achieved by the banking industry as a whole. In terms of point-to-point rise, deposits of the Bank increased from Rs. 133 crores as at 31st December, 1969 to over Rs. 175 crores as of 31st December, 1970. Even disregarding the quantum of about Rs. 12 crores of current deposits, representing share money on a new issue of one of the reputed companies, which were placed with the Bank in the last fortnight of December, the rate of growth in deposits at 22.6 per cent compared quite favourably with 16.5 per cent growth rate recorded by the banking industry.

5. Though the Bank had introduced quite a few new schemes for deposit mobilisation, their contribution to sustained deposit mobilisation appears, in our experience, to be marginal. The real contribution to the deposit mobilisation drive, it is realised, comes only through advanced planning, good customer service, vigilance on economic environment and sustained efforts and keen sense to tap any new funds generated in the area. It is a matter of gratification for the Board that in the year under review not only did the Branch Managers show considerable enthusiasm but also there were quite a few notable instances where members of the staff, including those in the subordinate cadre, showed a sense of involvement in mobilising the people's savings and catching the imagination of those who were hitherto outside the banking fold.

6. The Bank's lending operations were kept strictly in line with the policies laid down by the monetary authorities. Its anxiety to follow the Reserve Bank's guidelines to restrict credit with a view to keeping the price line in check, can be judged from the fact that during the current busy season, the Bank's credit deposit ratio was maintained well within 72% without, at the same time, denying credit to key areas.

7. The process of qualitative changes in the Bank's advances portfolio was further carried in the year 1970 which witnessed a marked emphasis on priority and neglected sectors. Both the number of accounts and outstandings in respect of each of the sectors recorded significant increase during the year. The ratio of priority sector advances to total advances increased from 31.5 per cent at the end of 1969 to 40.04 per cent at the end of 1970. This was mainly due to the increased assistance to the agricultural and small-scale sectors.

Export sector also continued to enjoy the priority it has always had since 1965. The following comparative table reveals the significant rise in the assistance granted by the Bank to the weaker sections :

(Rupees in lacs)

Sectors	December 1969			December 1970		
	No of Accounts	Balance Outstandings	% to Total Advances	No of Accounts	Balance Outstandings	% to Total Advances
		Rs.			Rs.	
Agriculture	4600	4,42.0	5.2	21335	10,53.2	9.4
a) Direct	3719	2,44.0	—	20497	7,48.3	—
b) Indirect	881	1,98.0	—	838	3,04.9	—
Small-scale Industries	2420	7,75.0	9.0	5433	16,94.6	15.2
Exports	—	4,82.0	17.3	—	17,64.0	15.8
Transport Operators	53	13.0	0.3	435	76.8	1.5
Retail Trade & Small Business	291	10.0		1350	70.9	
Professionals & Self-employed	29	0.8		430	13.5	
Educational Loans	11	0.2		221	7.0	
TOTAL		27,23.0	31.8		46,80.0	41.9

8. The importance attached by the Bank to the priority sectors can be best appreciated from the fact that as much as 90% of the investible resources gathered by the Bank during the year under review went to finance these sectors. Disregarding the purely short-term inflow of Rs. 12 crores in the last week of December 1970, deposit accretion during the year amounted to Rs. 30 crores. After meeting the statutory liquidity requirements, Rs. 20 crores were available to the Bank for deployment. Of this, growth in total advance to priority sectors accounted for Rs. 18 crores i.e. 90% of the accretion to deployable resources.

9. With the transfer of Rs. 9,75,000/- from the net profit, as stated above, the Reserve Fund of the Bank now stands at Rs. 1,33,50,000/-.

10. In pursuance of the national policy of taking banking services to hitherto uncovered sectors, the branch expansion activity of the Bank reached an unprecedented scale. The year under review witnessed the Bank opening 101 new branches, taking the total number of branches from 273 in 1969 to 374. Of the new branches 43 were in rural centres, 37 in semi-urban, 16 in urban and 5 in metropolitan centres. As a result, the ratio of rural and semi-urban branches to total branches of the Bank improved from 46.9 per cent at the end of 1969 to 55.6 per cent as at 31st December, 1970.

11. Of the five districts allotted to the Bank under the Lead Bank Scheme, the Bank has already submitted Survey Reports on three districts. Survey in depth of two other districts have also been completed within the scheduled time and reports thereon are expected to be submitted shortly. Administrative steps are also being taken, particularly to educate Branch Managers in the area on the objectives of Lead Bank Scheme and to ensure their active involvement. It is realised that the Bank's lead-role responsibilities really begin only after the surveys are completed and backward areas and sectors needing special attention and assistance are identified. In order to ensure effective implementation of the schemes drawn up in the light of the Survey Reports, two special Lead Offices—one each in the Eastern U.P. and Ernakulam District in Kerala—have been opened. These offices are manned by a team of development officers including technical personnel in Agriculture and Small Scale Industries.

12. While the Bank's standard of customer service can be considered satisfactory, there is room for improvement in various directions. The Bank also recognises that good customer service is not confined to the service at the counters only. It is the Bank's firm belief that the standard of customer service can be improved and operational costs reduced only by rationalising procedures and introducing innovations. This aspect is being given priority of attention and bold and imaginative steps are being taken to change time-worn procedures and methods. During year under review, several such innovative steps have been taken and the improvement in the standard of customer service is reflected in the more than satisfactory growth in deposits and other operations of the Bank.

13. While the Bank's business and working results as also commitment to the new ideals and policies are heartening, the Board of Directors are conscious of the inbuilt and unavoidable organisational weaknesses and deficiencies and are alive to the thought that process of geographical and functional expansion has to be accompanied by the process of organisational consolidation. The rapid expansion of branches all over the country, coupled with the Bank's entry in the hitherto unexplored fields, has put severe strain on the entire organisation.

As a result of the acute shortage of trained personnel, most of the new branches have to be placed in charge of comparatively inexperienced officers who, despite their sincerity and zeal, need constant and purposeful guidance from the Central Office. Serious attention is, therefore, paid to the organisational structure of the Bank and the Central Office set-up is closely reviewed and strengthened from time to time.

14. The personnel constraints which inhibit almost every aspect of growth of the Bank needed priority of attention. Accepting the suggestion made by the Reserve Bank of India, it was decided to set up a Management Development Department in the Custodian's Secretariat. Though the Department has not formally been constituted, important aspects of Management Development have already been given a close scrutiny. The recruitment policy is being revised. Qualitative changes in composition of staff are made with recruitment of

specialists in Agriculture, Industrial Finance and other fields with a view to improving the quality of assistance given to the weaker and priority sectors and to providing purposeful guidance to branches. Steps have been initiated to develop a personnel inventory, and training programmes have been recast to meet the new situations. Apart from strengthening the existing Training College in Bombay, steps are afoot to set up a few regional training centres. Possibilities of collaboration with some of the other banks for setting up joint regional training centres are also being explored. The new training programmes, including the workshops proposed, should assist in bridging the gaps in trained personnel. The steps taken so far are, admittedly, far from adequate but the management is constantly seized of the problem.

15. Whether it is deposit mobilisation, customer service or cost control, involvement of employees is vital. Both in the field of deposit mobilisation and customer service, involvement of the employees at all levels, has been quite encouraging. Considered in the overall context of industrial relations in the country, the employer-employee relations in the Bank can be said to be generally good. There are encouraging signs of co-operation by the unions in promoting staff involvement in achieving the objectives set before the Bank.

16. After rendering highly meritorious services extending over a period of over thirty-seven years, the Bank's Custodian Shri F.K.F. Nariman relinquished his office on retirement in July 1970. It would not be exaggeration to refer to Shri Nariman as the architect of the Bank. His sagacity and vision in building up Union Bank from a very small bank to its present size and reputation deserves special mention. His tenure was characterised by lofty ideals of clean and dynamic management and happy industrial relations.

17. On Shri Nariman's retirement, the Bank's Deputy General Manager, Shri P. F. Gutta was appointed as the Custodian.

18. In August 1970, an interim Board of Directors consisting, besides the Custodian, of Sarvashri K.H. Parikh, P.K. Sadanadan, H.M. Trivedi, D.P. Gupta and P.K. Kaul was constituted.

19. In conclusion the Board express their thanks and appreciation to the Custodian, Executives, Officers and other Members of Staff but for whose co-operation and efforts these results would not have been possible.

For and on behalf of the Board,

P. F. Gutta

Custodian

Union Bank of India

Balance-Sheet as at 31st December, 1970

31.12.1969	CAPITAL AND LIABILITIES			
Rs.		Rs.	P.	Rs. P.
	1. Capital :			
1,25,00,000	Paid-up Capital (Wholly owned by the Central Government)			1,25,00,000.00
1,23,75,000	2. Reserve Fund and other Reserves			1,33,50,000.00
	3. Deposits and other Accounts :			
53,55,96,835	Short, Fixed and Cumulative Deposits	66,95,07,710.85		
26,76,92,551	Savings Bank Deposits	35,10,74,693.47		
52,77,34,894	Current Accounts, Contingency Accounts, etc.	73,68,47,159.13	175,74,29,563.45	
133,10,24,280				
	4. Borrowings from other Banking Companies, Agents, Etc :			
	i) In India (includes a sum of Rs. 88,00,000/- from the Industrial Development Bank of India)	96,25,000.00		
3,09,17,000	ii) Outside India	Nil		96,25,000.00
Nil				
3,09,17,000				
	Particulars :			
	i) Secured -	Rs. P.		
3,00,000	a) By part of Bank's Investments per Contra	7,25,000.00		
	b) Under the Industrial Development Bank of India Scheme by part of Advances per Contra	88,00,000.00	95,25,000.00	
86,17,000				
	ii) Unsecured -			
1,95,00,000	a) Under Export Bills Credit Scheme of Reserve Bank of India per Contra	Nil		
25,00,000	b) From Others	1,00,000.00	1,00,000.00	
3,09,17,000			96,25,000.00	
2,00,05,513	5. Bills Payable			2,96,43,019.35
	6. Bills for Collection being Bills Receivable as per Contra :			
10,87,95,296	i) Payable in India	15,31,40,431.77		
4,07,69,442	ii) Payable outside India	5,06,60,045.29	20,38,00,477.06	
14,95,64,738				
2,86,81,632	7. Other Liabilities			3,57,07,200.45
13,84,51,462	8. Acceptances, Endorsements and other Obligations per Contra			16,79,64,169.81
	9. Profit and Loss Account :			
32,42,347	Profit for the year ended 31.12.1970 after provision for taxation but before provision for bonus to Staff	48,73,826.75		
8,75,000	Less : Transferred to Reserve Fund	9,75,000.00		
15,00,000	Provision for Bonus to Staff	21,50,000.00	31,25,000.00	17,48,826.75
23,75,000				
8,67,348	Balance being amount to be transferred to the Central Government		17,48,826.75	
172,43,86,973				Carried Forward : 223,17,68,256.87

Balance-Sheet as at 31st December, 1970

31.12.1969 CAPITAL AND LIABILITIES			
Rs.		Rs. P.	Rs. P.
172,43,86,973	<i>Brought Forward</i>		223,17,68,256.87
10. Contingent Liabilities :			
18,75,000	a) On Investments in Shares of Joint Stock Companies	18,75,000.00	
7,95,894	b) Claims against the Bank not acknowledged as debts	7,15,538.62	
Nil	c) Money for which the Bank is contingently liable	Nil	
26,88,85,041	d) Liability on account of outstanding Forward Exchange Contracts	18,76,44,868.06	
52,29,529	e) Liability on Bills of Exchange rediscounted of which Rs. 31,42,407.11 (previous year Rs. 13,48,780/-) have run off to date	1,01,70,962.64	
17,35,82,111	f) Guarantees given on behalf of customers	16,35,79,243.41	
<i>Note : Provision to the full extent for future gratuities to staff has not been made, the liability for which has not been ascertained.</i>			
<u>172,43,86,973</u>			<u>223,17,68,256.87</u>

K. H. Parikh
P. K. Sadanandan
H. M. Trivedi
D. P. Gupta
P. K. Kaul

DIRECTORS

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CHARTERED ACCOUNTANTS

L. C. Mistry
DEPUTY GENERAL MANAGER

P. F. Gutta
CUSTODIAN

Union Bank of India

Balance-Sheet as at 31st December, 1970

31.12.1969 PROPERTY AND ASSETS					
Rs.		Rs. P.	Rs. P.	Rs. P.	
1. Cash :					
17,17,68,776	In hand and with Reserve Bank and State Bank of India (including Foreign Currency Notes)			26,13,83,550.64	
2. Balances with other Banks in Current Account :					
86,91,534	i) In India		1,66,05,830.95		
86,81,438	ii) Outside India		70,48,444.42		2,36,54,275.37
<u>1,73,72,972</u>					
13,10,000	3. Money at Call and Short Notice				3,00,05,342.46
4. Investments (at below market value) :					
33,67,42,822	i) Securities of the Central and State Governments and other Trustee Securities		38,57,90,971.01		
6,02,184	ii) Shares -				
Nil	a) Preference Shares Fully Paid	6,17,000.00			
6,02,184	Preference Shares Partly Paid	Nil	6,17,000.00		
9,61,810	b) Ordinary Shares Fully Paid	9,56,994.35			
18,65,000	Ordinary Shares Partly Paid	18,65,000.00	28,21,994.35		
<u>28,26,810</u>					
10,21,000	iii) Debentures		10,11,000.00		
Nil	iv) Other Investments		Nil		
Nil	v) Gold		Nil		39,02,40,965.36
<u>34,11,92,816</u>	(Part of Investments lodged with other Banks for borrowing and other arrangements)				
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. :					
65,05,38,998	i) In India		86,84,48,064.65		
	(includes term advances amounting to Rs. 88,00,000 in respect of which refinance has been obtained from the Industrial Development Bank of India per Contra)				
14,14,808	ii) Outside India	Nil	86,84,48,064.65		
<u>65,19,53,806</u>					
11,89,06,923	II) Bills Discounted and Purchased :				
9,41,61,944	i) Payable in India	14,62,25,375.75			
	ii) Payable outside India	10,07,72,675.87	24,69,98,051.62		111,54,46,116.27
<u>21,30,68,867</u>	(Particulars of Advances as per separate Schedule attached)				
86,50,22,673					
6. Bills Receivable, being Bills for Collection as per Contra :					
10,87,95,296	i) Payable in India		15,31,40,431.77		
4,07,69,442	ii) Payable outside India		5,06,60,045.29		20,38,00,477.06
<u>14,95,64,738</u>					
13,84,51,462	7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per Contra				16,79,64,169.81
<u>168,46,83,437</u>					
				Carried Forward :	<u>219,24,94,986.97</u>

Balance-Sheet as at 31st December, 1970

31.12.1969	PROPERTY AND ASSETS			
Rs.		Rs. P.	Rs. P.	Rs. P.
168,46,83,437	<i>Brought Forward</i>			219,24,94,896.97
8. Premises:				
27,36,405	a) Bank's premises less depreciation—at Cost	29,71,478.97		
2,35,074	Additions during the year	1,11,266.99		
29,71,479		30,82,745.96		
Nil	Deductions during the year	Nil		
29,71,479		30,82,745.96		
8,04,679	Less : Depreciation written off to date	8,62,445.96	22,20,300.00	
21,66,800				
*5,90,540	b) Other Premises less depreciation		5,78,440.00	27,98,740.00
5,76,713	At Cost	6,25,012.60		
48,300	Additions during the Year	Nil		
6,25,013		6,25,012.60		
Nil	Deductions during the Year	Nil		
6,25,013		6,25,012.60		
34,473	Depreciation written off to date	46,572.60		
*5,90,540		5,78,440.00		
27,57,340				
9. Safe Deposit Vaults, Furniture and Fixtures				
22,90,647	Less Depreciation :			
3,23,603	Safe Deposit Vaults	26,14,250.33		
26,14,250	Additions during the year	4,05,225.49		
Nil		30,19,475.82		
26,14,250	Deductions during the year	Nil		
10,84,516		30,19,475.82		
15,29,734	Less : Depreciation written off to date	12,59,496.29	17,59,979.53	
1,92,68,378				
54,58,575	Office Furniture and Fittings	2,46,47,020.63		
2,47,26,953	Additions during the year	47,65,709.99		
79,932		2,94,12,730.62		
2,46,47,021	Deductions during the year	64,524.10		
85,33,668		2,93,48,206.52		
1,61,13,353	Less : Depreciation written off to date	1,06,95,817.13	1,86,52,389.39	2,04,12,368.92
1,76,43,087				
10. Other Assets :				
48,66,361	i) Interest accrued on Investments		54,70,440.06	
84,45,195	ii) Tax deducted at source on Interest/Dividend on Investments		70,76,157.74	
33,92,310	iii) Advance Payments of Tax		1,06,606.00	
24,35,946	iv) Stock of Printing		31,89,177.17	
1,63,297	v) Stamps		2,19,870.01	
Nil	vi) Silver		Nil	
1,93,03,109				1,60,62,250.98
11. Non-Banking Assets Acquired in Satisfaction of Claims				
Nil				Nil
172,43,86,973				223,17,68,256.87

Union Bank of India

Profit and Loss Account for the Year Ended 31st December, 1970

EXPENDITURE		INCOME	
31.12.1969		(less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
Rs.		Rs.	P.
3,55,87,733	1. Interest paid on Deposits, Borrowings, etc	7,51,47,540	1. Interest and Discount
3,97,13,776*	2. Salaries and Allowances and Provident Fund	1,73,25,637	2. Commission Exchange and Brokerage
64,543	3. Directors' and Local Committee Members' Fees and Allowances	3,12,763	3. Rents on Buildings
66,00,218	4. Rent, Taxes, Insurance, Lighting, etc	7,79,575	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)
1,99,751	5. Law Charges	Nil	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)
20,05,962	6. Postage, Telegrams and Stamps	Nil	6. Income from Non-Banking Assets, and profit from sale of or dealing with such Assets
1,83,900	7. Auditors' Fees— To Statutory Auditors (including Branch Audit Fees) To Other Auditors for Branch Audits	20,84,231	7. Other Receipts
24,74,701	8. Depreciation on and repairs to the Bank's Property		
27,39,604	9. Stationery, Printing, Advertisement, etc.**		
Nil	10. Loss from sale of or dealing with Non-Banking Assets		
29,19,123	11. Other Expenditure		
31,60,435	12. Balance of Profit subject to provision for Bonus		
9,56,49,746	Total :	9,56,49,746	Total :
			12,47,09,474.13

Notes :

1. The figures for the year 1969 include those for the pre-nationalised period from 1st January, 1969 to 18th July, 1969.

2. * Include Rs. 7,78,100/- paid towards Golden Jubilee Bonus to Staff.

3. ** Include expenses on Advertisement amounting to Rs. 3,85,628.72.

4. Particulars of remuneration paid to the immediate past Custodian for the period from 1st January, 1970 to 15th July, 1970. i) Salaries Rs. 32,419.35 (Rs. 60,000.00); ii) Compensation in lieu of leave Rs. 30,000.00 (Nil); iii) Contribution to Provident Fund Rs. 2,701.50 (Rs. 5,000.00); iv) Monetary value of other benefits or perquisites Rs. 3,893.68 (Rs. 7,188.33); Total Rs. 69,014.53 (Rs. 72,188.33). (Figures in brackets are for the full year 1969).

5. Particulars of remuneration paid to the present Custodian for the period from 15th July, 1970 to 31st December, 1970: i) Salaries Rs. 19,419.35; ii) Contribution to Provident Fund Rs. 1,618.20; iii) Monetary value of other benefits or perquisites Rs. 825.00; Total Rs. 21,862.55.

**TO
THE PRESIDENT OF INDIA :**

2. The Balance Sheet and the Profit & 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 a in the first paragraph, we report that :

a) in our opinion and according to the explanations given to us and as shown by the books of the Bank:

b) the Profit and Loss Account read with the Notes thereon shows a true balance of profit for the year ended upon that date;

K. H. Parikh
P. K. Sadanandan
H. M. Trivedi
D. P. Gupta
P. K. Kaul

Damania, Panday and Bajan
G. D. Apte & Co.
CHARTERED ACCOUNTANTS

L. C. Mistry
DEPUTY GENERAL MANAGER

P. F. Gutta
CUSTODIAN

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 attached to and forming part of the Balance Sheet as at 31st December, 1970.

Loans, Cash Credits, Overdrafts, Etc.	Bills Discounted and Purchased	Total Advances
100	100	100
200	200	200
300	300	300
400	400	400
500	500	500
600	600	600
700	700	700
800	800	800
900	900	900
1000	1000	1000
1100	1100	1100
1200	1200	1200
1300	1300	1300
1400	1400	1400
1500	1500	1500
1600	1600	1600
1700	1700	1700
1800	1800	1800
1900	1900	1900
2000	2000	2000
2100	2100	2100
2200	2200	2200
2300	2300	2300
2400	2400	2400
2500	2500	2500
2600	2600	2600
2700	2700	2700
2800	2800	2800
2900	2900	2900
3000	3000	3000
3100	3100	3100
3200	3200	3200
3300	3300	3300
3400	3400	3400
3500	3500	3500
3600	3600	3600
3700	3700	3700
3800	3800	3800
3900	3900	3900
4000	4000	4000
4100	4100	4100
4200	4200	4200
4300	4300	4300
4400	4400	4400
4500	4500	4500
4600	4600	4600
4700	4700	4700
4800	4800	4800
4900	4900	4900
5000	5000	5000
5100	5100	5100
5200	5200	5200
5300	5300	5300
5400	5400	5400
5500	5500	5500
5600	5600	5600
5700	5700	5700
5800	5800	5800
5900	5900	5900
6000	6000	6000
6100	6100	6100
6200	6200	6200
6300	6300	6300
6400	6400	6400
6500	6500	6500
6600	6600	6600
6700	6700	6700
6800	6800	6800
6900	6900	6900
7000	7000	7000
7100	7100	7100
7200	7200	7200
7300	7300	7300
7400	7400	7400
7500	7500	7500
7600	7600	7600
7700	7700	7700
7800	7800	7800
7900	7900	7900
8000	8000	8000
8100	8100	8100
8200	8200	8200
8300	8300	8300
8400	8400	8400
8500	8500	8500
8600	8600	8600
8700	8700	8700
8800	8800	8800
8900	8900	8900
9000	9000	9000
9100	9100	9100
9200	9200	9200
9300	9300	9300
9400	9400	9400
9500	9500	9500
9600	9600	9600
9700	9700	9700
9800	9800	9800
9900	9900	9900
10000	10000	10000

K. H. Parikh
P. K. Sadanandan
H. M. Trivedi
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DIRECTORS

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CHARTERED ACCOUNTANTS

L. C. Mistry
DEPUTY GENERAL MANAGER

P. F. Gutta
CUSTODIAN

Statement by the Chairman, Sri K Gopal Rao

BANKS AND SOCIAL CHANGE

BRANCH EXPANSION

AN INNOVATION

uneconomic branches cannot be long maintained. The innovation of Cluster branches introduced in this Bank for the first time and now being followed by others may be the answer.

It should be possible for rural banks to provide seasonal and part-time employment to local educated youth and thereby help solve to some extent the problem of unemployment and the question of viability of rural branches. With rural branches becoming viable, there will be an incentive to open more and more of them. Government can take the initiative and make this possible.

Andhras love pilgrimages. The Bank has opened branches at Tirumala, opposite to the temple of Lord Venkateswara, at Dwarka Tirumala, Simhachalam, Srisailem and Bhadrachalam. A branch will be opened at Sri Kalahasti also shortly. I am happy to say that our customers have appreciated the service which these branches are rendering.

The Prime Minister very recently has observed that banks in the private sector have a role to play as long as a private sector exists. Private banks are already working in accordance with the principles of social control and almost on the lines of the nationalised banks. In particular regional banks like ours have a useful role to play. I strongly feel and urge that no discrimination be made against non-nationalised banks.

The Bank's working during the year continued to be satisfactory. Our deposits, advances and profits have shown an overall improvement, in spite of a steep rise in our establishment expenses by reason of a revision the pay scales of all cadres of our staff—Award staff as well as officers. On account of the improved working results it has been possible to recommend a dividend of 7 per cent as against 6 per cent for the preceding year.

The deposits of the Bank increased from Rs 52.31 crores to Rs 65.05 crores during the year—an increase of 24.3 per cent as against an average of 16.38 per cent for the banking system as a whole. Equally significant is the rise in the number of deposit accounts. The following table speaks for itself:

ADVANCES

The Bank's advances increased from Rs 35.45 crores to Rs 46.27 crores representing an increase of 30.52 per cent. Advances to the priority sector a Rs 18.64 crores amounted to 40 per cent of the total advances. Of this, agricultur accounted for Rs 9.85 crores. Th number of farmers financed was 65,000 an improvement of 34,000 over the preceding year. The amount advanced pe farmer was roughly Rs 1,500, perhaps the lowest among the banks operatin in Andhra Pradesh. This shows that th Bank has been able to reach a larg

number of small farmers. The following is an analysis of the Bank's advances to agriculture:

	(Rs in crores)	
	Limits Sanctioned	Outstanding
31-12-1968	2.25	1.45
31-12-1969	9.93	6.92
31-12-1970	13.38	9.85

The Bank also financed Primary Agricultural Credit Societies along with the nationalised banks in the districts of Hyderabad, Warangal, Khammam, Karimnagar and Srikakulam. The Bank would be participating actively in the Small Farmers' Development Agency Scheme in Srikakulam district and in the World Bank Scheme for minor irrigation and supply of agricultural machinery in Andhra Pradesh.

LEAD BANK ROLE

The Bank has been given the Lead Bank role in Ganjam, Srikakulam, East and West Godavari districts, and in Guntur and Krishna districts jointly with the Indian Bank. Our survey team has conducted intensive and impressionistic surveys to identify growth centres in these districts. Reports on West Godavari and Srikakulam districts have been finalised. At a meeting convened by us of banks interested in West Godavari district centres for growth identified during the survey were allocated so that they might develop without undue competition inter se.

SMALL SCALE INDUSTRIES

Our advances to small scale industries increased from Rs 3.69 crores to Rs 7.01 crores. The number of units assisted increased from 628 to 950. It is the policy of the Bank, and it has been encouraging technically qualified people wanting to set up small scale industries. We have been giving support to the various schemes sponsored by the Andhra Pradesh Small Scale Industrial Development Corporation for promoting small scale industries in this region. The automatic Credit Guarantee Scheme introduced by the Government of India and being administered by Reserve Bank of India has encouraged banks to finance small scale industries in a large way.

The Credit Guarantee Corporation which has been recently formed will guarantee the advances of commercial banks to farmers, self-employed persons, professionals, retail traders and such categories. The percentage of risk guaranteed by the Corporation is fixed subject

to a maximum limit stipulated for each category of advance. The limit of Rs 1,000 fixed for a crop loan to a farmer is too low and may be raised at least to Rs 2,500. This scheme will certainly afford greater protection for bank advances to weaker sections of the society and would be an incentive to banks to assist more freely these hitherto neglected sectors.

INVESTMENTS

Our investments have increased from Rs 15.56 crores to Rs 20.09 crores, the percentage of increase being 29.1. We invested Rs 1.82 crores in the debentures of various land mortgage banks during the year. We continued to lend particular support to the debenture issues of the Andhra Pradesh Co-op Central Land Mortgage Bank. We have been actively supporting in a large way the bond issues of the State Government, the State Electricity Board, and bodies like the State Financial Corporation. The Bank is following this policy in every State in which it is established. As an All India Institution with a strong regional bias it is the aim and endeavour of the Bank to play an active role in the economic development of Andhra Pradesh, despite certain constraints under which it functions as a non-nationalised Bank.

TRAINING OF STAFF

Banking is essentially a service industry. Its growth and success in serving the social purpose would almost entirely depend on the zeal, devotion and efficiency with which bankmen serve the public. The concept of service should permeate the rank and file, officers and workmen alike.

A major deterrent to rapid expansion of banking, and re-orienting standards and concepts of lending, is the lack of adequate number of trained staff at various levels. To meet this difficulty, banks which have been suddenly called upon to shoulder heavy responsibilities and expand on an enormous scale, have to try to extend the existing training institutions and open new ones. The National Institute of Bank Management (NIBM) established to assist banks in their new responsibilities has contributed to a great extent to the training of bank personnel. The seminars and workshops and management courses organised by them for various levels of bank officers are proving useful. I am glad to say that we have been making full use of the expertise available in NIBM in the selection of personnel, for manpower planning, for reorganisation of the administrative set-up of

the Bank and for drawing up of the profile of a successful branch to assist us in identifying prospective centres for locating new branches. I express my sincere thanks to the NIBM for all the assistance it has been rendering to us.

During the year under review, we continued to depute our officers to the Bankers' Training College, Bombay. Officers were also deputed to other institutions like the Administrative Staff College of India and Institutes of Management. A batch of officers was trained in small scale industries finance under a special programme organised for us at the SIET, Hyderabad, by the NIBM. Our Bank had the opportunity of organising Agricultural Workshops under the auspices of the NIBM for our officers as well as for the officers of other banks.

STAFF RELATIONS

It will be agreed that for the Bank to prosper as a competent instrument for public service, cordial relations between the management and the staff are essential. In spite of the best efforts of the Management to avert it there was an agitation for 3½ months by the recognised staff union. Our staff relations have returned to normalcy by the end of October 1970 and I am happy to say that they continue to be cordial. I hope and wish that the same atmosphere continues undisturbed in future also.

The foregoing will show that during a period of revolutionary changes in the banking industry, your Bank is striving its best to move with the times. The success achieved so far has been due, to a great extent, to the ready and willing guidance made available by the Reserve Bank of India. I render my grateful thanks to this great institution. I also thank the State Government, the Chief Minister and his colleagues and officers at Hyderabad and in the districts for the co-operation they have been extending to us.

I express my personal thanks to my colleagues on the Board who place their time and experience ungrudgingly at the disposal of the Bank and myself in the discharge of my duties. I thank Mr M V Subbarao, our General Manager and all the officers and members of staff at the Head Office and branches for their devoted service.

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

Statement of the Chairman, Mr P A Narielwala

THE following is the Statement of the Chairman, Mr P A Narielwala, to the Shareholders of Ceat Tyres of India Limited, at the Thirteenth Annual General Meeting held on May 14, 1971:

LADIES AND GENTLEMEN,

Before I proceed with a review of the Company's operations, I would like to extend on behalf of the Company and the shareholders, our felicitations to the Prime Minister, Mrs Indira Gandhi, on her outstanding victory in the recent General Elections. The electorate has shown its complete confidence in her leadership and given her the mandate to raise the social and economic standards of the country. We wish her well in the stupendous task confronting her and her colleagues in the Government and we assure her of our fullest support in achieving the goal of a highly industrialised and prosperous India, in the shortest possible time.

After an uninterrupted record of improved trading since 1964, last year we suffered a set-back both in production and sales on account of the uncalled for strike from April to August 1970, which is reflected in the working results of the year. The strike was called off unconditionally after four months as a result of the intervention of the Minister for Labour of the Maharashtra Government, to whom we are indeed grateful.

PRINCIPLES OF DISCIPLINE

At the last Annual General Meeting, I had mentioned to the shareholders that the strike started by the Mumbai Shramik Sangh was on questions of staggering of working hours, promotions and departmental transfers. These questions involved principles of discipline, productivity and managerial functions and I had stated then that the Company would not compromise on them. In upholding these principles, the Company has obviously paid a high price but I am confident that the shareholders will endorse the firm stand taken by the Company's management in dealing with the strike situation as otherwise there could be no progress in the Company's growth or development.

In retrospect, one is left to wonder as to who benefited from this strike. The Company lost about Rs 1.35 crores of gross profit on account of the reduced turnover. The country lost a produc-

tion of over 150,000 units of tyres. The striking workers lost their wages and benefits with consequential hardship to their families. The Central and State Governments suffered in their tax collections and our dealers were starved of their quotas in a growing market.

As for the shareholders, the Board of Directors could only recommend the payment of a Dividend at last year's level and I trust it will receive the shareholders' full approval. If we have a year of peaceful industrial relations and a steady growth in our production and profitability, the shareholders could look forward to a better return on the current year's working.

INCREASE IN INTEREST RATES

Though the availability of raw materials during the year was fairly satisfactory, there have been significant increases in costs. With the Finance Act of 1970, the price of synthetic rubber rose by Rs 300 per ton on account of the imposition of excise duty. The tightening of credit facilities has led to an increase in the rates of interest charged to us by our bankers. Additionally, on the recommendation of the Tariff Commission, revised floor prices were fixed for natural rubber; these prices are very much higher than the international prices of natural rubber in the major producing countries of the world, viz, Malaysia, Indonesia and Ceylon.

In view of the large stocks of rubber available in Cochin, the Government of India directed the State Trading Corporation in the month of September 1970 to enter into the market so as to assure the floor prices to small growers and to build up buffer stocks for the rubber industry's requirements. It is hoped that the Corporation will ensure the ready availability of rubber to the Industry at the control price by conducting its operations on an efficient, timely and economic basis.

Production of natural rubber in the country during the year 1970-71 has increased to over 90,000 tons. Due to labour troubles in the Tyre Industry, the indigenous production of natural rubber last year was just about sufficient to meet the rubber consumers' demand. I should therefore like to sound a note of caution that, with the anticipated increases in tyre production from its current level, the consumption of natural rubber will increase substantially and

production in India will not be able to meet the Industry's demand. In order to avoid any hardship to the Industry, Government would do well to arrange timely imports before rubber stocks in the country fall below the minimum level and the crippling effects of a shortage are felt.

There has been no substantial breakthrough since last year in the critical situation of fabrics availability. The cord conversion capacity of the industrial yarn manufacturers is still limited and if the Government does not take urgent steps to sanction and have implemented the increased capacity, the Tyre Industry would find itself in a difficult position to attain their expanded capacities.

Apart from the growing insistence for nylon tyres in the export markets, the demand for them in the country is rapidly increasing. The Government should take an early decision on the implementation of nylon tyre cord production on a commercial scale, even if it means importing caprolactum initially.

SHORTAGE OF TYRES

With only a marginal growth in the Tyre Industry's production in 1970 and with the labour troubles faced by it, the inevitable repercussion in the market was a shortage of tyres. However, with the combined efforts of all the members of the Industry, effective steps were taken to ensure a fair and equitable distribution of tyres and to see that the consumers' requirements were met at the recommended selling prices. The demand for our own tyres continued unabated and from the second half of this year, when our production should show a significant increase, we hope to fulfil the bulk of the demand of the market.

From 1st January 1971, the Automotive Tyre Industry voluntarily reduced the prices on supplies of certain larger sizes of tyres to Defence and to the replacement market. However, with the continuing rise in costs of all materials and labour, it will be most difficult for the Industry to continue maintaining the present selling prices, for any length of time, without seriously diminishing its profitability. We are keeping a close watch on our operations and, while some of the costs could be absorbed on account of the anticipated higher production during the current and succe-

ding years, the Company would not be able to hold the price line under prevailing conditions. The Budget for 1971-72 will shortly be placed before Parliament, and it is to be fervently hoped that there will be no further imposts on the Automotive and Bicycle Tyre Industries.

Last year was a record one for exports of automotive tyres from India. Our own exports exceeded Rs 83 lakhs and we maintained our position as the second largest exporter in the country. This performance may seem paradoxical in the context of our lower production but we considered it imperative that our past efforts in developing our exports should not be lost by withdrawing from the international market, but that we should continue to hold our position and even to venture into new territories. We have painstakingly built up our exports in order to meet our obligation to Government of exporting 10 per cent of our production after expansion. We have already reached this target in 1970 and although it may be a difficult task in the future, it will be our endeavour to keep up our exports on an increasing scale.

EXPANSION PROGRAMME DELAYED

You will have read from the Directors' Report already before you that on account of the strike our expansion programme has suffered a delay. Since the end of the strike, however, the work of installation is progressing apace and, barring a few items, we expect to complete the expansion of the factory before the end of the current year. Our increased licensed capacity for producing 650,000 tyres and tubes per annum should be in commission from 1972.

Our land at Bhandup is now fully utilised and no surplus space is available there for setting up the Bicycle Tyre Plant. In conformity with the Maharashtra Government's policy for establishing new undertakings in industrially underdeveloped areas, the Board has decided to set up the Bicycle Tyre Plant in Nasik, where the Company has acquired 100,000 square metres of land from the Maharashtra Industrial Development Corporation. Shipments of machinery for the Bicycle Tyre Plant are expected to reach towards the end of this year and the civil work at site is scheduled to begin from the middle of this year.

The Government of India has issued a number of Letters of Intent for establishing new automotive tyre factories in the country. It is not yet known how many of these Letters of Intent are likely to be converted into firm Industrial Licences. In the meantime, the demand

for automotive tyres and tubes, will outstrip the increased production anticipated from the existing manufacturing units. It would be necessary, therefore, for Government to confer with the existing tyre companies in order to plan further expansion, if shortages in tyre supplies are to be avoided in the coming years. We ourselves are ready and equipped for a further expansion of our capacity as soon as the Government issues additional Industrial Licences.

I had mentioned in my Statement to the shareholders last year that our Technical Agreement with CEAT International SA had expired in 1968. Our efforts to extend this Agreement for a further period is still awaiting the approval of Government of India. Despite the long delay and without having received any payment for the technical services rendered to us during the last 2½ years, our collaborators continue to render us all possible technical help and keep us informed of the latest developments in rubber technology. Our products today enjoy the highest reputation for their quality, thanks to the technical assistance which is being supplied to us. We are indeed grateful to them for their patience and for their continued assistance. We have more than once drawn the attention of Government that, in the highly competitive markets of the world, it is desirable and absolutely necessary to receive a continuous flow of the latest developments in rubber technology without which, we would neither be able to compete in the export markets nor be able to give the benefit of an improved product to our domestic users. We venture to hope that Government will come to an early decision on the renewal of our Technical Agreement. Although

the Company intends, in a small way, to start a research and development department of its own, it would be years before we could hope to receive any benefits from it.

The existing agreement with the Union having expired in July 1970, a new agreement covering the factory workers was negotiated after the withdrawal of the strike. This agreement has now been signed for a period of approximately 4½ years, ending 31st December, 1974. The overall increase in wages and benefits promised to the workers will raise the labour cost by about 37 per cent. It has always been the Company's policy that its employees should fully share in the Company's prosperity which, in turn, depends on the efficiency of operations and improved productivity.

THANKS

The year 1970 has been a year of stress and I would like to thank, on behalf of the Board and the shareholders, all those employees who co-operated with us in keeping the factory going, under great physical and mental strain and at personal risk to themselves, during the period of the strike. Their efforts have enabled us to show a profit and to even maintain the dividend. We are also grateful to our valued dealers in having shared our anxiety throughout this difficult period and to our consumers for not having lost faith in us or in our products. It is our pledge to continue giving them a top quality product combined with our best services in the years to come.

P A NARIELWALA
Chairman

Bombay, 1st May, 1971.

New Agricultural Research Group

A CONSULTATIVE Group on International Agricultural Research has been formed with the participation of sixteen governments, six international and regional development organisations, three private foundations and the International Development Research Centre. The Group is sponsored jointly by the World Bank, the FAO and the United Nations Development Programme.

Discussions leading to formation of the Consultative Group were initiated several months ago because of a growing recognition that, despite the important advances of internationally supported research in raising yields of wheat, maize and rice, a much broader international and regional research effort is needed to reinforce national

efforts in dealing with a wide range of agricultural problems.

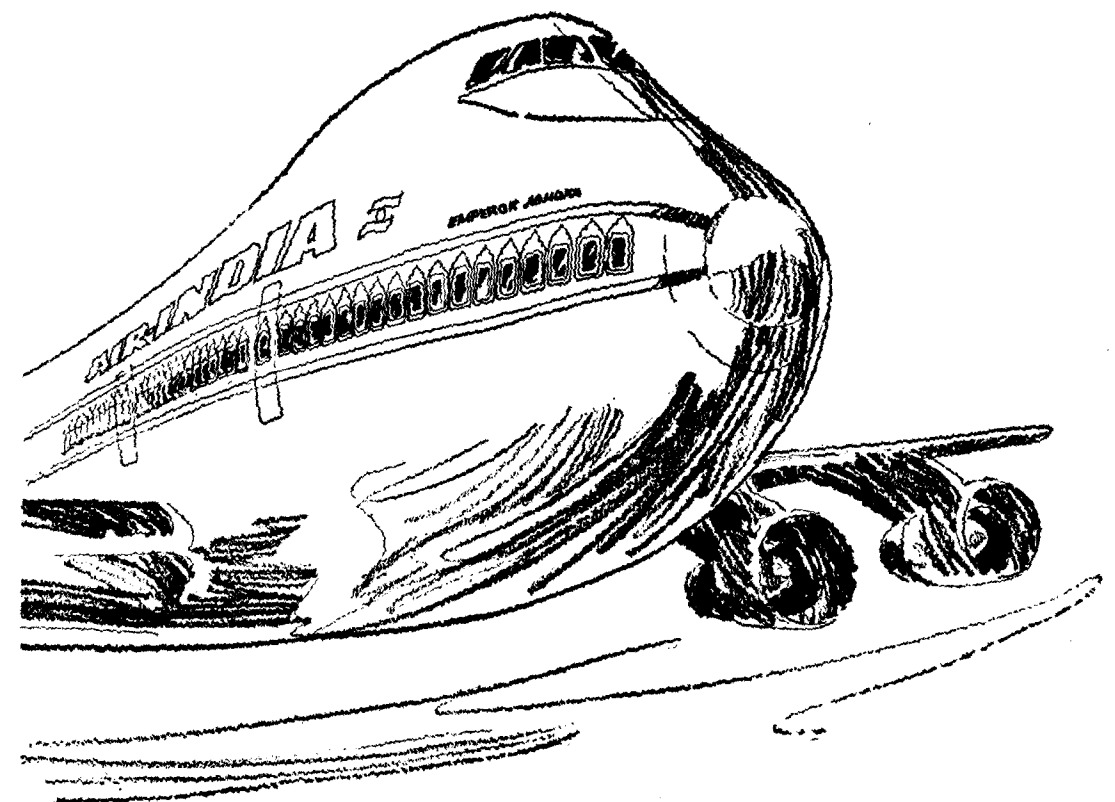
The Group, after reviewing existing research activities, will explore major new areas of possible investigation, taking account not only of technical but also of ecological economic and social factors. Its objectives include helping to synchronise national and international agricultural research efforts and encouraging full exchange of information among national, regional and international research centres; discussing the financial requirements for high-priority international and regional research activities, keeping in view the need for continuity of research over a long period; undertaking a continuing review of research priorities in the light of needs of the developing countries.

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ECONOMIC AND POLITICAL

WEEKLY

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OCCUPATIONAL VALUES AND BUSINESS

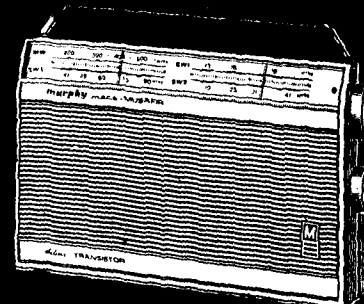
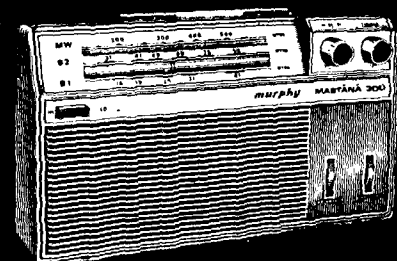
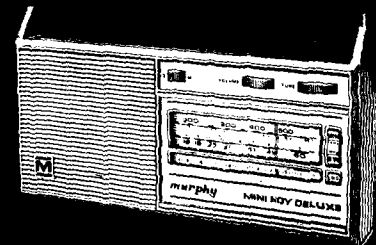
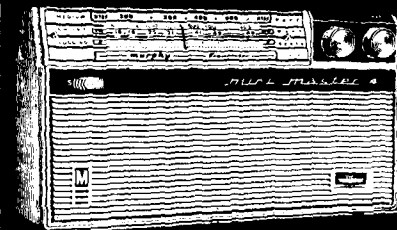
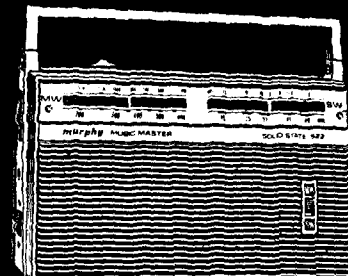
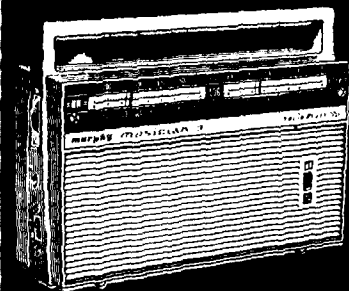
AMERICAN SCIENCE OF INDIAN POLITICS

POVERTY OF NSS METHODOLOGY

NORTH-EAST FRONTIER AGENCY TRIBES

TO KILL AN UNMOCKING BIRD

murphy **TRANSISTORS**



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NAS-C-45-D

stating our policy

In one word—Responsive

To us, responsiveness is extending our resources to meet the needs of industry. For instance we have introduced the application of alloy and special steels where conventional mild steel was used. Made high tensile fasteners and self tapping screws to improve the performance of machinery subjected to vibration stress and strain. Developed aluminium die-cast rotors to assist the manufacture of small and medium size A.C. squirrel cage motors. These are just a few examples of what we have achieved. Of what we are constantly doing. By transforming the quality shape and size of steel, we multiply its functions. Convert it from mere metal to sophisticated components. Anticipating industry's new and changing requirements. To do this we have to be responsive.



Guest Keen Williams Ltd

ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

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No Cutting Edge

WATCHING the first reactions to his Budget in Parliament and outside, the Finance Minister can well argue that if, as some of his critics have averred, his tax proposals betrayed conventional thinking, much of the criticism of them has not been exactly distinguished for its freshness. One group of critics, with the spokesmen of the Leftist parties as usual vociferous, have taken the 'common man' line. It is a measure of how the Finance Minister has been on the whole sparing of the 'common man' this year that the proponents of this line have had to clutch at the excise duty on *maida*. Whether or not this is a terrible blow at the 'common man', it is about time it was realised that no amount of soaking the 'rich' (where does one draw the line?) will yield resources on any scale necessary for development. The other line of criticism has been that the Budget hits at saving and investment. This argument, again, can be carried too far. Of course, there has to be differential tax treatment of income spent and income saved. But beyond a point the erosion of the progressiveness of taxation implicit in the encouragement of saving must defeat the egalitarian ends of fiscal policy. The incentives which already exist are enough to make it possible for even those in the middle tax brackets to provide ample nest-eggs for themselves and their progeny, at the expense substantially of the Government. In company taxation, encouraged by the advance indications of an upswing in corporate investment, the Finance Minister has in the Budget moderated some of the so-called incentives available till now. The major criticism of these incentives was that they were sufficiently indiscriminating and, therefore, served to effect a more or less across-the-board lowering of the effective rate of corporate taxation to substantially below the nominal rates. However, the scaling down of the incentives proposed in the Budget is equally indiscriminating is, therefore, open to the same criticism of lack of selectivity.

In fact, this criticism is applicable not merely to the corporate taxation proposals but to the Budget's tax measures as a whole. The Finance Minister does say in his Budget speech that "fiscal policy... is not a matter simply, or even primarily, of raising resources to meet the inescapable demands on the national exchequer", but what one misses in the Budget is precisely the attempt to use fiscal instruments to selectively influence the level and direction of economic activity. To take one instance, from among the excise duties. The Government has been trying to get textile mills to produce the mass consumption varieties of cloth at controlled prices. But the relative profitabilities of these varieties and the others have been such that mills have found it worthwhile to pay the officially prescribed penalty and go on producing the other varieties. Here was a situation in which the Finance Minister could have used the fiscal instrument to strengthen the pressure on the textile industry to produce the controlled varieties of cloth. This could have been done by sharply hiking the excise on the non-controlled varieties. Instead the excise duty proposal for cloth is based on the traditional coarse-medium-fine classification under which expensive varieties of cloth of upper class consumption pass off as medium and coarse.

Similarly, in company taxation, while there was little justification for the continuation of the generalised exemptions and deductions which served only to lower the effective rate of corporate taxation, the attack on them could have been made the occasion for introducing a measure of selectivity and discrimination into the scheme of corporate taxation. Thus could not the modifications in the scheme of incentives attempted by the Finance Minister have been directed at promoting investment in selected industries where the need for capacity expansion is urgent, encouraging industrial investment in backward areas or fostering larger employment where labour-capital substitutability exists. The generalised development rebate needed to be done away with, but the principle of it could have been retained to serve some of these purposes.

It is this absence of any effort to harness the fiscal measures to support accepted economic policies which is a major shortcoming of the Budget. As a result, the main, if not sole, justification of the tax proposals is the amount of revenue they yield. But the size of the revenue yield by itself cannot be an adequate justification. The Finance Minister has to justify the transfer of resources to the Government in terms of the use to which the resources are put. The justification must consist in the Government's proven ability to use the resources transferred to it for productive investment according to Plan priorities and for expansion of communal consumption so that the poorer sections of the people are able to expand their consumption more rapidly. Judged in these terms, the Government's performance recently has been far from reassuring. The additional taxation of Rs 170 crores proposed in the 1970-71 Budget was justified in terms of the projected 15 per cent increase in the

Centre's Plan outlay. As it happened, while the transfer of resources implied in the additional tax effort went through, the increase in Plan outlay did not materialise. Obviously, this experience cannot be repeated too often without destroying the credibility of the Government's claims to transfer of progressively larger resources to it.

Aid

A Different Backdrop

WITH the Budget out of the way, Vitta Mantralay officials must be getting ready for the Aid Consortium meeting later this month. By now this exercise is as well-drilled as Budget-making. There will be the same familiar faces in Paris, on both sides, and the agenda will be a well-thumbed one, too. The debt rescheduling arrangement for the three-year period beginning 1968-69 ended with 1970-71. Total debt rescheduled during the period amounted to Rs 241.5 crores, or rather more than the target of Rs 225 crores. And yet the burden of debt servicing grows heavier. So there will be renewed pleas for more rescheduling. There will also be the usual harangues for softer terms and against tying aid to purchases from donor countries. In this latter matter some success has recently come our way with the US decision to permit AID loans to be used for purchases from specified developing countries. Attempts will be made at Paris to open this chink a little wider by getting the other Consortium members to fall in line, though the prospects of success are not exactly bright.

However, our major effort will be, as always, to wheedle out as large a dollop of aid as we can from the Consortium countries. The arguments will be familiar ones. Gross aid commitments and disbursements have been falling and, given the growing burden of servicing, the decline in net terms has been even more precipitate. The statistics are all there in the Government's Economic Survey.

Aid disbursement declined from Rs 866 crores in 1969-70 to Rs 769 crores in 1970-71. Even excluding food aid, which fell from Rs 155 crores to Rs 99 crores, disbursements were lower at Rs 670 crores compared to Rs 711 crores. Since the burden of debt servicing rose from Rs 412 crores to Rs 435 crores, the contraction in net aid flow (which had stood at Rs 863

crores in 1967-68) was from Rs 454 crores to Rs 334 crores.

Steep as the fall in aid utilisation was, the decline in fresh commitment of aid was steeper. Commitment of new aid declined from Rs 831 crores in 1969-70, the first year of the Fourth Plan, to Rs 612 crores in 1970-71. As a result, our hoard of unused aid, politely termed 'aid in the pipeline', declined from Rs 1,872 crores at the end of 1969-70 to Rs 1,715 crores at the end of 1970-71.

To sum up the facts: use of aid has declined and fresh aid commitments have declined even faster so that there has been a fall in the quantum of aid in the pipeline. So what? What do these statistics mean? If they are intended to convey the impression of an economy straining at the leash of foreign aid, the impression would be substantially false. The discussion of external assistance in the Economic Survey (pp 60-63) is throughout in terms of comparison of current aid magnitudes with past magnitudes, not with what the current magnitudes should have been in terms of the calculations of the Fourth Plan. It is almost as if it were the Government of India's policy that aid commitment and utilisation should not fall below certain arbitrary levels reached in the past. But what is the sanctity of these past levels? Why should aid in 1971-72 be more and not less than what it was last year? And what is the particular merit of maintaining the aid hoard in the pipeline at given levels? In short, where does all this breast-beating about 'declining' aid fit in with the policy objective of reducing net foreign aid at the end of the Fourth Plan to half the level at the Plan's beginning?

By the calculations of our own Plan, we appear to have been quite well served by our aid-givers. The Plan had budgeted for total net foreign assistance of Rs 1,850 crores; actual net disbursements in the first two years of the Plan came to 42 per cent of this. This does not seem too high till it is realised that investment in these two years has been only a little over one-quarter of the Plan's five-year target. As a result, whereas over the Plan period 8 per cent of investment in the economy was expected to be financed by net foreign assistance, in the first two years the proportion has been as much as 13 per cent.

The purpose of these boring calculations is only to suggest that foreign aid, or more generally availability of foreign exchange, has not been a

constraint on either the rate of investment or the rate of growth so far in the Fourth Plan. In the first year of the Plan, despite the low export growth of only 4 per cent against the Plan target of 7 per cent and the liberalisation of imports, foreign exchange reserves went up by Rs 244 crores after repayments to the IMF amounting to Rs 125 crores. Though there was a decline of Rs 88.5 crores in foreign exchange reserves in 1970-71, this was after payments of Rs 176.3 crores to IMF. Together with the still large amounts of project as well as non-project aid available in the pipeline, these facts suggest that if the Indian economy did not see fuller use of industrial capacity and larger fresh investment, it was not because of any bottleneck or constraint on the foreign exchange front. Rather it was the low level of saving and investment and the poor utilisation of existing capacity which imposed a limit on the use of available foreign exchange resources.

Fertiliser Consumption

Not an Independent Variable

EVEN while Government has been in haste to license new fertiliser capacity in an attempt to cover the gap between demand and indigenous supply, fertiliser consumption has fallen short of the projected demand for the third year since 1968-69. Fertiliser consumption had picked up sharply following the introduction of the high-yielding varieties in 1966-67, but two years later, it rose far less than had been projected on the basis of the requirements of the new agricultural strategy. According to official estimates, consumption in 1970-71 fell 18 per cent short of the target, and though this may seem not so bad after the previous two years when the projected levels were missed by 37 per cent and 23 per cent, it may merely be because the target for 1970-71 had been revised downward.

Fertiliser demand forecasts are usually based on annual crop production targets for various agricultural commodities. A shortfall in them could reflect several things. It may be that the projections are wrong, based as they are on fertiliser needs of already employed high-yielding varieties in particular regions. In fact, however, fertiliser needs of the new varieties vary widely according to soil and water availabilities. Consequently, although (as the annual Plans indicate) the ac-

creage under the new varieties has increased as targeted, if not more, the fertiliser requirement of the areas newly under HYVP may be lower than was anticipated. The Fourth Plan admits that soil-testing has not been adequately extensive and that the existing soil-testing centres are nevertheless underutilised.

But there are other possible explanations that have more serious implications. Again, as the Fourth Plan recognises, it is not enough to increase the area under the high-yielding varieties. As important as putting more acreage, each year, under the new seeds is "the thrust of effort in the sphere of extension". This encompasses irrigation planning, advice on culture practices to suit the seeds, etc. The Plan itself is painfully aware of the shortcomings in this field. In the few years since 1968-69 little progress seems to have been made in the sorts of expert advice and organised assistance in credit and water management, that must accompany the introduction of the high-yielding varieties. And there are indications too of HYV having reached the limits of available irrigation facilities. As a result, even while there has been pressure from the top to 'fulfil' the HYV programme by extending the acreage under HYV, the achievement has been mostly limited to such a spread. The fact that the States with the largest share in the new strategy have failed to meet their targets of fertiliser consumption may indeed be the result of this. Moreover, the 'package programme' for achieving a breakthrough in cash crops was expected to require significant quantities of fertiliser. Since that breakthrough is yet nowhere evident, an important segment of the projected demand for fertiliser will not have materialised.

It is also possible — though the planners have recognised that the inhibitions in fertiliser consumption arise on the demand side — that fertiliser manufacturers have failed to make adequate promotional efforts. In an essentially sellers' market in which demand exceeds their production, and with freedom to fix prices in a situation in which there is effective import control, they would feel little need to promote sales. Moreover, given the slow pace at which new projects are being implemented, the internal shortage is unlikely to disappear by the officially predicted date of 1975-76.

In the circumstances, it would be folly for Government to stay content with enumerating the reasons for the

shortfall in the targeted fertiliser consumption. The shortfall, reflects the weak areas in agricultural development.

There is a further point. The high-yielding varieties programme was always openly aimed at the larger, more affluent farmers who can command the wherewithal required for undertaking and managing the new seed crops. It seems that they have been more or less covered by now and that it is the comparatively smaller farmer, not yet oriented to the market economy and without the necessary capital means, who is now being brought into the purview of the agricultural strategy.

Maharashtra

The New Feudalism

A Correspondent writes:

THE development of co-operative enterprises by big landowners in Maharashtra, particularly in the western districts, has given the Congress a solid base, especially after the formation of unilingual Maharashtra in 1960. With the co-operatives dominating economic life in the countryside, the Congress has come to occupy a unique position with its army of thousands of 'social workers' in the villages, all working in the co-operative sphere.

The extent of wealth, power and prestige of the main beneficiaries of the big co-operatives backed by the Congress can be gauged by a recent set of marriages in the town of Akulj in Sholapur district. The marriages were of the son and daughter of a well known co-operator and Congress MLA, Shankarrao Mohite. Akulj town wore a festive look on the marriage day reminding one of the annual sessions of the Indian National Congress. Shankarrao Mohite entertained more than one lakh persons on that day. The marriages were attended by top dignitaries, including the Union Finance Minister Y B Chavan, the MPCC President Vasantrao Dada Patil, Ministers of the Maharashtra Government, MPs and MLAs. Akulj experienced unprecedented festivity. The village was decorated with 400 arches; 10,000 volunteers worked day and night to make the marriage a success; some 500 trucks and 150 cars brought in over one lakh people from 80 surrounding villages who had received invitations from Shankarrao Mohite.

The marriages were performed with feudal pomp. The presents received included 600 tolas of gold, two Fiat

cars, two Ambassador cars and a truck-load of silver utensils. A family which chose to remain anonymous presented 17 gold rings to the members of the Mohite family. Another 'unknown' family presented a diamond ring to Shankarrao Mohite. The presents also included Rs 51,000 in cash from one family and another Rs 51,000 from a village.

The budget for food, refreshments, lighting and decorations was estimated at Rs 5,00,000. Arrangements were made to serve food to 25,000 people at a time and five such batches were served after the wedding ceremony. In order to supply cold water to the guests, the organisers of the marriage put thousands of ice slabs in wells in and around Akulj. In all, 27 marriage committees were formed to take care of the organisational chores and these committees met for over a month to plan the festivities. Shankarrao Mohite was the chairman of all the 27 committees.

This was not the first occasion that Mohite celebrated a family function on a grand scale. On his 51st birthday he had received presents of over Rs 1.35 lakhs in cash and kind. When he moved into his new house in Akulj he had received presents, again in cash and in kind, of over Rs 2.5 lakhs.

Shankarrao Mohite has been the Congress MLA from this area ever since 1952. He is the Chairman of two big sugar co-operatives since their inception, one bearing his name and the other that of the Union Finance Minister. Mohite is also chairman of the Land Mortgage Bank and the Sholapur District Central Co-operative Bank. In addition, he is chairman of a number of taluka co-operative sale and purchase unions in the district.

Mohite belongs to a family of Maratha landholders and is very popular in the district. He never misses a single social function, of the rich or the poor, in the villages of the area. He has made it a point to attend personally social functions not only in his constituency of Akulj but in the entire district of Sholapur. He is known for his organisational skills. He enjoys the confidence and support of Y B Chavan and the Congress bosses in the State and is, at the same time, very popular among the 'masses'. Though he has never sought positions in the party or in the government, through his hold over the sugar co-operatives and the co-operative banks he has been a power to reckon with in Maharashtra politics. The celebrations in Akulj are but

one example of the display of wealth and power by the new class of rich co-operators and rural entrepreneurs who have established themselves in the countryside in Maharashtra.

Licensing

Some Loosening?

RECENT decisions seem to indicate that the Government is slowly relaxing its tough posture on licensing. The main plank of licensing policy not so long ago was that licences to large houses would be severely curtailed, with a similar policy being followed regarding foreign collaboration. As regards large houses, the main strategy for relaxation appears to be the development of backward areas; in addition "greater efficiency" and "minimum economic size" have been adduced as justification for issuing expansion licence to these houses. Some of the licences recently issued, like those to Birlas, Andrew Yule, Sarabhais, Jai-purias and Kamanis, have been justified on these grounds. The Government has also been allowing foreign collaboration agreements selectively. Recently 12 such applications have been cleared

on the basis of minimum export requirement of 50 per cent of output.

The relaxations have become necessary mainly because of the failure of the middle sector to come up. Apparently, as the Finance Minister said in his Budget speech (on the basis of undisclosed data), there has been some upsurge in small industry. No such groundswell is, however, evident in the medium-scale industry sector. The field left open to the initiative of such industry has remained unoccupied. Hence the Government's concern to induct the large houses to spur the overall level of investment.

With the proposed discontinuance of development rebate from 1974, the pressure on Government to expedite licensing decisions will automatically increase. Licences issued in 1972 will be too late, given the slow-moving Government and private enterprise machineries, to qualify for the rebate. Moreover, after the short-term rush, there may be a slow-down of investment decisions in 1973 and of actual investment after 1974. The Government needs to work out a clear plan to deal with this situation right now — rather than wait till another recession overtakes it.

BUSINESS

Costly Price Maintenance

GOOD weather, widespread use of hybrid varieties, and better culture and watering methods have produced a bumper coffee crop in 1970-71. At 1.10 lakh tonnes, coffee output is 50 per cent higher than in 1969-70 and exceeds the Fourth Plan target of one lakh tonnes. The magnitude of the increase has been unexpected and is causing concern among coffee interests.

Domestic demand, at about 45,000 tonnes, is low enough. And, though the Coffee Board has several plans up its sleeve to boost internal sales of coffee these can bear results only in the long run and that, too, if coffee is made cheaper to the consumer. On the other hand, exports of coffee are governed largely by an International Coffee Agreement, and price realisation on the export quotas under this has been low following a fall in the international price of coffee. Export to non-quota countries is thwarted by the severe competition from Latin American and African countries. Hopes, entertained at one time, of capturing the South-

East Asian market are unlikely to materialise because of the entry of Indonesia as a major exporter of coffee to this region.

The Coffee Board has generally sought the easy way out. It has tried to make up for the loss on exports by creating an artificial shortage of coffee in the domestic market to bolstering up the domestic price. Last year, releases were 6,000 tonnes shorter than estimated effective demand. The Coffee Board now fears that the emerging surplus situation might bring down internal prices. Already, as a result of the rise in production, the price has fallen by about 15 per cent.

Yet the Coffee Board and the coffee plantation industry should not be too perturbed. Coffee production fluctuates widely over the years. Consequently, there is no guarantee that the current increase in production will be maintained, and the Coffee Board will very likely make liberal provisions for a buffer stock ostensibly to forestall future shortage situations but immediately to

provide a barrier against any steep fall in the internal price.

But there is a longer term economic solution that is more pertinent. There is acute need to increase the productivity of our plantations. Indeed, it is on this improvement that the plantations should rely for improving their financial performance. The normal 'economic' life-span of coffee plants is 50 years. However, in India, 51 per cent of the plants are over this age and over 30 per cent are 70 years old. Plantation companies, whose profitability has improved in recent years, have not thought of ploughing back their profits for replacement of old plants in a bid to achieve higher productivity that could yield comparable profits at lower price levels. Instead, both the Coffee Board and the plantation industry have concentrated on maintaining internal prices to compensate for the lower margins abroad. Why should not the consumer benefit from the increased production of coffee in the country?

Bonus Issues

Cutting through the Tangle

WITHIN less than a year of the adoption of bonus issue guidelines (based, incidentally, on the recommendations of a 'committee'), some further conditions have been prescribed. Originally, to curb frequent, small bonus issues it was suggested that there should be a minimum time-period between two issues. Now it is suggested that the amount of free reserves, left after bonus issue, should form one-third (instead of one-fifth) of total share capital (after capitalisation); and the company must make a statement regarding the proposed dividend for the first year after the bonus issue.

Bonus issues do not change the real capital position of an enterprise. One, therefore, fails to understand why the Government does not allow capitalisation out of, for example, reserves built up out of development rebate. But the issue of bonus shares does lead to some speculative activity out of which, given our system of 'house' brokers, insiders benefit. More recently bonus issues have been used by parties attempting to take-over companies in their battles for proxies. The Companies Act does little to curb such activities.

Bonus issues have been made dribblets recently and bonus shares have been often issued in lieu of dividend. Thus bonus issues of 1 share for every 9 to 11 shares (equivalent to 11 to 9

per cent dividend) were aplenty a couple of years ago. Very often the company had minimum reserves to justify capitalisation, did not have earning power to service the increased capital, and made the bonus issue in lieu of dividend to conserve liquidity and yet maintain its standing with the shareholders. Hence, presumably, the new requirement regarding statement to shareholders about future dividend.

Yet, is this the real answer? The problem which makes the rules regarding dividend, minimum period between issues, etc, necessary arises because of small bonus issues. This journal has in the past suggested that a simple system would be to require a minimum size of bonus issue — for example, not less than one for three shares held. This would at once cut out frivolously small issues and, by their obvious implications for servicing the increased capital, enable shareholders to judge the worth of their management.

Automobile Industry

Manufacture Made Easy

GRADUALLY the Government's automobile policy is taking shape — at bullock-cart speed. The Government has narrowed the choice of the model to be made in the public sector to four — Ford, Fiat, Nissan and Renault. At the same time, a licence for 50,000 cars has been given to a "private party". This coyness in the replies given by Ghanshyamdas Oza, Minister of State in the Ministry of Industrial Development, to questions in Parliament is understandable since the "private party" in question happens to be none other than Sanjay Gandhi.

As is usual with official decisions, "technically" the licence is expected to meet the "conditions" laid down for such licences, particularly that no foreign exchange would be involved. Apparently Sanjay Gandhi proposes to set up only the assembly portion of automobile manufacture — at a total cost reportedly of Rs 4.65 crores. The ancillary manufacturers from whom all the components are to be obtained will almost certainly need foreign exchange both for capital goods and for current operations. But this is not taken to detract in any way from the indigenous character of Sanjay Gandhi's project!

It is still the great merit of the project that it is to proceed without foreign collaboration. The great advan-

ces made in the West in car manufacture are not in design (except for Wankel's rotary engine), but in production technology. This is the reason why even the USSR has had to look to the West for help. In India, automobile manufacturers have not only failed to make any advance in indigenous design, but have not been able to improve the quality of manufacture of the frozen foreign designs. Moreover, if an adequate ancillary base is set up (in place of self-manufacture of components within the assemblers' plants as has happened so far), it would provide some freedom to other assemblers to enter the industry later. A shake-up of the existing manufacturers, if brought about by the recent decisions, would be a highly desirable thing.

Aluminium

Perverting Logic

THE Wanchoo Panel has at last fixed the price of aluminium ingots at Rs 5,187 per tonne — the lowest among prevailing prices. After the 1970-71 budget, when the industry, taking advantage of the shortage situation, tried unilaterally to pass off the additional excise burden of the budget by a price increase to the consumer, Government intervened to freeze the prices at the pre-budget levels and instituted the subsequent price inquiry.

Unfortunately, the decision of the Wanchoo Panel does not show much economic logic either. Where absence of economies of scale has been the basic problem of the aluminium industry, the Wanchoo Panel's decision may worsen the situation. The price control is to apply to aluminium ingots, and not to fabricated products. It will thus affect different producers differentially, favouring units which are 'integrated' producers of aluminium who can thus charge any price for the fabricated products, gaining on the swings of the fabricated products what they lose on the roundabouts of aluminium ingots. Incidentally, this benefits Birla's Hindalco the most. That the primary product is subjected to price control may even prove a disincentive to expand its production for sale — as distinct from for its further fabrication. Since production of aluminium ingots as such is thus discouraged, even Government-owned Bharat Aluminium which is not known to have planned any fabrication capacity will be penalised.

The Wanchoo Panel has sought to remove one anomaly, however — the

inequality of prices for the same products even among the large producers. But the Panel still leaves behind unequal 'retention' prices, by allowing an excise rebate (of 7.5 per cent of prices equal to about Rs 290 a tonne) for the small producers. Why should the Central revenues (or the general tax-payer) subsidise these marginal producers? Their output may be needed simply because the demand for it exists; but then the users should pay for this marginal supply. One way out of a dual price system would have been to compel each buyer from the large producers — viz, Hindalco, Indaluminium — to indent for one-fifth of his needs with small producers — viz, JK, Madras Aluminium. Moreover, since this excise duty rebate is evidently unconditional, it becomes a compensation for the high cost of production of the small units — and a premium payable to them to remain small and uncompetitive. Not so long ago, Madras Aluminium's chairman publicly threatened not to expand if the finance institutions insisted on converting a part of their loans. Now the Wanchoo Committee's recommendation virtually condones such defiance.

It might have made more economic sense to provide that whatever the source of the price differential — whether the excise duty rebate as proposed by the Wanchoo Panel or a compulsory indent for purchases from small producers as proposed above —, the amount so available would be for a limited time (say, two to three years). Further, that amount should have been required to be kept separate for use in expansion. In the meantime, dividend distribution could be restricted. The Tariff Commission had, in fact, experimented in this manner with an expansion allowance for the cement industry.

There is also the broader issue: Is the price control, implying subsidisation of aluminium consumers (when aluminium is still imported), justified? Might it not have been better to have imposed, indeed, a further excise duty on aluminium ingots — say, at Rs 300 per tonne — and allowed the public exchequer to mop up the consumer/producer surplus?

Synthetic Rubber

Why Costs Are High

PRICES of synthetic rubber have been subject to control (initially on an informal basis and since 1969 under the Essential Commodities Act) ever since

Synthetics and Chemicals commenced production of the material in 1963. But even as control was imposed to check the already high prices, a fillip was sought to be given to Synthetics and Chemicals by linking imports by the major consumers with offtake of domestic synthetic rubber. Following the shortage of alcohol in 1967 and 1968, which led to imports, synthetic rubber prices were revised upwards to Rs 5.15 per kg. The current price is Rs 4.40 per kg.

Unlike countries in the West, which use more synthetic rubber than natural rubber, hardly 25 per cent of our total rubber requirements are met by synthetic rubber. This is mainly because the automotive tyre industry here, the major consumer of synthetic rubber, produces more of truck tyres than car tyres, requiring mostly natural rubber. Commensurate with the growth in the output of tyres, production of natural rubber increased substantially (almost fourfold) during the sixties. Synthetic rubber output, however, remained stagnant and the country has yet to produce synthetic rubber from a petrochemical base more suitable for passenger car tyres. The public sector downstream unit for manufacture of High Cis Polybutadiene as part of the Koyali complex has still to make headway and it is not certain whether this unit would be commissioned by 1974. Different estimates of future requirements of synthetic rubber suggest a shortfall of about 20,000 to 25,000 tonnes.

In the course of the recent Tariff inquiry into the fixation of fair selling prices of synthetic rubber, Synthetics and Chemicals argued for an increase in its prices, pointing out that even a 10 per cent rise in price will have only an insignificant impact on end-user prices. The company also pleaded for an increase in its manufacturing capacity.

Whether or not Synthetics and Chemicals gets the price rise it has asked for, the larger issue facing the tyre industry regarding raw materials and the product-mix will remain to be tackled. Letters of intent have been issued to a number of State Industrial Development Corporations for setting up tyre units, but no serious thought has been given to the product pattern. Further planning for the tyre industry should aim at raising the output of car tyres using more of synthetic rubber. Towards this end attention should be paid to the development of synthetic rubber manufacture with a petrochemicals base. Since this would mean larger units than

the present alcohol-based one located near petrochemical complexes (Gujarat, Assam, West Bengal), the question is whether further capacity can be pre-empted by alcohol-based units. Account should also be taken of the erratic supply of alcohol in this context.

Futures Market

Still Dithering

A Correspondent writes:

IT is indeed pathetic to hear Ramdas Kilachand pleading at the successive annual general meetings of the Bombay Oilseeds and Oils Exchange for revival of futures trading in groundnut, groundnut oil and groundnut oilcake. This year, he has once more repeated his usual plea, mustering the scholarly views of several economists, experts and research institutions in support. But it would not be surprising if this time, too, his eloquent and fervent appeal falls on deaf ears since Government has time and again betrayed more ignorance than understanding of the utility and working of commodity futures markets. In fact, ever since the adoption of the ten-point programme by the ruling party as its election manifesto, the fate of the futures market as an institution has been hanging by a thread, for the programme envisages banning futures trading in all agricultural commodities.

What surprises is that the Government has not yet taken action on this one item of the programme which is by far the easiest to implement. It involves neither any legal and constitutional hitch, nor any drain on the precious resources of the exchequer. Possibly, it could even save Rs 10 lakhs budgeted annually for maintaining that august body called the Forward Markets Commission. Why is it then that Government seems to be dragging its feet on this obviously simple issue?

As it is, long before the adoption of the ten-point programme by the ruling Congress party, futures trading in several important commodities like cotton, raw jute, rapeseed/mustardseed, groundnut and groundnut products was either statutorily banned or quietly disallowed for want of necessary permission by the FMC. But, unfortunately, such closure of futures markets hardly appears to have served any economic or social purpose. Neither the price rise in these commodities has been arrested, nor have the price fluctuations in them been in any way reduced. Available evidence proves

the contrary. The inflationary price trend in most of these commodities has been aggravated while the price fluctuations have by and large increased in both size and frequency, ever since futures trading in them was suspended.

What is perhaps more bewildering is that the tendencies for hoarding and speculation in physical commodities have actually gained momentum during the past few years. The cotton crisis of this year, which witnessed almost a perpendicular rise in prices early in the season and an equally baffling slump later, amply bears out the validity of this assertion. Paradoxical, though it may seem, such crisis situations develop mainly out of specific delivery forward contracts. Surprisingly, the Government has permitted trading in such forward delivery contracts in most of the commodities in which futures trading has either been prohibited or suspended — in blatant ignorance of the historical truth that futures contracts have mainly emerged to protect the market functionaries from the large price uncertainties and risks inherent in the forward delivery contracts. With their accent on compulsory deliveries irrespective of the underlying supply and demand situation, the forward delivery contracts necessarily press heavily on the available deliverable supplies, and, in the absence of compensatory hedging support in futures markets, cause merely wider price fluctuations than warranted otherwise. The price behaviour of different oilseeds and fibre commodities in the last few years proves the truth of this statement. Little wonder, the Government has now adopted a harmless posture and is in two minds on the issue of closure of the futures market.

This reminds one that five years back, the Government appointed a Committee under the chairmanship of M L Dantwala to examine the role of the futures market in the future economic set-up of the country. The Committee submitted its Report in November 1967. True to the Government's normal traditions, the Report is still residing on its racks and is gathering bureaucratic dust. It is high time Government retrieved the Report and ended the present suspense regarding the fate of the futures market itself. And when the die is thus cast — either in favour of the futures market or against — Ramdas Kilachand should have no occasion to repeat his plea at the next annual general meeting of the BOOE.

Freight Assistance for Exports

I HAVE read with interest your comment "Exports without Subsidy" (April 24, 1971, p 848) on the abolition of cash assistance on exports of cottonseed decorticated expellers and extractions.

You say:

"In fact, the difference between the unit value realisation from sales to the free currency areas and those to the rupee payment areas is large enough for the Government to safely levy a duty of about Rs 60 per tonne on exports to the latter areas. In the present state of the international oilcake market and the direction pattern of the cottonseed extraction export trade, the buyers will be willing to absorb the incidence of such a duty, either wholly or substantially. The proceeds of the duty could then be utilised to grant freight assistance on exports to the UK and Western European markets as well as adequate graded development assistance for increasing export of cottonseed extractions beyond certain targeted figures" (italics added).

With some experience of these exports to UK and Western European markets over the last few years, I am inclined to agree with the suggestion provided the scheme is operated exactly along the lines of the scheme operated for the export of groundnut extractions through the Groundnut Extractions Export Development Association (GEEDA). I am, however, disturbed by the suggestion that assistance from the proceeds of any export duty should be granted as freight assistance on export to free currency areas. The principle of subsidy in the element of freight to equate the *cif* costs of Indian exports at destination against exports from competing origins has not been adopted so far. In my view, it would set a very undesirable precedent. Acceptance of the principle of freight subsidy has serious implications in relation to each commodity, destination, point of origin, etc. It is likely to lead to indiscriminate demands as in the case of domestic incentives to equate the *fob* costs. The freight subsidy would inhibit the effort to control *fob* costs. It can also lead to similar efforts by other developing countries or by Shipping Lines serving the trades which while leaving our burden of assistance untouched may wholly or partially nullify the object of assistance.

H M TRIVEDI

Bombay
April 29

Status and Flatus

IN that interesting review of "Homo Hierarchicus" by Evelyn Wood ("Status and Flatus", April 17, p 328), it would have been useful to mention that an English version of that French book (translated by Mark Sainsbury) is available under the same title, published by the University of Chicago Press, in its Nature of Human Society Series

(Editors: Julian Pitt-Rivers and Ernest K Gellner) in 1970. Its subtitle, "The Caste System and Its Implications", makes the topic quite clear.

For the English edition, the learned author, Louis Dumont, has added a special preface, taking note of studies and criticism that appeared between the publication of the French original and its English rendering, 1966 and 1970. That makes the English edition more important than the French. Your readers would, I hope, welcome this additional information about the book which has been reviewed by Evelyn Wood in a striking way.

S R TIKEKAR

Bombay
May 24

AUDIT

Payments to Auditors Likely Effect on Objectivity

K T Merchant

A VERY disturbing and disquieting feature of the accounts of a number of companies is the growing practice of paying the auditors large amounts, in addition to the sanctioned audit fees, for other services or in other capacities. The following few examples selected from the accounts of some companies at random illustrate the point:

	Audit Fees (Rs)	Payment for Other Services or in Other Capacities (Rs)
A (1967)	9,000	9,725
B (1968)	18,000	31,586
C (1969)	7,500	7,800
D (1968)	9,000	25,510
E (1969)	37,500	91,416
F (1970)	7,500	27,750
G (1970)	20,000	52,536

The auditors are required to make a report on the accounts and finances of the company to the shareholders. Moreover, there is a widening of their responsibility to the community in general. Hence, such payment of large sums, exceeding in some cases over 2½ times the audit fees is likely to adversely affect the independence and objectivity of the auditors in the performance of their duties towards the shareholders and the community. As Joseph Rath, partner of the famous firm of auditors,

Price Waterhouse & Co, and former chairman, AICPA Committee on Auditing Procedure, representing the American Institute of CPAs, observed in a Paper read at the Symposium on Corporate Financial Reporting: Conflicts and Challenges re auditors: "To be independent, he cannot have any financial interest in, or serve as an officer or director of the company being audited. He would also see to it that there are absolutely no limitations placed upon the procedures which he might want to apply, or on the information which is made available to him". Similarly, the American Institute of Accountants in their Code of Auditing Standards have observed: "If the auditor is to maintain independence, he should have no financial interest whatever, direct or indirect, with the company or its management during the period of audit work".

The payment of large amounts for other services or in other capacities would be tantamount to making auditors almost officers or rather employees of the company and, to that extent, they are likely to lose their independence and objectivity, which may erode their responsibility to the shareholders and the public. This is likely to affect public confidence in the auditors. In brief, there is the possibility of conflict of interests and loyalties.

The whole institution of auditors is based on public confidence. Anything, that directly or indirectly is likely to impair this confidence is neither in the interests of the company, nor the management, nor the auditors themselves. It is pertinent to quote in this context article 7 of the Statement on Auditing Procedures of the American Institute of CPAS: "It is of utmost importance to the profession that the general public maintain confidence in the independence of independent auditors. Public confidence would be impaired by evidence that independence was actually lacking and it might also be impaired by the existence of circumstances which reasonable people might believe likely to influence independence. To be independent, the auditor must be intellectually honest; to be recognised as independent, he must be free from any obligation to, or interest in, the client, its management, or its owners... Independent auditors should not only be independent in fact; they should avoid situations that may lead outsiders to doubt their independence".

Thus, the question of independence of auditors is not to be viewed in purely legalistic terms as it has been argued by some people but has to be considered from the larger sociological and particularly psychological viewpoint. It is true that the professional organisations of accountants in India do not prohibit their members from rendering other services or acting in other capacities and accepting remuneration for the same. Similarly, the law as it stands at present also is not a bar. But this is purely legalistic and does not touch the main issue raised, viz, the likelihood of conflict of loyalties and interests. For, it must not be forgotten that assignment of other work and payment for the same are solely at the discretion of the management; unscrupulous management might exploit this situation in their favour. Similarly, some unscrupulous auditors also might try to force the management to assign them other work and to pay them for the same. After all, there are always some black sheep everywhere. It is not enough to say that "the affairs of the learned profession are under strict disciplinary control and a code of conduct" and, therefore, we should take this as "an assurance of the highest standards of behaviour of responsible members of the profession". For, when all is said and done, one must regretfully confess that standards of conduct in our country, in almost every sphere of life, are not very high. The scandals revealed in the Vi-

vian Bose Commission Report and the Mundhra affair would not have reached such dimensions if a high standard of professional conduct were prevailing in our country. Discussion with some senior auditors and also some younger ones, some of them my students, has convinced me that they are not quite happy with the present situation and have admitted the gravity of the issue raised by me. As a prominent Chartered Accountant told me, it is necessary that the public image of auditors, which has been tarred, be improved by every possible measure.

In this connection, the healthy practice of the Accountancy Profession in the USA which is governed by a very strict code of conduct and hence is very effective and has tremendous influence on the management, such that if an auditor resigns on account of differences of principle with the management, no other auditor will accept the audit, may be noted. I am told that, in our country, such a possibility can never be imagined. The procedure laid down in the Code of Conduct in this regard of communications between the incoming and retiring auditors is considered by many as purely formal. In any case, mere

codes of conduct cannot guarantee correct conduct. It depends on personal integrity and the ethos within the profession, which is moulded to a substantial extent by the prevailing social ethos.

It has been suggested that, despite the increase in the load of auditing work in recent years, adequate fees are not paid and therefore the auditors have perforce to accept other work which is paying. The remedy for this would lie in increasing the audit fees to a reasonable extent and not have large payments for other work which is likely to create a conflict of interests and loyalties.

India is a developing country and needs a very strong professional cadre on whom the public can rely without any misgivings whatsoever. It is, therefore, vitally necessary that the Professional Organisations of Auditors as well as Cost Accountants pay serious attention to this problem. No situation should be allowed to arise which might create the slightest suspicion in the mind of the public about the independence of the auditors and cost accountants.

Budget without an Economic Philosophy

(From a Special Correspondent)

THE Budget for 1971-72 imposes additional taxation of Rs 285 crores a year, matching in tax effort the crisis Budget of 1963-64 presented in the wake of the confrontation with China. But while that Budget had a specific purpose — the financing of a large defence build-up — this year's effort seems to lack any purpose.

Let us, first, look at the direction of the tax effort. As has been the case since almost 1958-59 when Morarji took over the direction of our fiscal policies, the tax measures lack experimentation and have a stolid bias in favour of indirect taxes. Indirect taxes are expected to yield this year, as last year, three-fourths of the additional tax revenue. Generally, indirect taxes are not susceptible to progressive discrimination; if a comparison is to be made, however, it can be said that this year's Budget is more sparing of the poorer sections than last year's. While last year the impact of the taxation of cloth and sugar was particularly heavy on the lower classes, this year it is the urban middle class which will be particularly hit. The

main burden of excise duties is borne by those hardy commodities — tobacco and petrol, the last resort of Finance Ministers who have run out of ideas. To a degree these taxes will fall on the middle and upper sections of the population; and to the extent demand for these goods is price-inelastic, it is likely that a substantial part of the burden would be borne by the users.

INCONSISTENCIES

In respect of the excise duty on cloth, Finance Ministry officials are apparently not conversant with major production/profit trends or do not believe the data put out by the Trade and Industry Ministries. The increase in excise duties, 9 to 11 per cent, on coarse and medium cloth is substantial whereas the increase in the use on fine and superfine cloth is inexplicably small in relation to price and market trends. The Trade ministry had only recently woken up to the fact that there was large-scale diversion of production from the controlled varieties of cloth to fine and superfine varieties because the profit margins in these

varieties were high. Now the Finance Ministry, instead of mopping up these extra profits and incidentally encouraging production of controlled varieties, has provided one more incentive to industry to by-pass the regulation regarding production of controlled varieties.

A similar inconsistency is to be seen in the large increase in tax on petrol, justified on the ground of the drain of foreign exchange resources, and the simultaneous increase in the tax-exemption limit for expenditure on scooters and motorcycles. It is small mercy that Finance Ministry bureaucrats have not given themselves a rise in the motor-car allowance.

The Budget has missed taxing some items where there is large consumers'/producers' surplus. Such items include aluminium, nylon and polyester where a further increase in excise duty would have been justified. Moreover, given the health hazard of cigarettes, it would have been desirable either to ban cigarette advertisements or to impose a heavy tax on them. Making cigarettes expensive through excise duties will only induce cigarette manufacturers to produce more at the cheaper end and to influence, by strong sales promotion, the elasticity of demand for them.

In the field of direct taxation, the impact of the changes are more far-reaching than their financial implications would indicate. There is some increase in personal income tax rates above Rs 15,000 income. While the exemption for life insurance premium has been skewed in favour of low-income earners, one fails to understand why the ceiling on the exemption limit — which only those with incomes above Rs 1 lakh per year would be able to avail of — should have been increased from Rs 15,000 to Rs 20,000.

In modifying the definition of capital employed to exclude loan

finance for calculating the amount available for tax holiday, a measure of consistency has been brought about within the tax system, the basis of tax and incentives being now the same. However, it would have been more logical to have made interest subject to taxation rather than to exclude loans from incentives, as has been done.

One fails to appreciate the logic of the deletions from the priority list, particularly of aluminium and commercial vehicles. Industries less deserving of preferential treatment still continue to enjoy priority status for tax purposes. There was a case for retaining the incentives for scarce commodities like aluminium to encourage differential expansion.

Finally, there is little justification for discontinuing the development rebate from May 31, 1974. Firstly, given the speed of decision-making at Delhi, it must upset all cash-flow calculations of projects now being planned. Secondly, while there is a case for changing the basis of allowing development rebate — for example, relating it to employment generated —, given the economy's need to maximise the rate of investment (consistent with other objectives like maximisation of employment), there is no case for giving up incentives to invest, at least for another generation.

The extension of tax exemption to fishermen's co-operatives is indefensible. In fact there is a strong case for making sugar co-operatives (which satisfy few of the high standards of co-operation) taxable as ordinary companies, leaving the post-tax surplus to be distributed on any principles the co-operatives think proper.

TO WHAT PURPOSE?

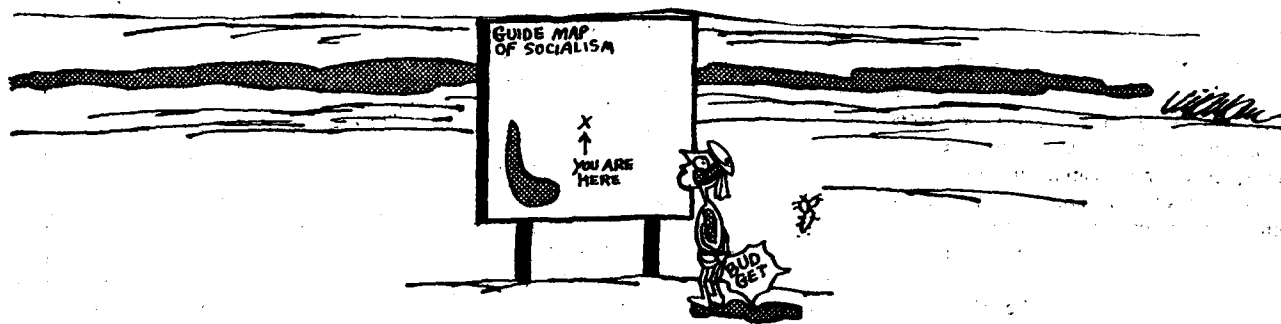
To what purpose is all this tax effort made? Despite the Finance Minister's

protestations, the Budget has little egalitarian bias. The direction of taxes is not such as to induce greater equality. The taxes have not broadened the base of revenue, but only sought to deepen the impact on those already taxed. Nor does one see any attempt at inducing efficiency in the production system through tax measures.

The question then arises whether the pattern of expenditure implied in the Budget will have a beneficial effect on the economy, promoting greater equality or stimulating growth. Significantly, almost the entire tax effort is being absorbed by bureaucratic expenditure. Civil expenditure on revenue account is expected to rise by Rs 201 crores (from Rs 1,524 crores in 1970-71 to Rs 1,725 crores in 1971-72) and total expenditure (including grants-in-aid to States) by Rs 394 crores (from Rs 3,193 crores to Rs 3,587 crores). On capital account, again, while there is a fall in civil capital disbursement (by Rs 193 crores from Rs 684 crores to Rs 491 crores) and in total capital disbursement (by Rs 137 crores from Rs 2,533 crores in 1970-71 to Rs 2,396 crores in 1971-72), there is only a marginal increase in outlay on other loans and advances.

Overall, it is expected that the Central outlay on the Plan will go up by Rs 155 crores from Rs 1,195 crores to Rs 1,350 crores, and the total Plan outlay from Rs 2,650 crores to Rs 3,024 crores. Given the slack in the economy, the established standards of efficiency of utilisation of funds and the areas in which expenditure is needed to be stimulated, the development impact of this outlay must indeed be deemed to be small.

In sum, there is little economic or social purpose or philosophy behind the Budget. We seem to have reached a state of bureaucratic nirvana in which we pay taxes only to keep the government machinery going.



Non-Violence All the Way

Romesh Thapar

WHETHER it is a Mundhra or a Teja or a Nagarwala, who mysteriously was able only the other day to remove Rs 60 lakhs from the State Bank in New Delhi by imitating the voice of the Prime Minister (remove from which account we still do not know!), the techniques employed are essentially non-violent. There are no complicated killings, no brutality and blackmail, only a failure in calculation. And Nagarwala just did it for the publicity (thank the Almighty for that, or else the Government would have been in the dock!).

This obsession with non-violence hangs over every activity — whether it is the 'socialist' Budget, or our reaction to the millions crossing the border in the East from Bangla Desh, or to the reorganisation of the tormented Planning Commission now asked by a team of management experts to evolve a 'culture' of its own (whatever that might mean!).

Take the Budget. The political leadership is refusing to face facts. Marginal taxes here and there, a 'squeeze' at this point or that, even the 'hatchet' in certain quarters, is not going to usher in socialism of any variety. In fact, despite the attempt to 'spread the net' and to 'puncture' the affluent, the total result will be a more demoralised economy.

What we need urgently is a tax on agricultural income, a massive attack on black money (corruption!) and very positive steps to encourage savings. Of course, in this context, we cannot forget that the collection of tax is most inefficient and haphazard. The lazy 'system' expends its energy harassing those who are already taxpayers instead of getting at the evaders. When will we evolve meaningful priorities, now that a massive parliamentary mandate makes possible qualitative economic transformations.

Significantly, there is no solid, analytical reference either to the resources being consumed in the secret defence sector, or to the mismanagement of resources already invested in the public sector. Government budgeting suffers from these grave lapses. For example, the public sector, which today shows an annual loss of some Rs 80 crores, could yield resources of the dimension of Rs 800 crores if the political leader-

ship could take a few pertinent decisions on management. Then again, an abolition of the Hindu Undivided Family tax provisions — a violation of Fundamental Rights — would yield at least Rs 250 crores a year. This tragic refusal to face total realities, despite the tall talk about socialism, leads inevitably to budgeting which is self-defeating.

The inability to take a total view of our condition is further emphasised by the developing crisis in the East. The possibility, militarily-cum-diplomatically, of preventing the mass exodus and helping the establishment of a sovereign Bangla Desh was not seen; or was deliberately avoided for fear that it would lead to some fast-spreading (sic!) kind of war on the subcontinent, but the heavier cost of a mass immigration from East Bengal was not assessed. The emergence of a smaller Pakistan and a Bangla Desh friendly to India would have had a profound impact on defence spending — and budgeting!

The inevitable is happening. All reports suggest that it is the intention of the military junta in Pakistan to force East Bengal's 10 million Hindus across the border — and with them a large number of activist Awami League youth, intellectuals, workers, and peasant militants. At this moment, it is too late to do anything about it, except to disperse the evacuees because it is physically not possible to keep them contained along the border. What's more, no counter-action is now possible because the rains have arrived and make any solid movement of forces impossible. And so *status quoism* is further reinforced.

And if all this is not enough, we have the strange proposals of the so-called Rajamannar Committee on Centre-State Relations. Set up by the DMK in Tamil Nadu, an area where the ruling Congress party is now without a base because of the mischievous manoeuvres of high-level political groups, this Committee is being used as a weapon to pressurise the Centre into making various concessions.

Karunanidhi and E M S Namboodiripad have both been talking half-baked secessionism for some weeks now — presumably because they think that Bangla Desh developments might make

Indira Gandhi more panicky. They are naive, and their efforts will fail to produce dividends — that is, if the Hindi fanatics are kept on a leash. The recent 'parliamentary terminology' controversy is an example of the nonsense that is sometimes thrown into a sensitive arena.

The ruling Congress party, compelled for several years to submit to the blackmail of regional parties commanding some parliamentary votes and to their quiet, suave, unofficial lobbyists in the Capital, must begin to use greater persuasion in the States to neutralise the intensive propaganda of these regional parties. The DMK and the Akalis are openly regional. Others, like the CPM, have become regional. And there is a likelihood that other areas will also throw up regional formations. This aspect of our political development is not being studied in depth. We tend to take the easy path of *ad hocism* in our dealings with regional politics.

And, finally, haziness continues on the role of the Planning Commission, its future, and its membership. A 'brains trust' is in the making, but for whom? Maybe it's all part of the non-violent process of settling old scores, throwing one ministry against another, cutting various persons down to size, and ruling the roost.

Yes, it's non-violence all along the line. But, and there is heavy irony in this, Bangla Desh and its agony, now spilling over our frontiers, may activate the violence in the non-violence, compelling us to move.

May 31

Fertility Research

A TRAINING course designed to help governments use computers to speed up the analysis of fertility data needed in population and overall development programmes opened recently in Bangkok under the auspices of ECAFE. Many countries have recently completed their 10-year censuses, or soon will do so, and it is hoped that computers can be used to advantage to narrow the time-gap.

The main cause of the time-lag is the need for processing the data — including coding, tabulation and statistical analysis. It is very important to speed up this process as the analysis of fertility data is urgently needed for the purpose of evaluating the impact of family planning activities on economic and social development programmes.

Delayed Reaction

Nishtar

THE stock market has set its sights lower. The mood of cautious optimism discernible on the eve of the general budget has given way to a feeling of disappointment. Pre-budget optimism was attributable partly to the not-so-harsh hike in railway freight rates and passenger fares and partly to the optimistic tone of the Economic Survey certifying that the economy which had given a "generally satisfactory" performance in 1970-71 was better poised to tackle the formidable problems confronting it. Even though its expectations of a saving and investment oriented budget had been belied, the market presented a fairly steady front during the special budget session on Friday evening. It seemed to take comfort in the thought that the Finance Minister could have easily assumed a more radical posture in evolving his fiscal strategy.

But signs of uneasiness emerged as the leading spokesmen of business and industry expressed the view that the budgetary proposals would accentuate inflationary pressures in the economy and erode personal savings and corporate profits and hamper industrial growth. The market retreated under pressure of light but persistent selling and moved closer to the year's low point. Important Budget proposals which have special relevance for the stock market include (1) increase in surcharge on personal incomes, (2) enhanced incidence of tax on long-term capital gains, (3) steep rise in wealth tax rates on net wealth above Rs 15 lakhs, (4) withdrawal of wealth tax exemption for investment in new issues up to Rs 1.50 lakhs, (5) increase in surcharge on company profits, (6) dilution of tax holiday for new undertakings through narrowing the capital base for calculating tax exempt profits by excluding debenture and long-term loans, (7) reduction in tax exemption to priority industries, (8) shortening the list of priority industries, (9) discontinuance of the concessional tax treatment of dividends received by foreign companies from a closely held Indian company engaged in a priority industry and (10) the abolition of development rebate from June 1974.

The stock market cannot be expected to take kindly to taxation of personal incomes and wealth which impair

the capacity to save and invest; the steep rise in wealth tax rates might even induce some disinvestment. Nor can the stock market be blamed for feeling uneasy over the several structural changes which have enhanced the incidence of company taxation. Particularly disturbing is the proposed abolition of development rebate after May 1974 as it will have a serious impact on industrial expansion.

It is not easy to raise resources for accelerating the development process in a manner which would serve at the same time the larger social objectives before the Government. The most valid criticism of Chavan's budget is that it has done nothing to help bring inflation under control; on the contrary the budget is likely to release strong inflationary pressures. The view is widely shared that the resource raising effort has not been matched by corresponding reliefs and incentives to growth and investment and that the withdrawal of certain incentives and concessions cannot but adversely affect the investment climate.

That the budget is not 'bullish' may be conceded. But it would be rash to take the panicky view that the increase in personal income tax and wealth tax would confiscate private savings and destroy investment in private sector. Equally unwarranted is the fear that the floatation of new companies would become difficult if not impossible because individuals would now have to pay wealth tax on investments made in shares of new industrial ventures which had hitherto been exempted from wealth tax for five years. The outlook for equities depends on the prosperity of the corporate sector which is linked closely with the overall growth of the economy which the Government seems so anxious to promote. An expanding sheltered market should normally provide sufficient incentive for industrial growth and expansionary impulses in the economy should gather strength from the stepped up outlay in the current fiscal year. Efficient performance of public sector enterprises in which nearly Rs 4,000 crores have been sunk holds the key to the economic and industrial tempo. The other major factor is the unpredictable monsoon because of its far-reaching impact on agricultural production.

While the stock market is still to recover from the budgetary chill, its recuperative power has been further undermined by the announcement of more stringent guidelines for the issue of bonus shares raising the residual reserves left after capitalisation from 20 per cent of the enlarged capital to 33-1/3 per cent. Company managements will also be required to indicate the dividend prospects on the enlarged capital whenever they seek the approval of shareholders at the general body meeting for the proposed bonus issue. The revised procedure and the new ratio prescribed will have the effect of curtailing the potentiality for substantial bonus issues which have made no small contribution to the revival of the cult of equity over the past few years.

Sitting Tight on Stocks

COTTON prices which had been keeping irregularly firm for quite some time have hardened further recently. Prices have risen by Rs 100 to Rs 150 a candy after the general budget, the rise in excise levies on cloth notwithstanding. Quite apparently, the industry expects to be able to pass on the additional burden to the helpless consumer. Last week's rise has carried most varieties of cotton to or a little above the half-way point between the January-end highs and subsequent lows touched in the last week of April. The early onset of monsoon has not had any effect on market sentiment.

A number of factors have contributed to the hardening tendency in cotton prices. Spinner inquiry has increased because of the stipulation regarding larger supply of controlled varieties of cloth during the June-August quarter. The imposition of additional premium on American cotton to subsidise the manufacture of unremunerative controlled varieties has narrowed the gap between the prices of indigenous cotton and foreign cotton and further stimulated the demand for Indian cotton required for the manufacture of controlled cloth. The supply of foreign cotton has been running well behind expectations. Import schedules have got upset for one reason or another and not all the cotton which has reached the country has been quickly lifted by mills because of financial stringency. Offerings of indigenous cotton also have been on a somewhat restricted scale. This is partly because holders of high-priced cotton

have been reluctant to dispose of their goods at a loss. How long they can sit tight on their stocks in the hope of realising better prices is anybody's guess. Because of the long delay in arrivals the pressure of foreign cotton has still to be felt. Unofficially, actual arrivals of foreign cotton are placed around 4.50 lakh bales which is less than half the quantity already released. However, the overall supply position of cotton being far from comfortable, cotton prices cannot be expected to develop any pronounced weakness. The tendency in the immediate future might be more up than down.

Monsoon to the Rescue

THE tide seems to have turned. Bulls who had been dominating the oilseeds futures market—castor and linseed—for a long while are now on the defensive. Early onset of monsoon has come to the rescue of bears who had been badly mauled by their rivals. Castor June and linseed July which had been bid up to Rs 134.37 and Rs 168 per quintal respectively on May 29—the highest rates for several weeks—were marked down to Rs 129 and Rs 161 on June 2. Oil prices eased by about Rs 100 a tonne from their May-end high levels; the preceding rise in oil prices had been much less marked. More significant than the fall in prices

is the change in market sentiment.

Early onset of monsoon is welcome and more rains in the next few days in Saurashtra—the major groundnut producing area in the most important groundnut growing State—will make for ideal conditions for sowing of the spreading variety. Of course, it is much too early to be talking about crop prospects. The supply position of groundnut oil is reported to be very satisfactory. With assured supply of imported soyabean oil, the season is expected to end with a comfortable carryover of groundnut oil which sets the pace for oilseeds and oil prices. The rabi harvest also has been considerably larger than the 1969-70 crop. If monsoon progresses satisfactorily, vegetable oil prices could be expected to show a softer tendency during the fag-end of the season.

The Finance Minister has done well to allow excise concessions to foster the greater utilisation of cottonseed oil and rice bran oil in the manufacture of vanaspati and of minor oils in the manufacture of soap. The excise rebate in respect of cottonseed oil and rice bran oil has been raised to Rs 100 a tonne. This should help promote larger crushing of cottonseed and the production of quality rice bran oil suitable for use in the manufacture of vanaspati. Increased use of minor oils in the manufacture of soap through excise concession will help reduce dependence on imported tallow and oils.

phosphate industry in general. Permission is being sought to increase production at Ambarnath. Demand for single superphosphate continues to be good. In the first three months of the current year, the company could sell nearly twice what it sold during the same period last year. The new chlorosulphonic acid plant is working satisfactorily. Demand for sulphuric acid and alumina sulphate also continues to increase. The company expects to fare better on the export front too. The chairman hopes that the company will be able to surpass its last year's performance which itself was better than that of the preceding year.

DMC is having some teething troubles with its sulfamic acid plant, commissioned towards the latter part of the last year. Some small quantity, produced at the plant, has found customer acceptance and the company is not expected to have any difficulty marketing larger quantities when production troubles are set right. This product is being produced for the first time in the country. Very few in the world manufacture it, and the knowhow is not easily available. Production difficulties are expected to be overcome shortly. Although net profit is slightly lower than last year's the unchanged dividend of 20 per cent payable on the capital, enlarged by the issue of bonus shares, is still covered 1.72 times. With the completion of expansion of chlorosulphonic acid plant in Ambarnath works to 40 tonnes per day, part of the old plant became redundant and was scrapped. A few other plants, installed in 1944 and earlier, which are no longer in use, were also scrapped.

SANDOZ (INDIA)'s dyes and chemicals division achieved a substantial increase in turnover in 1970, in spite of "none-too-favourable" market conditions. This was possible mainly on account of higher sales of foron disperse dyestuffs. Three new products of this range are now available to consumers. Generally, demand for these dyestuffs outstrips their supplies. An improvement is likely in the supply position during 1971-72, as more raw material licences are expected. The ethylene oxide adduct plant, commissioned during 1969, has not been operative since March 1970, because turnover of chemicals did not come up to expectations. Remedial measures are being considered to resume manufacture. The pharmaceutical division recorded a 'very small' increase in sales owing to the Price Control Order. Sales improved

since January last, following publication of the latest price list. Two new products were introduced, extending the range of anti-diarrheal preparations. This year, anti-allergic and cardiovascular drugs, products of international Sandoz research, are proposed to be introduced. In addition, one of the locally developed products for nutritional deficiencies is also intended to be introduced. With improvement in market conditions, sales of the agrochemicals division developed satisfactorily. The trend has continued in the first five months of the current year too. The company's share in the pesticides market has increased. The enhanced research efforts of the parent company has resulted in the development of a new product which will enable the company to participate in an important segment of the pesticides market. Exports of the dyes and chemicals division continued to be satisfactory. A major portion of exports went to UAR and Switzerland. The export performance has earned the company the status of priority industry for its 'first programme' soluble dyestuffs which should qualify it to obtain more and more imports from preferred sources. Raghavan Pillai, chairman, comments that the Price Control Order does not meet the requirements of continuous growth of the industry. Limiting pre-tax profits

to 15 per cent of turnover in the long run will mean an after-tax profit of about 5 to 6 per cent which, according to him, is hardly enough to meet the development needs and obligations to shareholders. He also feels that the Patents Act "virtually abrogates" patents protection in India and that, coupled with the price control measures, it will seriously affect the industry's future development. Inventors will fight shy of registering patents in the country, with the result that the country may lose the benefit of foreign inventions and technical knowhow. Pillai advocates introduction of a system of crop insurance which would encourage farmers to take up high-yield farming with its accompanying risks and which would also facilitate grant of credit by banks. He pleads that the concessions available to fertilisers in respect of railway freight should be extended to pesticides as well.

JAGATJIT INDUSTRIES sold 1,69,737 equity shares of Rs 10 each, fully paid-up, to existing shareholders in June last year at Rs 2.50 per share, transferring Rs 7.50 per share from share forfeited account. Also, 20,000, 9.5 per cent, cumulative redeemable preference shares, of Rs 100 each, fully paid, were allotted in August. Although the company's sales increased by about

Rs one crore in 1970, its gross profit was slightly less because of increase in production costs without corresponding rise in selling prices. The maintained equity dividend of 12 per cent on the enlarged capital was covered 2.57 times by earnings. Industrial Containers and Closures and Hyderabad Breweries, wholly-owned subsidiaries, made losses of Rs 18,490 and Rs 20,023 for 1970, lifting their aggregate losses to Rs 1,51,844 and Rs 43,247, respectively. Hyderabad Distilleries and Wineries, in which Jagatjit held three-fifths of the share capital, also incurred a loss of Rs 21,506, raising its total loss to Rs 32,609. No adjustment has been made in the books of Jagatjit in respect of the aggregate losses of these subsidiary companies.

WARNER-HINDUSTAN's formulations and chemicals plants worked at a high level last year. Certain extensions of the formulations plants are on hand to improve production. Plans are also being examined to increase the output of chemicals. Development efforts on new products and import substitution were further accelerated. During its seventh year to December last, all product lines showed substantial sales improvements. High productivity, coupled with improved economies and success-

The Week's Companies

(Rs in lakhs)

	Dharamsi Chemical		Sandoz India		Jagatjit		Warner-Hindustan	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	127	127	150	150	83	46	100	100
Reserves	224	198	112	90	68	64	101	75
Borrowings	192	178	532	495	133	80	98	119
of which Term borrowings	29	48	154	160	—	—	87	87
Gross fixed assets	455	448	471	456	178	152	206	194
Net fixed assets	187	184	294	297	126	110	142	167
Investments	36	35	3	1	3	3	—	—
Current liabilities	95	85	126	130	208	150	61	31
Current assets	417	370	624	565	362	227	217	157
Stocks	242	200	363	305	119	89	115	76
Book debts	168	164	255	248	140	81	57	37
Net sales	851	795	820	752	454	357	401	246
Other income	27	26	15	—	—	—	5	2
Raw material costs	404	417	206	192	247	188	90	64
Wages	97	87	145	126	32	28	63	41
Interest	15	18	41	39	11	8	8	7
Gross profit(+)/loss(-)	134	131	127	112	54	57	118	73
Depreciation provision	35	38	25	26	9	7	25	18
Tax provision	53	45	64	46	24	28	49	3
Net profit(+)/loss(-)	46	48	38	40	21	22	44	52
Development rebate provision	3	6	—	5	2	2	1	26
Transfer to reserves	18	22	21	18	11	16	35	18
Dividend								
Amount	25	20	17	17	E 7 P 1	E 4	8	8
Rate (per cent)	20	20	11	11	E 12 P 9.5	E 12	E 9 P 5	E 9 P 5
Cover (times)	1.72	2.10	2.23	2.06	2.57	5.00	6.00	3.57
Ratios (per cent)								
Gross profit/sales	15.74	16.47	15.49	14.89	11.89	11.96	29.42	29.67
Net profit/capital employed	8.47	9.54	4.78	5.44	7.39	11.58	14.71	17.68
Inventories/sales	28.43	25.15	44.27	40.56	26.21	24.93	28.68	30.87
Wages/sales	11.39	10.94	17.68	16.75	7.05	7.84	15.71	16.66

COMPANIES

Thwarted by MRTP Act?

Hansavivek

DHARAMSI MORARJI CHEMICAL's project for the manufacture of di-ammonium phosphate is still awaiting grant of an industrial licence. The company submitted its final proposals to Government last December. In the absence of a proper product classification and statistical data about production and distribution — vital for determining whether or not the company is required to be registered as a dominant undertaking under the MRTP Act — the company has applied for extension of time for registration until these data are made available. Government has been obliging and a final reckoning is still awaited. Meanwhile, though some of the company's applications for expansion and new product-

lines are still awaiting clearance, according to the chairman, Pratapsinh R Morarji, they are not known to be so for want of registration under the MRTP Act.

Contrary to Morarji's forecast of a fall in turnover, DMC's sales actually went up by about 7 per cent in 1970. The company was able to more than compensate the fall in prices by selling greater quantity. In fact, in the case of single superphosphate it was not able to meet the demand in full from its Ambarnath works owing to restrictions on production under the Industries (Development and Regulation) Act. The company could utilise 94 per cent of installed capacity against 45 per cent utilisation by the super-

ful marketing of additional products, resulted in larger profits. Net sales advanced by 63 per cent, to top the Rs four-crore mark, and in line gross profit was up 61 per cent at Rs 1.18 crores. The unchanged equity dividend of nine per cent, the whole of which is exempt from tax, found a sixfold cover. Reserves have exceeded the share capital. The directors, therefore, propose to issue bonus shares in the ratio of two new shares for every five equity shares held by shareholders.

GUJARAT STATE FINANCIAL CORPORATION expanded its business considerably in 1970-71. Over the year, loans sanctioned rose by 31 per cent to Rs 686 and disbursements increased by 74 per cent to Rs 551 lakhs. As many as 1,270 units were provided assistance against 797 units in 1969-70 and 1,669 units in the nine earlier years. Since its inception, 3,736 units have been sanctioned loans of Rs 2,267 lakhs, of which Rs 1,729 lakhs were disbursed to 3,043 units. During 1970-71, 1,259 units, or 99.1 per cent of the units assisted by the Corporation, were small-scale to whom loans of Rs 631 lakhs (92.1 per cent) were sanctioned and Rs 508 lakhs (92.1 per cent) were disbursed. The share of backward districts in the disbursed loans rose from 19.7 per cent to 22.9 per cent in 1970-71. The amount disbursed in these areas almost

doubled at Rs 126 lakhs (Rs 68 lakhs). Disbursement made in the backward districts during 1970-71 exceeded the total disbursement of the first nine years. GSFC underwrote three issues amounting to Rs 43 lakhs, and its deferred-payment guarantees sanctioned amounted to Rs 44 lakhs to eight units against Rs 78 lakhs to 18 units since its inception.

SUNDARAM FINANCE experienced further expansion of business during its 17th year ended December last when its total income reached Rs 1.67 crores against Rs 1.50 crores in the year before, and stock-on-hire at the year-end stood at Rs 12.11 crores against Rs 9.59 crores. With increase in expenditure, however, gross profit slipped from Rs 66 lakhs to Rs 64 lakhs. Net profit was almost unchanged at Rs 22 lakhs, and the unchanged dividend of 16 per cent, with a final of 10 per cent, was covered nearly 1.4 times. The volume of business in the first four months of the current year showed a 'substantial increase' over the same period last year and, although operational expenses would go up considerably, consequent to the higher interest charges payable as a result of increase in Bank rate and the rise in establishment expenses, the directors are confident that the 1971 results would be better than those of 1970.

have been much more than that of the selective levies proposed in the Budget. The alternative was to virtually abandon the Plan and planned development. For, according to the latest revised estimates, the revenue account for the current year, which had been estimated in the interim Budget only two months ago to show a surplus of Rs 114 crores, will be deficit to the extent of Rs 25 crores. For the first time in many years, no surplus is available from the revenue account for development and resources for development had to be raised entirely afresh. Even after the resource-raising effort proposed in the Budget, the deficit remains large and the cumulative deficit financing in the first three years of the Plan is far in excess of what had been envisaged when it was laid down that the total deficit in the whole Plan period should not exceed Rs 850 crores in the interest of price stability. As against this, the expenditure incurred under the Plan in its first three years will be barely 50 per cent of the total Plan outlay and, besides, the effective value of this expenditure will be considerably less on account of the substantial rise in prices.

PLAN OUTLAY

The Finance Minister and Finance Ministry officials are taking credit for the substantial increase in the Plan outlay this year, compared to the outlay provided for in last year's Budget and even more so compared to the actual performance last year. Total Plan outlay proposed for 1971-72 is Rs 3,023 crores as against Rs 2,649 crores for last year. This represents an increase of Rs 370 crores. The increase will look even more impressive if the comparison is with the actual Plan expenditure last year. There was a shortfall of as much as Rs 250 crores in the Plan outlay last year, of which Rs 170 crores was accounted for by the non-utilisation of the provisions in the Central Budget alone. The development effort envisaged for the current year will thus appear to imply a Rs 620 crore step up in Plan expenditure. The Finance Minister was, therefore, at least partially justified in suggesting that once a significant improvement occurs in the scale of public investment, such as he was providing for, industry and indeed the economy as a whole can surge forward.

There are many snags, however. First, the effort envisaged relies rather heavily on deficit financing. The gap in

the Central Budget alone is of the order of Rs 220 crores. The States are expected to make a big effort to raise additional resources. Even after taking into account additional Central assistance of Rs 65 crores for their Plans and the additional Rs 43 crores by way of their share of the new taxation in the Central Budget, the States will have to raise a minimum of Rs 100 crores by way of taxation. There is nothing to suggest that the States are either able or willing to make such an effort.

Further, though Central assistance to the State Plans would appear to have been increased compared to last year, the overall flow of financial resources from the Centre to the States does not show much improvement. The States' share of tax revenues will undoubtedly go up considerably — by about Rs 138 crores. Grants-in-aid to States and Union Territories under revenue disbursements will also increase by Rs 154 crores. But there will be a decrease of Rs 74 crores in loans and advances to the States and Union Territories under capital disbursements. Considering the tight financial position of the States and considering their inability or unwillingness to tap resources on their own, the likely overall deficit in the coming year, if the development effort envisaged for the Centre and the States really goes through, will far exceed the Rs 220 crores left uncovered in the Central Budget. The overall budgetary deficit last year is now admitted to have been as much as Rs 330 crores.

NO LONGER A VALID GUIDE

Finance Ministry officials are also taking credit for the provisions for developmental expenditure outside the Plan. Thus schemes such as the crash programme for employment in rural areas and that for promoting employment of educated youth in the urban areas have been allocated nearly Rs 100 crores in the Budget as compared to about Rs 20 crores last year. It is argued, in this context, that what people are interested in is development and not necessarily the implementation of the Plan. The suggestion clearly is that the Plan, as it now stands, is no longer a valid guide for Budget-making. The Finance Ministry is taking the initiative in starting new schemes which will ultimately become part of the Plan, once the Planning Commission is back in position and begins reappraising the Plan. Meanwhile, too much need not be made of shortfalls in Plan implementation such as occurred last year and may recur this year.

The Finance Minister can claim to have initiated some changes in policy, particularly in regard to the industrial sector. The desperation over reviving the capital market and providing incentives for stimulating investment in the corporate sector, which has been a regular feature of recent Budgets, is totally missing in the present Budget. On the contrary, the Budget evidently rates fiscal incentives rather low as a means of stimulating the private corporate sector. The underlying assumption appears to be that the industrial base of the country has broadened and diversified sufficiently so that the private sector no longer requires special fiscal incentives to grow.

This approach is seen in two measures proposed in the Budget whose revenue raising effect at this stage is modest but whose long-term implications are important. One of these measures is the removal of 6 industries from the list of so-called priority industries so that they will no longer enjoy tax exemption upto 8 per cent of their profits. And even in the case of the industries which remain on the priority list, the tax exemption is to be reduced to 5 per cent. In fact, there was every case for scrapping the priority list altogether since the composition of the list bears little relationship to Plan priorities. But at least a beginning in this direction has been made.

The second measure is the notice served on industry that the system of development rebate on new investments will be discontinued at the end of May 1974. The development rebate has made it possible for entrepreneurs to expand their operations while avoiding making any tax payments. Allied to the notice of discontinuance of the development rebate is the proposal that debentures and long-term borrowings of new undertakings will no longer enjoy the tax holiday which will apply only to risk capital. We are thus on the way to ending the era in which extra-generous concessions and incentives together with much else, including the licensing system, had become a substitute for real enterprise in business and industry.

CURBING EVASION

The tax proposals in respect of personal income tax and wealth tax are fairly stiff. The wealth tax rate has been increased from 4 to 8 per cent on wealth above Rs 15 lakhs and the tax base has been tightened. These measures, the Finance Minister has claimed, will impose a virtual ceiling on individual wealth at a much lower level than at present. This assertion would undoubtedly be justified if there were no evasion of avoidance of tax on wealth and incomes. How far evasion and avoidance are in fact curbed remains to be seen.

Bungling on Bangla Dosh

G S

THE discussions in the two Houses of Parliament on the Bangla Dosh developments and the Government's handling of them — read with the Press briefings of the External Affairs Ministry's spokesmen — have brought out the Government's poverty of policy in respect of a matter which vitally concerns India's security and freedom of action in international relations. By cleverly posing the question as a choice between war and uneasy peace with Pakistan, the Government spokesmen have diverted attention from the basic question of conduct of foreign policy by a country like India which has neither the military potential nor economic strength to use as levers for subserving its national self-interest.

Let me first sum up the official position. Its first premise is that recognition of Bangla Dosh and extension of material aid to its struggle will be un-

wise because they will automatically mean a war with Pakistan, with China possibly intervening on Pakistan's side. Whatever be the ultimate outcome of such a military conflict — which the policy-makers are convinced will be long-drawn-out unlike in 1965 — it will expose vast areas of India, its cities and industrial centres especially, to attacks and destruction. Secondly, such an Indo-Pakistan showdown will submerge the Bangla Dosh struggle and will further repel countries like the Muslim states of West Asia. If China enters the fray — as some officials think it will — it will mean an end to India's economic development for some years to come.

So the suggested alternative is that India should try to prevail upon the members of the Aid-Pakistan Consortium and the Soviet Union to bring

FROM OUR CORRESPONDENTS

NEW DELHI

Development without Crutches

THE first reactions to Chavan's budget have been along predictably conventional lines. Over the years a psychology has been generated against all taxation, particularly indirect taxation which is regarded as hitting the people and pushing up prices. The use of the fiscal instrument for raising surpluses for development is as a matter of course looked upon with suspicion. In this climate, Chavan's claim in his Budget speech that he was using his tax proposals not simply to raise more revenue but also to make a "significant impact on existing inequalities in income, wealth and economic power and reduce ostentatious consumption" failed to register with many.

With confidence substantially restored in the political stability of the Government after the elections, Chavan, it

would appear, found courage to make a larger effort at resource raising than many had thought he would. To a large extent, he had no choice in the matter. Even with the substantial tax effort of Rs 220 crores in the current year (of which Rs 177 crores will enter Central revenues and Rs 43 crores will go to the States), he has had to leave uncovered a deficit as large as Rs 220 crores.

MISPLACED FEARS

The fear expressed by many that taxation of this order will push up the general price level, which had already registered an increase of 7 per cent last year, does not obviously take into account the fact that so far as the mass of the people are concerned the inflationary impact of a larger deficit would

economic and other pressures to bear on Pakistan. If Pakistan remains adamant, its sinews of war will dry up and the Bangla Desh resistance will triumph. If Pakistan succumbs to the pressure, there will be a political settlement, practically on the basis of the Awami League's six points. And everyone will be happy ever after.

Some editorial writers and commentators have provided additional dimensions to this thesis by pleading (a) that the Government of India should use its influence with the Bangla Desh leadership to accept less than complete independence, in fact, four of Sheikh Mujibur Rahman's six points and (b) that Mujib is not a party to Chittagong radio's declaration of independence on March 26 last.

OBVIOUS SELF-CONTRADICTION

There is an obvious self-contradiction in the theory described earlier. If the West Pakistan army will have to wind up its operations in Bangla Desh within six months of the suspension or stoppage of West and Soviet economic assistance to Islamabad, it is not understandable how Pakistan can provoke a war with India while having to deal with the Bangla Desh struggle. The flow of Western economic and other aid to Pakistan has slowed down, if not stopped altogether, after March 25. In the event of an Indo-Pakistan conflict, it is bound to be suspended further though India, too, will be in the same boat. So if threatened or actual cessation of economic aid is going to make Pakistan yield in Bangla Desh — to a largely untrained and poorly equipped resistance movement — it does not make sense how such a Pakistan can pose a serious military threat to India.

Even assuming that China will step in to make India fight on two fronts, it should not be overlooked that Pakistan, too, will have two fronts to take care of. After the bitter experience of 1962 it is widely accepted that in a future showdown with China, India should not fight on the mountains but in the plains and that the role of the mountain divisions is primarily to serve as a holding operation. Further, while troops trained to fight in the desert or the plains need time to be acclimatised for mountain warfare, mountain divisions are relatively versatile and are equally operative on the plains. In the event of a conflict with both Pakistan — as it is now geographically situated — and China, the logistic disability which India now suffers from because of the narrow neck of territory link-

ing north-eastern India with the rest of the country could be got over by direct access to Assam through East Bengal.

This does not mean that the critics of the Government's policy are plumping for war either with Pakistan or with China, much less with both. We question the basic premise that recognition of Bangla Desh and extension of open and adequate material aid to its struggle will automatically plunge India into a major war. Pakistan will be in no position to embark on another adventure at the present moment. As for China, it is not clear whether its support to West Pakistan on the Bangla Desh question is not merely tactical. Even if it is more serious than that, a low-level Chinese intervention in the shape of some military and economic aid to Islamabad will not make much difference to India militarily. If, on the other hand, China does intervene in a big way it will automatically invite the others — notably the Soviet Union and the US — to India's side. Since such a big power confrontation is no longer likely to be on the Chinese agenda, the possibility of such a major Chinese intervention is remote.

Another red herring is that the Bangla Desh leadership itself does not want Indian intervention. It speaks volumes of the robust commonsense of the Bangla Desh leaders that they do not want their territory to be an Indo-Pakistan cockpit and that they want to retain the initiative in shaping their country's policies *vis-a-vis* others, especially China. I also am not arguing for Indian intervention in Bangla Desh. The days of such intervention are definitely over, notwithstanding Vietnam and Czechoslovakia. As I have said earlier, recognition of Bangla Desh and extension of military aid to it do not amount to intervention. After all, Indian military helicopters were lent for ferrying Ceylonese armed personnel to the insurgent-affected areas on the island. Indian frigates also mounted guard on the Ceylonese shoreline, while our infantrymen — stationed on Ceylonese soil — relieved their own personnel from guard duties. Similar assistance, openly given to Bangla Desh, would not be intervention.

Let us now see the political and economic implications of what passes for India's Bangla Desh policy. The influx of nearly four million refugees — about 65 per cent of whom being Hindus dispossessed of their farm land in East Bengal will not go back — has brought out the economic cost of the

bungling on Bangla Desh. By allowing the Bangla Desh struggle to prolong, with the people thrown on the defensive against a small minority of Pakistani troops, the Government of India has also lengthened the ordeal of Bangla Desh. Reports in some newspapers at home and abroad that India may be forced to take military action to stop the flood of refugees have made nonsense of the earlier so-called policy of peace at any price. While military assistance to Bangla Desh would have been legitimate, — which country has not done so *vis-a-vis* another in which its stakes are equally high — merely provoking a war with a view to stopping the inflow of refugees will provide grist to Pakistan's propaganda mills. It will raise the jibe that if India did not want the refugees it could have stopped them at the border.

TAILOR-MADE EXCUSE

The political repercussions are even worse. By pinning its hopes on making the Western Powers and the Soviet Union put pressure on Pakistan, the Government of India is providing China with a tailor-made opportunity to live down its earlier support to a military regime against a popular uprising and also to emerge as a dominant power in this part of Asia. Peking will say, and rightly too, that outsiders have no business to bend an Asian country to their will.

At the same time, India will be offering on a platter to the super powers, the initiative in Indo-Pakistan affairs which they will use more to their own advantage than to India's. When Pakistan first entered into a mutual security treaty with the US and received US military aid it was rightly pointed out by Nehru that Rawalpindi was bringing an outside power into this part of Asia. By forcing India to seek Soviet political and other support, Pakistan brought the East-West tussle to our shores. India's policy of non-alignment is built on avoiding and eliminating such entanglements. Now South Block is working overtime in the opposite direction, making nonsense of our earlier professions.

Even the limited purpose of avoiding a military conflict with Pakistan will be defeated in the long run. If outside pressure works and Islamabad is forced to seek a policy settlement with a section of the Bangla Desh leadership, the resultant situation in West Pakistan will be ideal for Bhutto-type demagogues to thrive. Riding on a wave of intense nationalism, they

will seek the earliest opportunity of a military showdown with India in Kashmir or elsewhere with a view to settling scores. Then the argument about likely Chinese intervention will again become valid.

If, on the other hand, Pakistan resists the pressure and is able to crush the Bangla Desh movement, the leadership in Islamabad — the present one

or its successor — will not be taken in by India's protestations of neutrality in the Bangla Desh struggle. The second item on its agenda will then be vengeance against India from both east and west.

In short, our Bangla Desh policy has been thoroughly bungled by British-trained bureaucrats who apparently overruled Indira Gandhi.

BRUSSELS

British Entry on French Terms

IT seems incredible that 10 years of suspicion and distrust, verging often on hostility, could be swept away after 12 hours of talks. Yet that is what President Pompidou and Prime Minister Heath seem to have achieved at their recent summit meeting. Their achievement was sufficiently important in fact to prompt a British journalist who had witnessed the humiliating of Heath in January 1963 (when the first British negotiations collapsed) to announce that France had thrown open the doors of the Common Market to Britain.

He was not alone, of course, in predicting an early and happy outcome to the negotiations which began some 11 months ago. So confident is the British government that it will have secured suitable entry terms by the end of June, that the problem currently preoccupying the Cabinet is whether to go to Parliament before the summer recess or wait until October.

The optimism displayed in London is shared in the various Common Market capitals, notably Paris. Although the two problems for which the six foreign ministers and Rippon must find solutions during their meetings in June are among the most difficult of all — they relate to the size of Britain's contribution to the EEC budget and the safeguards for New Zealand's dairy products — Common Market circles here are confident that they will be solved before the end of the month. It may take more than one all-night session to agree on the details, but the negotiators are assured of success as they will be working within a framework prepared by Pompidou and Heath.

OPPOSITION MAINLY DOMESTIC

There is a widespread feeling that Heath will find opposition to Britain's entry to be strongest on the home front rather than in Brussels; from now on, it is British public opinion more than

anything else that will decide the outcome of the 10-year old efforts to join the EEC. As the opinion polls have shown, opposition to entry is strong and vocal; it will undoubtedly influence the voting of more than one MP, Conservative as well as Labour. The Government's refusal to hold a referendum has only confirmed many in their belief that the entry terms will be such that, given half a chance, the majority of the British population would vote against entry.

The plain truth is that the terms Pompidou is offering Heath are precisely the ones General de Gaulle was insisting on in 1963. The British and French press made much of the fact that during his press conference Pompidou more or less announced that there would not be another French veto. It pounced on the phrase in the joint communiqué which stressed the large measure of agreement between President and Prime Minister, and especially on the words:

The President of the Republic and the British Prime Minister considered that it was desirable and possible to reach early agreement on the main outstanding issues in the negotiations for British entry, particularly the problems relating to New Zealand and the British contribution to the Community budget.

What very few papers pointed out is that British entry is a foregone conclusion only because Heath and Rippon have accepted between them virtually all the Gaullist demands. Of course, agreement has yet to be reached on the two key problems mentioned above. But all the indications are that in neither case will the final solutions be anything like the ones envisaged by the British. As regards Britain's contribution, the figure mentioned here is 8 to 10 per cent of the Community budget in the first year of membership (and not 3 per cent, the figure put forward by Rippon as the "maximum"). In the case of New Zealand butter, the cur-

rent butter shortage may lead to a more generous French offer, but it is unlikely to come anywhere near meeting British demands.

As for the rest, it is clear from the terms of (1) the joint communiqué and (2) the various agreements negotiated by Rippon in Brussels that Pompidou will have secured Britain's entry on General de Gaulle's terms — stripped of its world-wide role, a captive market for French agricultural products and an important contributor to the Community's budget (much of which is spent on propping up the common agricultural policy). If reports from Paris and London are to be believed, the President has also obtained Heath's acceptance of French as the only working language of the enlarged Community — an achievement which the General, as a master of the French language, perhaps would welcome more than anything else.

Britain's claim to great power status is based today on (1) her position at the head of an international, multi-racial organisation, the Commonwealth; (2) the role of sterling as a reserve currency; (3) possession of nuclear weapons and (4) her relationship with the US.

To take the last point first. It is obvious to everyone that the "special relationship" which the British were wont to boast about exists today largely in the British imagination. If there is a European country which enjoys a "special relationship" with the US today it probably is West Germany. What remains of the relationship between the US and the UK is based on sentiment and a common language. The French President has realised this; hence his attack on the English language, which he has described as being more American than English, and his insistence that French be the key language of the enlarged Community.

END OF COMMONWEALTH PREFERENCES

It is to the Commonwealth that Britain owes in part her role as a world power. But as the Commonwealth is essentially a trade network it has been easy for the French to get Rippon to agree to its elimination over a period of 4 to 5 years. As a matter of fact, within 3 years of Britain's entry (by, say, 1976) Commonwealth preferences will have been replaced for all practical purposes by the common external tariff. As regards agricultural products covered by the common agricultural policy, the elimination of Commonwealth preferences will be even more rapid. At

his last meeting Rippon agreed to the principle of "Community preference" for these products from the moment of entry.

This means that both developing and developed Commonwealth countries will lose their preferential access to the UK market — either progressively, as in the case of industrial products and those covered by tariffs, or at once as in the case of many agricultural products. Developing Commonwealth countries will be covered by the proposed system of generalised preferences, but they will have to share the benefits of duty-free entry with all developing countries and, what is more, will have to accept the extension of the Six's more restrictive scheme to the UK and other new members.

Only the African members of the Commonwealth (and, since May 12, the Caribbean countries and Fiji and Mauritius) have been offered the possibility of association with the enlarged Community. This is because the French, who retain a considerable measure of influence in Africa, feel that the destiny of the "dark continent" lies with Europe. What the Eurafrican lobby in France and Belgium would like to see is a unified bloc stretching from South Africa to Denmark. Negotiations for such a bloc may well begin in 1973, a year or so before the second Yaounde Convention of Association expires, and it is just possible that they could be successful, especially if the inducements, held out to the Africans include increased foreign aid from both the enlarged Community and South Africa and continued preferential entry into the EEC for tropical products and some temperate zone agricultural products.

Britain's great power status also depends on the role of sterling in the world monetary system. Clearly the French could not tolerate the continued use of sterling as a reserve currency, and Pompidou has made it clear that the sterling balances will have to be run down as quickly as possible. Such a development would not only deprive Britain of her privileged position in the world's monetary and financial councils but also rob the City of London of much of its importance — and a good part of its income. For both the expertise developed by British banks and the income from it depends to a considerable extent on sterling's role as a reserve currency; with sterling downgraded, Continental banks and monetary institutions will find it far easier to compete with the City —

especially if sterling were to be firmly tied to the EEC currencies in a monetary union.

Only one card remains in Heath's hands — Britain's possession of nuclear weapons. Just how he could play it is not evident, for French goals in the field of nuclear weapons seem none too clear. An Anglo-French nuclear alliance has been mentioned off and on but with the UK firmly wedded to NATO (and tied to the US by special agreements) such a development seems out of the question. In any case, by offering to share its nuclear secrets with France, the UK would be downgrad-

SINGAPORE

To Kill an Unmocking Bird

Harish Chandola

TWO English language newspapers — *The Eastern Sun* and *The Singapore Herald* — closed down in May because the Government accused them of having received foreign funds in 'black operations' launched by outside forces against the stability of this Island Republic.

But unlike *The Eastern Sun*, which shut down on May 17, at the mere mention of its having received funds from Hong Kong, *The Singapore Herald* vigorously denied its alleged involvement in 'black operations', struggled for 10 days and was finally forced to close down by the Government, which withdrew its printing licence on May 28.

The Singapore Herald was in need of money for its survival, but the Singapore Government barred foreign funds from coming to its rescue. It even put pressure on an American bank, which had given the newspaper credit, to stop that credit.

This now leaves Singapore with only two English dailies, a morning and an afternoon one, both wholly owned by foreign finance (British and Australian), but both assuredly docile in their attitude towards the Government and confirmedly commercial to the extent of openly accepting the Singapore Government's statement that they were here only to make money.

What killed the *Herald* was its occasional mild criticism of the Singapore Government, which it felt was needed in order to improve life in this country. The Government however did not take the criticism in that light but considered it "a cover for eroding the will and attitudes of the people in re-

ing its own role as a great power.

The British imagine, of course, that once inside the EEC they will be able to run the show, so to speak. This is most unlikely, especially as Heath has agreed to the French demand that all decisions be taken on the basis of unanimity by the enlarged Community, despite the provisions of the Rome Treaty. As experience has shown, a single member can block any decision which it opposes by exercising its veto. In any case, once inside the EEC the British will probably find themselves too busy defending their own interests to have much time for running the Community.

garg to certain fundamental matters". The Government also suggested that the criticism was a command performance ordered by foreign interests, which had put in the money to start the newspaper in July last year.

The Prime Minister, Lee Kuan Yew, said the Press could not have complete freedom in an emergent country, because such freedom resulted in chaos. He then gave the example of India and Ceylon, both of which, he said, were in chaos because they had given complete freedom to the Press.

Like *The Eastern Sun*, *The Singapore Herald* was not a Leftist paper but a Rightist one. Therefore, when the Singapore Government appeared determined to crush the paper, the whole lot of Rightist opinion, in and around Singapore, right up to the Philippines and Hong Kong, which had earlier applauded the Singapore Government's similar strong-arm methods in crushing Leftist opposition, rose up in protest this time and shouted 'murder' in unison.

The paper was started last year by two Singapore and one South Korean journalists, with money provided mainly by a former Chief Minister of Sabah (East Malaysia) and currently Malaysian High Commissioner in Australia, Donald Stephens. His contribution towards the paper's total subscribed capital of about Singapore \$ 2 million, was Singapore \$1.32 million (about Rs 33 lakhs).

But Stephens did not give the money directly to the paper. A company was registered in Hong Kong, under the name 'Heeda', with the South Korean

journalist who became the Managing Director of the *Herald* as one of the partners, and Heeda channelled the finance to the newspaper.

No sooner did the paper start printing in July 1970, it ran into difficulties with the Singapore Government. The Government had expelled an American woman, Shirle Gordon, Director of Malaysian Sociological Research Institute. The Prime Minister's Press Secretary had telephoned. *The Singapore Herald* three times not to print the story, and on the third occasion had conveyed the Prime Minister's laconic message: "Don't cross swords". The newspaper however printed a small story without saying much, because it felt that if it suppressed news of events which a large number of people already knew about it would forfeit the confidence of the public.

The publication, however, was considered an act of defiance by Government and, therefore, all official news sources were closed to the paper; it was barred from press conferences and denied press releases.

These facilities to it were, however, restored in September, when the *Herald's* editor met the Foreign Minister, Rajaratnam, and assured the Government of his co-operation.

But, soon afterwards, the paper began printing complaints in its 'Letters' column from National Servicemen and their parents. In Singapore, military training, called National Service, is compulsory and has been the subject of much controversy. Left-wing elements have openly defied call-up notices and have fought court-cases against it. The letters in the *Herald* did not attack the Service basically, but brought out complaints of men undergoing it. This annoyed the Government greatly.

The paper got into more trouble during the Commonwealth Prime Ministers' conference here in January. It printed a story that Negroes coming to Singapore were being specially screened and harassed by the immigration officials and were thus being discriminated against — perhaps because the Government wanted to prevent Black Power militants from sneaking in and creating incidents during the conference. Several American Negroes, the paper said, had lodged protests with the US Embassy against Singapore's discriminatory action against them.

The Government accused the paper of damaging Singapore's image abroad by printing the story.

The paper then printed another

story about a Zambian plan to retaliate against Britain, if Britain sold arms to South Africa. The Zambian delegation denied it.

The paper was accused of trying to wreck the Commonwealth conference.

In sheer frivolity, the newspaper described the lower garment of the national costume of the Samoan delegates as a 'midi (midi skirt)'. Though the goodnatured Samoan delegates only laughed at the description, the Singapore Government took it seriously and charged the newspaper with showing disrespect to visiting dignitaries.

Action was taken against the *Herald* a week after the conference. Government departments cancelled subscriptions to the paper, and forbade their staff from bringing the paper into the office. Government and quasi-Government organisations cancelled advertisements to it. It was again denied access to official news sources.

By this time the newspaper had used up its initial capital, and was seeking fresh financial support. New investors were not coming forward because they knew the paper had fallen foul of the Government. Its founding-editor, Francis Wong, then decided to resign from the newspaper in the hope that without him it might have a chance of normalising its relations with the Government.

A Hong Kong publisher, a woman called Aw Sian, then showed interest in the paper, provided it with Singapore \$500,000, and promised to obtain more finance for it from Australian, Filipino, South Korean, US, and British sources.

The bankers of the paper, the Chase Manhattan Bank, then provided it with an overdraft of over a million Singapore dollars.

The paper, however, continued even under the new editor to keep its 'Letters to the Editor' column open to views mildly critical of the Government policies. According to the Foreign Minister, Rajaratnam, it carried "articles and letters, under cover of criticism, to work up agitation over our labour laws, over the Internal Security Act, over communist detainees, over the permissive society, and so on".

Early in May, when the Prime Minister began accusing Singapore newspapers of being involved in 'black operations' against Singapore, with the help of foreign funds, he raised the basic question of the finances of the *Herald*. He asked: Why did a Malaysian politician provide Singapore \$ 1.32 million for starting a newspaper in

Singapore, which, he knew, had no chance of making money for a few years? Why did he register a company in Hong Kong under two dummy names to channel funds for the publication of this paper? Was that really his own money?

Lee Kuan Yew also asked: Whose money was that Singapore \$500,000, which the Hong Kong publisher, Aw Sian, had given to the paper this year to keep it going? Why was the Chase Manhattan Bank providing the paper with a generous overdraft when it had no financial backing? Was there a secret guarantor behind the scene? (Lee almost hinted that some US source had perhaps provided the Bank with such a guarantee!)

The Malaysian High Commissioner to Australia, Donald Stephens, himself said nothing about why he had given money for starting the *Herald* in Singapore. He also did not answer the charge that it was not his own money.

In the middle of May, the Prime Minister called the Hong Kong publisher, Aw Sian, and along with his colleagues questioned her about the source of the funds she had begun to provide to the *Herald*. She maintained that the funds were her own, but then wrote down a short statement, on the Prime Minister's stationery, stating that she would not provide the paper with more funds.

The Prime Minister then called the Manager of the Chase Manhattan Bank, showed him the statement of Aw Sian and asked him why would the Bank want to provide the newspaper with more credit when it had no chance of obtaining fresh finance. The Prime Minister then suggested that the Bank should, in such circumstances, appoint a receiver and recover its credit by foreclosing the newspaper and liquidating its assets.

The Government then announced that the newspaper would be allowed to continue only if Singapore financiers came forward to invest in it and if none came forward, it would withdraw the paper's printing licence.

The Bank accepted the Prime Minister's suggestion and appointed a receiver to recover its loan. Only one local financier came up, perhaps to take over the newspaper at a basement bargain price, but the Chase Manhattan Bank was not prepared to sell at that price.

So, on May 28, the Government cancelled the printing licence of the newspaper and drove it out of existence.

Poorly Conceived, Worse Executed

Sudhir Chandra

Khilafat to Partition: A Survey of Major Political Trends among Indian Muslims during 1919-1947 by Moin Shakir; Kalamkar Prakashan, New Delhi, 1970; pp xxiv + 300; Rs 35.

MUCH hard work has apparently gone into the making of this book. A vast amount of material has been collected and put together for the interested reader. No less a scholar than M Habib had to read it 'thrice from cover to cover'. He even endorsed the author's claim to have consulted 'all the available material relating with the subject'. Yet the plain fact is that this is a work based substantially on secondary sources. Contemporary newspapers and periodicals have been only sparingly used, and private papers have been totally ignored.

Poor in conception, the work is poorer in execution. Shakir's flat study shows little awareness of the totality of personal, historical and sociological factors in which any thought is necessarily embedded. Its compass is suggested by the fact that not even biographical sketches of the five 'thinkers' studied herein are given. The utmost one could find is how Maulana Azad or Maudoodi was influenced by his father, or Jinnah by Naoroji and Gokhale. Even chronology, so essential for perspective, is set aside. Thus Maulana Mohammed Ali is quoted as saying that 'according to my religion and creed, I do hold an adulterous and a fallen Musalman to be better than Mr Gandhi'. 'This', according to the author, 'shows how Mohammed Ali's thinking was dominated by his religious creed and how little was Gandhi's influence on the religious ideas of Mohammed Ali'. In the anxiety to make a point which seems to have been formulated independently of this quotation, it is conveniently forgotten that the statement was made in 1925 — long after the fraternalism between the two leaders had yielded place to estrangement. The result of this huddling together of quotations is a descriptive anthology that is none too descriptive of what these five 'thinkers' wrote or said and what another fifty persons wrote about them. For it is an important part of Shakir's technique that he presents even his conclusions in the form of quotations from secondary authorities — with rare exceptions of course. Analysis quietly occupies a back seat. We are told, for example, that after

Khilafat had lost its *raison d'être*, Azad joined the Indian National Congress, and Mohammed Ali and Iqbal drifted towards separatist nationalism. The reader ought to be clever enough to account for this difference.

The one independent observation the author makes is towards the end of the book. 'Muslim political thought in modern India', he says, 'is mediaeval in spirit, though sometimes it appears modern in form.' This may well be the theme on which the whole book is a commentary. But when it comes to analysis the author is up on the shoulders of Khuda Baksh to argue that this mediaevalism of thought resulted from the failure of Muslim thinkers 'to liberate Islam from the fetters of Authority, from the Dead Hand of Past ages'. But does this really explain anything?

A plausible explanation can, however, be attempted. It may be noted that there was no definitive distinction between the political and socio-religious thought of the Indian Muslims. The Hindus, whether revivalists or progressive socio-religious reformers, went back to their old traditions even though the basic motivation was provided by the Western impact. This was quite natural besides being tactically sound. The mass of the people, who had to be reformed and with whom the reforming leaders had to live most of the twenty-four hours of their lives, were rooted in their traditions. But in matters of politics no such pull restricted the Hindu political leaders' choice of idiom and objectives. The Muslim socio-religious reformers shared the tactical limitations of their Hindu counterparts. Unlike his Hindu coeval, however, the Muslim political leader found himself obliged by the peculiar circumstances of his community to work under constraint. The new ideas of liberty, equality and fraternity, envisioned within the framework of democracy, spelt for the Indian Muslims not so much new hopes and aspirations as new fears and anxiety. The inability, barring exceptions, to seize upon these shibboleths meant that the Quran and the whole Islamic traditions would have to inspire the political ideals that the Hindus or the Parsis had assimilated

from the West.

The failure of the Muslim thinkers to move away from mediaevalism in regard to political thought flowed from the non-dissociation of politics and religion for which the position of the Muslims as the leading minority community was responsible. While Shakir criticises the intrusion of religion into politics, he does not relate it with the mediaevalism of Muslim political thought. Rather, he laments that what 'Muslim political thought lacked was a constructive and bold humanism to re-state Islamic social ideas, taking rationalism to its logical end and a revolutionary interpretation of the Quran'. He goes further: 'These are the minimum requirements for independent political thinking. This task will call for men of genius and imagination and a vision of the future.'

Whatever merit the book possesses as an anthology is badly marred by its atrocious production. Quotations appear promiscuously without regard to meaning. Here is an illustration, a passage that refers to nationalist Muslims:

Their method was one of drawing-room meetings and mutual arrangements and pacts and at this game their rivals, the communal leaders were greater adepts... the collapse and the elimination of the nationalist Muslims as a factor responsible for this story.

Can any man tell what the above reproduction means? Confusion is worse confounded by the absolute freedom with which inverted commas are inserted or not inserted irrespective of where quotations begin and end. There are references in the notes but not in the text, and, at least once, *vice versa*. A more egregious jungle of disordered references and misprints is not easy to conjure.

Books Received

Almond, Gabriel A and James S Coleman (ed): *The Politics of the Developing Areas*; Princeton University Press, 1970; pp xii + 593; Rs 22.

Gold, Joseph: *The Stand-By Arrangements of the International Monetary Fund — A Commentary on Their Formal, Legal and Financial Aspects*; IMF, 1971; pp xii + 295; \$ 4.

Katz, Daniel and Robert L Kahn: *The Social Psychology of Organisations*; Wiley Eastern, New Delhi, 1970; pp viii + 498; Rs 14.50.

Marketing and Economic Research Bureau: *Economic Import of Computers in India — A Survey*; MERB, 1971; pp vi + 65; Rs 15.

The American Science of Indian Politics

An Essay in Sociology of Knowledge

T V Satyamurthy

State Politics in India edited by Myron Weiner; Princeton University Press, Princeton, 1968; pp 520.
West Bengal and the Federalising Process in India by Marcus J Franda; Princeton University Press, Princeton, 1968; pp 257.

OF all the 'developing' or 'new' nations of the world, India attracts the largest number of American academics in the field of political science research. This is not simply a result of India's enormity although size is a contributory factor. The major reasons for the glut of American political science scholarship on the Indian scene are psychological. American political scientists, not unlike the Indian elite whom they study (this rather than 'Indian politics' is their main preoccupation although they claim interest in the larger field), are rigidly conservative in their outlook with a monochromatic perception of what politics is all about. Most of them disguise their mental and emotional absorption in American policy towards, and interest in India ('to keep her from going red', 'to help her preserve her image as the world's largest if not the best or the most affluent democracy') with the all too transparent veil of value freedom, objectivity, scientific and methodologically sensitive inquiry, and of course quantitative sophistication. The more influential among them (e.g. Myron Weiner, the editor of one of the books under review) are frequently consulted by the Department of State. Need one add what kind of persons Washington would turn to for political advice? The less influential among them, usually the disciples of the former, aspire to follow in the footsteps of their powerful masters along the corridors of influence in policy-making. Nowadays one hears of splinter groups of radical American scholars of the social science disciplines who form their own nuclei away from the mainstream of the (American) Association of Asian Studies; but these are for the most part, economists, philosophers, anthropologists and sociologists and seldom political scientists.

American political scientists love electoral politics; they adore national leaders — preferably of the charismatic variety, especially if they are amenable to being interviewed and taped.

— who can effectively run their governments on the basis of a policy represented by a skilful mixture of coalition-making, bargaining, negotiation, popular appeal and a perpetuation of the *status quo* resting on a programme which is presented in increasingly radical terms at successive elections (never mind the 'credibility gap'!) In other words, they are fascinated by the normal American political virtues wherever they are able to spot them on the surface of the earth. India has been able to keep revolution at bay, the military behind the barracks except for occasional flood relief and election security (fortunately for the political leaders the Indian military officers, to date, true to the traditions of Sandhurst, would blush in embarrassment if anything as improper as a suggestion of a political nature were to be made to them), and the teeming millions of her people in a blessed condition of semi-starved fatalism — one must add, not by deliberate design, but by a combination of the utmost goodwill and a dogged faith in the capacity of institutions inherited from the colonial mother country to help her muddle through from crisis to crisis without upsetting the equilibrium.

No wonder then that the sight of eager American seekers of political scientific knowledge of India is not unfamiliar to the average Indian city-dweller (or, for that matter, some of the rural folk who happen to live in the areas caught in samples recommended by value-free computers in American universities!). I cannot think of any subculture of American provenance in India more numerous or more persistent than the political scientist (of all descriptions), with perhaps the single exception of the hippies. The above description of American political science will no doubt be vigorously opposed by its practitioners.* No further evidence is needed than any bibliography of a fairly decent size made up from American university publishing houses during the last two decades to

demonstrate that the picture drawn here falls short of being a caricature because it is a reflection of the true state of the discipline. So much by way of a general statement about the American scholar interested in Indian politics.

PILGRIMAGE TO AMERICA

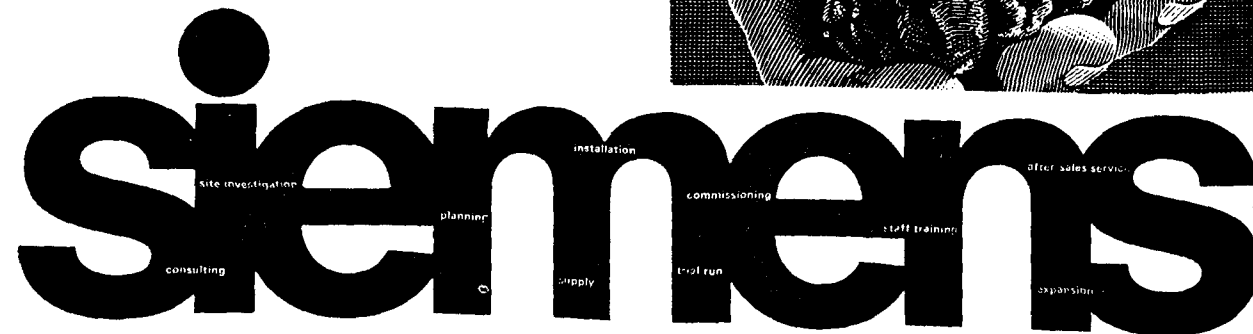
What about the Indians? The Indian side of the relationship should be viewed from two different angles — that of the politicians (or the subjects of study) and that of the Indian political scientists. Indian politicians (except Hindu fanatic leaders and committed revolutionaries), including a sizeable band of the Leftist ideological spectrum, are dazzled by the United States though they realise that it would be imprudent to admit in public their devotion to a foreign country. The fervour with which many of them entertain the idea of visiting the US is only equalled by that with which their ancestors approached their pilgrimages; most of them would like their children to receive at least a part of their higher education at an (or rather any) American university or college; and, almost all of them would like to accumulate (as much for display as for use) articles imported from America (preferably brought over to India personally by friends or relatives after dodging the customs authorities). They are even more attached (in this respect the senior civil servants and diplomats are not only more sophisticated but also more devoted than the politicians)

* One of the reviewers of Weiner's book (not the one reviewed here) was forthright enough to raise a number of questions of fundamental importance, and in so doing, to subject it to savage but thoroughly justified criticism. Weiner's reply to it, published along with the review speaks for itself. I have seldom seen such academic pettiness and a defensive refusal to see the basic points behind criticism. See *Journal of Commonwealth Political Studies*, Vol VII, No 2, 1969, pp 168-170.



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to the value system (freedom of trade, unlimited competition, survival of the fittest, institutionalised solutions to problems, etc) underlying what they perceive as the great material success of the US. And beneath this bedazzlement with what the US offers their senses they feel comforted (the politicians more than the civil servants of senior ranks) by the thought that they themselves are the repositories of a great spiritual tradition — often animated by the further speculation that a system combining the spiritual perfection of India and the material perfection of America would not only be ideal but also was within their reach.

In the choice of institutions, their experience of the British system determines the initial step; but the subsequent steps are conditioned by the 'demonstration effect' of the American system. The ecological imperatives — a numerous and poor populace living mostly in rural parts, still a long way from universal literacy let alone education, yoked to a tradition which stresses social inequality more genuinely and effectively than these leaders emphasise constitutional equality—would, of course, indicate that rapid social change would be precluded by an excessive devotion to institutional fads and that revolutionary approaches to the solution of political problems will manifest themselves sooner or later in different parts of the country. But these signals are as irrelevant to them as they might be inconvenient. Furthermore, they repose undying faith in the capacity of the Indian masses to be so excited by the misdeeds of Pakistan and China as to forget diversionary revolutions or revolutionary diversions of Indian origin; and, in their own ability to incite the masses in such directions. Some of these cushions of psychological comfort are being removed from under their seats with Bangla Desh attempting to become an independent state with friendly overtures to India (to the extent of broadcasting verses from the Bhagavad Gita and allowing a Ramayana production to be relayed), and the Indian masses taking a keen part in the elections (especially the recent mid-term Lok Sabha elections of 1971) with unpredictable results.

But the Indian political system as it was devised at independence is a Jugernaut and old diehards can survive setbacks in the hope of retrieving lost ground. By and large, it is based on the primacy of those who constitute the political elite and the relative periphery of the people, the masses, the

majority. This elite, not unnaturally, welcomes American political scientists — in all sorts of disguises — with open arms. At the drop of an American hat interviews are gladly granted. An American scholar of medium stature (or even status) is assured of easy, frequent and practically unlimited access to a high level Indian politician or administrator; and an American scholar of any level of attainment or status is assured of access to any Indian occupying a fairly high level on the totem pole. To some degree this is a racial preoccupation (see, for instance, the writings of Naipaul, Moraes, Nirad Chaudhuri and a recent speech delivered in Delhi by Han Suyin on urban based Indians in this regard) — anything white goes; but generally speaking it is much deeper and more enthusiastic and committed than a mere recognition of superiority of skin colour. No wonder then that visiting American scholars always feel assured of a field day in India; and in the name of collection of information for value free analysis and furthering free inquiry the American scholar and the Indian politician nourish each other's prejudices and preconceptions about the nature of politics.

EASY ACCESS

The Indian scholar is caught between the affluent American scholar on the one hand and on the other the hierarchy-conscious Indian politician and administrator. Well established and universally recognised canons of conduct strictly govern the apportionment of respect, access and general priority to different categories of people. According to these, any American (including an undergraduate but excluding perhaps the most extreme and disagreeable examples of sartorial inelegance such as the hippies) is automatically entitled to a greater degree of access to Indian politicians than even relatively highly placed Indian scholars. In the social hierarchy prevailing in India, Indian academics (especially social scientists) occupy a fairly low place. It is so unlikely that a cabinet minister or even a member of parliament of some importance (who would easily find time for an hour's chat with an American journeyman scholar) would grant an interview to an Indian scholar engaged in research, that the latter would rarely even toy with the idea of seeking one. Besides, the Indian scholar belongs to a miserable species which bases its *raison d'être* on a professional and intellectual emulation of its West-

ern counterparts — especially the American. This means that he suffers from the double disadvantage of not being able to generate an approach and fashion tools of his own, and always being inferior to the American scholar whose speed and resources are beyond his capacity. Ignored and despised by his own compatriots in positions of political and administrative authority and patronised by his American colleagues, he cannot really hope to come into his own. No wonder then that post-War India cannot point to more than a handful of competent political scientists — who are generally educated in the West but have subsequently become so disillusioned with their training that they have felt the compelling need to set for themselves new terms of reference and new methods of study, by a process which recalls to mind the phrase 'thought re-moulding'.

Politics are about people. The Americans define these in terms of political relevance, and by the criteria used in American political science to determine this condition, well over 50 per cent of the American population would qualify; but the same criteria when applied to Indian conditions leave well over 80 per cent of the population out of all account and restrict political relevance to a small section of the populace which, by objective criteria of judgment, would probably be much less important than some sections completely omitted from the analysis. This precisely is the cardinal defect of the American political science of India (and to a lesser degree the Third World as a whole) — its psephology, its studies of political parties, political socialisation, etc — and it is a defect for which there exists no remedy except a root-and-branch one. Both books under review are severely subject to the limitations inherent in the approach described above.

Weiner's book deals with the political processes in Uttar Pradesh (by Paul Brass), Madhya Pradesh (Wayne Wilcox), Maharashtra (Ram Joshi), Jammu and Kashmir (B Puri), West Bengal (M F Franda), Rajasthan (L L Shraider), Andhra Pradesh (H Gray) and the Punjab (B R Nayar). The chapters dealing with the eight States (out of a total of 17) are preceded by a grand sweep summary by the editor. Of the contributors, five (including of course the editor) are Americans, three are of Indian origin (of whom, Nayar, was trained in research at the University of Chicago) and one (H Gray) is an Englishman. There is a distinct difference in quality, depth, timbre and sensitivity

between the various contributions depending on the background of the authors. The Americans' essays are stereotyped encapsulations of extremely complex political processes into facile formulae generated by an application of quantitative techniques of a spurious character (e.g. the chapter on UP). All the clichés relating to Indian social structure (caste, religion etc) and all the pat jargon of American political science (the demon of 'political stratification' rears its ugly head often in this volume) are brought together in common focus on a thin slice of political reality represented by that which is supposedly politically relevant. None of them stray away from the beaten path of assuming that politics = government = party = the Congress except to make ritual concessions to the activities of the Rightist and Leftist oppositions (of course, within the institutionalised party structure). The word 'Naxalbari' or 'Naxalite' does not even occur in a footnote throughout the book, and the term "Shiva Sena" finds but a single mention. What kind of book is this? Of what use can it be in understanding the political process — the process by which more and more people are being drawn into the vortex of dynamic political activity.

MEANINGLESS DATA

A good deal of painstaking collection of aggregate data — most of which are of scarcely any relevance to serious observations that could be made about Indian politics — has gone into the preparation of tables in the overall survey by Weiner, tables containing demographic data, showing 'political participation (what does it mean anyway?), newspaper circulation, etc. The entire essay is devoted to the identification of elites and the markers by which those who move into the hallowed sphere for the first time could be distinguished; and to defining the criteria of political stability, another sacred cow of American political science jargon. One reads this essay in vain to look for indicators of the shape of things to come in politics (in other words, indicators of change) which after all forms part of one's legitimate expectation of a political scientist. For instance, the fact that the Akali Dal is now (less than two years since the book appeared) in power in the Punjab cannot be deduced from what is said about the movement in the book (e.g. p 51). I have one other complaint — on aesthetic grounds — why are essays written in such a tedious and boring fashion? Of the American essays, the one on UP (Brass), despite its rather ostentatious use of quantitative methods, is the most informative within the terms of reference set by its author.

The essays on Maharashtra and Jammu and Kashmir are sensitive to history and this represents a distinct advance over the other essays in the book. I do not share the view that simply by virtue of being a native of a particular place one can write a good account of it; I would vehemently oppose the view that a non-native cannot write the best account of a given place. But reading these two essays I am of the impression that, other things being equal, it is a distinct advantage to be a discerning native. Both essays read very well though they suffer from the important limitations to which the general approach of the book is prone. Nayar's essay on the Punjab would have benefited from a more narrative approach and a greater use of material relating to social classes and rural politics readily available. Hugh Gray's essay on Andhra Pradesh is the most turgid and pedestrian one in the entire volume. It reads like an article in the *Journal of Local Government Overseas*, and contains little more than a blow by blow account of the Congress Party in Andhra Pradesh and its recent history, and a mechanical account of the State political administrative structures. On the whole Weiner has put together a disappointing volume.

Weiner is fascinated, among other things, by Indian federalism (I do not know why — though, of course, he summarises the constitutional and administrative aspects of this phenomenon. I for one can think of few topics in Indian politics which excite less interest in me than this for the precise reason that it is a dead end subject in which there are few intelligent questions to ask and no interesting answers to find). Franda devotes an entire book to a study of this phenomenon from the perspective of the relations between the West Bengal and Central Governments during the period 1947-64. He chooses three cases — the delimitation of Bengal boundaries within the Indian Union (excluding Berubari) subsequent to Independence, the case of the Damodar Valley Project or DVC (by far the most interesting of the three) and land reform legislation. He comes to the not altogether startling conclusion that in theory the Central Government has

practically unlimited constitutional rights to regulate its relations with a State, but in practice the Central Government has always opted in favour of mutually agreed solutions, often refusing to impose its will even when called upon to do so. The last two chapters in which the author attempts to pull together his findings against a wider background of inter-State comparison are really very weak (especially the comparison between Madhya Pradesh and West Bengal) and insubstantial.

Were I to have doubted my conviction that the subject of Centre-State relations in India within the institutional framework obtaining under present day conditions (I am convinced that Central-State relations are important — but at an entirely different level of perception about politics, i.e. at the level which reflects subtle changes in the actual political process and its dynamic, irrespective of whether it is or is not reflected in the existing institutions) before reading this book, my doubts would have been set at rest afterwards. But a word of praise and a complaint before I close. It is a well researched book — especially chapters 2-5. The use of abbreviations leaves much to be desired (CWC would be less ambiguous and more proper than WC for the Congress Working Committee; WBLSRC and LRSC are interchangeably used and could cause confusion in minds not wishing to specialise in Bengal politics). A major defect of the book is its lack of perception of the 'winds of change', considering that its author was in Bengal during the most exciting period in its post-Independence history when the strong Communist Party of India (CPI), especially powerful in West Bengal, split into three divisions — the CPI, the CPI (Marxist) and the CPI (Marxist-Leninist) — a split which has advanced rather than retarded the political fortunes of the Left as a whole.

One last word. Such books as these which are very influential in the universities of America and to a smaller degree elsewhere in the West, and which are often accepted as authoritative in Indian universities should be thoroughly analysed and critically examined. I believe this task can be achieved only by looking at the phenomenon of American political science of India as a subject in the field of sociology of knowledge calling for an explanation, in particular, of the symbiotic relationship between the American scholar and the Indian politician.

Occupational Values and Business

Baldev R Sharma

While cultural goals and institutionalised norms are the two acknowledged basic elements in any social system, they do not seem sufficient to explain the choice of a particular profession by any group in a society.

Intra-occupational comparisons between two societies suggest that particular occupations attract people who have similar values, and that the choice of occupation is determined more by those values than by the reputed characteristics of the culture of a society.

A comparative study of business students in the US and in India indicates that cultural images of the two countries are simply inadequate to explain the choice of occupation by the students, and that the two groups do share a definite view of life and a certain preference of values.

[The author gratefully acknowledges the assistance of his research associate, Minal Sharma, in the preparation of this paper.]

THIS is a study of the occupational values of business students in India and in the United States. Social science literature makes it increasingly clear that the understanding of human behaviour requires a sound knowledge of the respective systems of values characteristic of the respective cultures. Cultural goals and institutionalised norms are the two elements basic to all social and cultural systems. The former consist of culturally defined objectives, purposes, and interests, which shape the hopes, dreams, and aspirations of people. In short, cultural goals are the things worth striving for. The institutionalised norms define, regulate, and control the acceptable modes of reaching out for the cultural goals. Though the cultural goals and institutionalised norms operate jointly to shape prevailing practices, they do not bear a constant relationship to one another. Societies differ in their emphasis on goals and means; the cultural emphasis on certain goals may vary independently of the emphasis upon institutionalised means.

How widely cultures differ in their value systems can be seen by comparing the systems of two societies, say, India and the United States. It is considered part of the American value system for young men to aspire to monetary success. Observers of the American scene have noticed the great emphasis on certain success-goals without corresponding emphasis on the institutional means to achieve those goals. Money is said to have become a symbol of prestige, and the values of the businessman dominate and permeate national life. During the depression of the 1930s, however, the counter-ideology of security became prominent.

Success-orientation and emphasis on security are said to dominate and colour American life today. Parsons has called such a value system "instrumental activism" in which the society, or a part thereof, is not an end in itself but may be used as an instrument for attaining or producing desired things.

In contrast, the Indian society is said to involve almost the 'glorification of death' as that for which life is really lived. Whereas the Americans, as Margaret Cormack says, emphasise individual success achieved through ambition, initiative, courage, and rights, the Indian society highly values social harmony, emphasising co-operation, compromise, sacrifice, and duties. However, India is changing, and so are its value systems. The 'individual-self' is beginning to appear in the Indian society; social harmony, acceptance, and security-dependence are going out, and social progress, personal anxiety, and insecurity-independence are coming in.

OCCUPATIONAL CHOICE

Whenever a person makes a selection from among a number of alternatives, it is likely that some value has a bearing on the decision. An occupational choice is not itself a value, but it is made on the basis of values. In this study I shall discuss, among other things, the role of such values in occupational choice. Just as people differ from one another in value orientations, so also occupations differ in the opportunity they afford to people to satisfy their values. Usually, students have an occupational image, a discernible idea of the distinctive demands and rewards characteristic of each occupation. In selecting their careers, therefore, they tend to pick a field of work that, as they see it, provides rewards

and makes demands that are congruent with their own set of values. This means that there is sort of selective recruitment. If students choose occupations they feel are compatible with their values, it follows that each occupation will tend to attract individuals with distinctive values.

By and large, there are three major approaches to the study of 'values that work is expected to satisfy'. First, values are conceived as *instrumental* — having to do with money, status, prestige, and security. Secondly, values are viewed as goals — having to do with self-expression. And, finally, values are treated as *interpersonal* — having to do with people. It is suggested by some that those choosing the world of business tend to emphasise the instrumental values (i.e. extrinsic rewards), since businessmen have a better chance of earning money than do, say, teachers. Similarly, those who emphasise interpersonal values are said to turn to occupations like social work where one expects opportunities to satisfy those needs. Thus, when a person is looking for a career, his values play an important part, if not in determining the choice, at least in delineating the range of occupations that are to be chosen from. It is because of this that there is a tendency for people in a particular occupation to have certain value-orientations in common.

In a society where every man has, by and large, equal opportunity to climb to the top of the economic ladder, one might expect the family background to play a relatively minor role in determining a person's occupational choice. But evidence suggests that such conditions rarely prevail anywhere. The socio-economic background of the person

June 5, 1971

TABLE 1 : QUESTION: HOW IMPORTANT IS IT TO YOU TO GET AHEAD IN LIFE ? (percentage distribution of responses)

	India	USA	Total
(a) Not at all important /not very important	3.3	3.3	3.3
(b) Fairly important	25.0	35.3	29.7
(c) Very important	71.7	61.4	67.0
Total :	100.0	100.0	100.0
Number of cases :	(180)	(153)	(333)

$X^2 = 4.241$ $df = 2$ (not significant)

TABLE 2 : QUESTION : IF YOU HAD YOUR CHOICE, WHICH OF THE FOLLOWING WOULD YOU MOST LIKE TO BE ? (percentage distribution responses)

	India	USA	Total
(a) Successful	45.8	43.8	44.9
(b) Well liked	30.2	36.6	33.1
(c) Independent	24.0	19.6	22.0
Total :	100.0	100.0	100.0
Number of cases :	(179)	(153)	(332)

$X^2 = 1.84$ $df = 2$ (not significant)

is an important determinant of his occupational level as well as of his aspirations. Since the possibility of earning a good deal of money varies from occupation to occupation, it is natural to assume that students from higher economic backgrounds would tend to select careers that are known to be lucrative. Business and the independent professions are the most likely fields to be chosen by persons who seek to make a good deal of money. The more prosperous one's family background, the more likely one would be to choose such an occupation.

Each society is characterised by value systems distinct from those of other societies. Within each society, there are sub-cultural differences in the value-orientations of people. An occupation is one such sub-culture. Each occupation is characterised by social values and attitudes peculiar to itself. Through the process of socialisation, including anticipatory socialisation, individuals begin to acquire and incorporate the distinctive values of various occupations even before they enter the job market. It is with this phase of socialisation that the present study is concerned. I propose to study the occupational values of students of business administration in the two cultures:

India and the United States. Specifically, I would like to seek answers to the following questions:

- (1) What are the characteristic values and attitudes of students of business administration?
- (2) How do the Indian business students compare with the business students in the United States in their values and attitudes?
- (3) Are there any cultural universals in the sphere of occupational values?
- (4) What is the relative importance of occupation *vis-a-vis* culture in shaping the occupational values of future managers?

METHODOLOGY

In 1961-62, I studied a group of American college students at Cleveland, Ohio, as part of my Master's thesis research for Oberlin College. The study was an attempt to measure the attitudes and values of students majoring in business administration and engineering at two educational institutions. The main objective of that research was to find out how the values and attitudes of students of business administration compared with those of their counterparts in engineering. The research was inspired by the Cornell Value Study which had been conducted in the early 1950s. The sample for my 1961-62 study included 153 business administration and 77 engineering students. Data were collected by mailed questionnaires. Most of the students were undergraduates from all four years of college, but there were some post-graduate students as well.

Seven years later, in 1968-69, I decided to conduct similar research in India. The aim, this time, was to study a group of Indian business administration students and to compare them with their American counterparts. Whereas the focus of the earlier study had been inter-occupational differences in values within a single socio-cultural setting, I was now interested in examining the impact of the socio-cultural environment on attitudes and values. To hold occupational differences constant, I decided to take only the 153 business administration students from the American sample and to compare them with the sample of Indian students. The 1968-69 study was conducted at the Indian Institute of Management, Ahmedabad, where an identical questionnaire was administered to all the post-graduate students. In both cases, the questionnaires were completed by students in complete privacy, i.e., without the researcher's presence on the scene. The rate of returns of the completed questionnaires was 78 per cent in

the United States and 83 per cent in India.

The two samples of students selected for this study were identical in many ways. In both cases the students were in their early twenties, although the Indian students were slightly older than their American counterparts. A large majority of the students were men. The Indian students had comparatively more education because they had already completed four years of college and were now undergoing a two-year post-graduate programme in business administration. Most of the students in each sample came from large urban centres, belonged to upper or upper-middle class families and their fathers held white-collar jobs. The educational as well as occupational status of the Indian fathers was slightly higher than that of the American fathers. One can only hope that these and other differences do not seriously affect the findings of the present study.

OCCUPATIONAL GOALS

Writers of the American scene have invariably referred to the emphasis placed in their society upon success in life. Men there are encouraged to strive for success, which usually means money. Cynics have branded this urge success-mania, rat-race, materialism, etc. In contrast to this dynamic image, India is thought to be a stable society, tied to her past, and much less anxious to move ahead. These two pictures of the United States and India are, of course, exaggerated, and represent, at best, only ideal types. Let us examine whether the two societies do in fact differ in their emphasis on success as a goal. Let us also examine whether the preferences of the two students groups for the different means to achieve their goals are similar or different.

I asked each student how important it was for him to get ahead in life. Table 1 gives the distribution of responses by the two student groups. The major conclusion from the data in Table 1 is that the Indian and the American students do not differ radically in their emphasis on success. A very small proportion (3 per cent) in each sample considered getting ahead to be either not very, or not at all, important. The remaining 97 per cent of respondents in each sample considered success to be either "fairly" or "very important". The Indians surpassed the Americans by a margin of 10 per cent, but this difference is not statistically significant.

Another question, every student was

asked was, "If you had your choice, which of the following would you most like to be?" The alternatives given were: (1) successful, (2) well-liked, and (3) independent. Table 2 shows that among the three alternatives, becoming "successful" was the most important goal, followed by being "well liked" and "independent" in that order. Again, there is no significant difference between the two student samples in their emphasis on success. In fact, the same is also true of the other two goals indicating that the likeness between the Indian and the American samples is so great that it transcends the socio-cultural differences existing between their two societies.

Among the students of business administration studied, there was no significant difference between the two societies in their emphasis on getting ahead in life. It is hard to say that the cultures of the two societies are so similar as to produce identical patterns of responses among their students. Rather, their identical responses seem to be the result of their common occupational identities. Both groups of students are preparing themselves for professional careers in business management, a field well known for competition, ambition, drive, and phenomenal rises and falls. In every society, therefore, the field of business management attracts only a certain type of person who has the personal attributes conducive to success in business. Indirectly, an occupation seems to select its members, and this fact might explain why the Indian and the American students studied were so similar in their emphasis on success.

CHOICE OF MEANS

Even though the two groups of students placed identical emphasis on getting ahead in life, they did not agree on the *means* to achieve that end. It is said that success in business may sometimes require compromises with what one believes as a citizen; that personal ethics and the demands of the organisational role may not always be congruent. Every student was asked whether he agreed with the statement, "In order to get ahead in life these days, you can't afford to be too squeamish about the means you use". Table 3 shows the distribution of responses of the two groups of students. A much larger proportion of Indian students agreed with the statement compared to the American students. Conversely, the proportion of those disagreeing with the statement was much higher among the American students than among the

Indians. The differences between the two samples are statistically significant. Compared with their American counterparts, the Indian students are less likely to be bothered by scruples in pursuance of the success goal.

Another question asked the students to react to the statement: "In order to be successful in life, you have to be able to make people do what you want". Once again, a higher proportion of Indian than American students agreed with the view that "you have to make people do what you want." As Table 4 shows, the degree of aggressiveness seems to be higher among Indian business students than among the American ones. The American students were divided equally between agreement and disagreement with the statement, whereas there were twice as many Indian students who agreed as those who disagreed.

The final question in this section was about the degree of confidence and optimism of the two groups of students in their occupational futures. They were asked to list all the occupational objectives they had in mind at the time of entering their present course of study. Next they were asked, "Now that you have had some training in your chosen profession, how many of these requirements do you think are likely to be satisfied in your case?". The responses to this question are presented in Table 5, which shows that the two groups of students differ significantly in the degree of their confidence, and that the American students are more confident than the Indian ones. This is hardly surprising, since a developed economy such as the United States has far more job opportunities and an environment far more supportive of the needs of the individual than a developing society like India. Yet, almost two-thirds of the Indian students (as against three-fourths of American students) hoped that "most" of their occupational goals were likely to be satisfied.

Even though the Indian and the American students of business management do not differ from each other regarding their emphasis on success as an occupational goal, their similarity ends there. The two groups differ in their choice of means to reach their goal. While the emphasis so far had been limited to the success-goal, let us examine a broader canvass in terms of both ends and means of occupational activity on the part of the two student groups.

Each student was given a list of 10

TABLE 3 : "IN ORDER TO GET AHEAD IN LIFE THESE DAYS, YOU CAN'T AFFORD TO BE TOO SQUEAMISH ABOUT THE MEANS YOU USE"

	(percentage distribution of responses)		
	India	USA	Total
(a) Strongly agree/agree	45.8	26.8	37.0
(b) Undecided	16.9	11.1	14.2
(c) Disagree/strongly disagree	37.4	62.1	48.8
Total	100.1	100.0	100.0
Number of cases	(179)	(153)	(332)

$X^2 = 20.189$ $df = 2$ $P < 0.001$ $\bar{c} = 0.349$

TABLE 4 : "IN ORDER TO BE SUCCESSFUL IN LIFE, YOU HAVE TO BE ABLE TO MAKE PEOPLE DO WHAT YOU WANT"

	(percentage distribution of responses)		
	India	USA	Total
(a) Strongly agree/agree	58.7	41.8	50.9
(b) Undecided	11.2	14.4	12.7
(c) Disagree/strongly disagree	30.2	43.8	36.4
Total	100.1	100.0	100.0
Number of cases	(179)	(153)	(332)

$X^2 = 9.460$ $df = 2$ $P < 0.01$ $\bar{c} = 0.242$

occupational goals and was asked to check the ones he had hoped to satisfy before entering the present field of studies — i.e., business administration. The students were allowed to check as many of the given alternatives as they liked. The results of this query are presented in Table 6.

Table 6 highlights a number of things. First, that money and security were mentioned chosen by almost two-thirds of students in each sample as the two most important goals. Secondly, the two groups differed slightly in their relative emphasis on money and security, the Indian students preferred money over security while the Americans opted for security before money. Thirdly, the two groups were similar in their emphasis on the following goals: opportunity to use special abilities and talents (Rank 3); social status and prestige (Rank 4); adventurous experience (Rank 7); and freedom from supervision (Rank 9). Fourthly, there was a difference of only one point between the ranks accorded by the two groups

to opportunity for leaderships; both groups seemed to consider this value of average importance. Fifthly, the two goals involving other human beings received somewhat different emphases from the two groups of students — the Americans being slightly more people-oriented than the Indians. Finally, the item with the greatest difference (ranked sixth by Indians and tenth by Americans) was opportunity to be creative and original. Perhaps this difference reflects the high degree of routinisation of the managerial function, especially at lower levels, in America; on the other hand, in India such roles are of more recent origin and, therefore, offer greater scope for creativity and originality.

Despite certain differences in the rankings by the two groups of students, there is a strong overall agreement between them. For example, the occupational objectives of the Indian and the American students of business are highly identical. Since similarity between the two cultures cannot be assumed, the similarity between the occupational roles of the two groups of students must have something to do with the findings.

In other words, like other occupations, business management attracts only a certain type of people who tend to share a set of values that are congruent with the demands of their occupational role. In every culture it is possible to find individuals with varying sets of values. If the hypothesis that an occupation selects its members is accepted, it is not difficult to understand why business students in India and the United States are so close to one another in terms of their occupational values.

Apart from the similarities and dissimilarities discussed so far, there is another interesting fact worth noting. The profession of business management seems to de-emphasise people-oriented values among its members. In both groups, these values were ranked at the lower end of the value hierarchy. In fact, the Indian students gave the value of being helpful to others the lowest rank, while the Americans, too, ranked it as one of the last three goals. Similarly, opportunity to work with people was given the eighth rank by the Indians and the fifth by the Americans. Against this, students in both groups placed an overwhelming emphasis on such goals as great deal of money and stable and secure future. The picture of the typical business student which emerges from the data

is that of a self-centred man who believes in the philosophy of every-man-unto-himself. What might come as a surprise to many is the relatively low emphasis placed on leadership. In both groups the students considered it only of moderate importance to want to exercise leadership through a business career.

So much for the ends of occupational activity. The choice of means to achieve those ends are examined next. The Indian students are reported to be generally inclined to be less scrupulous in pursuing their occupational goals than are their counterparts in America. Also, the Indians are more willing to "make people do what you want" than are the Americans. In another question, each student was asked to indicate the qualities that get a young man ahead in the field of business management. The respondents were given a list of 18 qualities and allowed to check as many out of them as they considered essential. The results of this inquiry are presented in Table 7.

Despite the relatively long list of 18 alternatives, and the sharp contrast between the two socio-cultural systems, there is still a high degree of agreement between the rankings by the two groups of students. This agreement could not result from an accumulation of random errors. That is to say, there is something basically similar about the two samples under study which is responsible for the identical responses. This common denominator, as already suggested, is the affiliation of the two student groups to the same occupation, business management. The two groups of students studied, share a common occupational culture, which in some ways seems to transcend the differences in their national cultures.

The foregoing evidence suggests that the occupational culture of business management places a relatively high emphasis on such goals as making a lot of money and ensuring a stable and secure future. As long as these overriding needs are met, the members of this profession are perhaps willing to let go a number of other things like creativity and originality, adventurous experiences, being helpful to other people, and so on. In fact, they are willing to forgo even personal autonomy. "To be free from supervision" is one of the last things that members of the profession of business management are concerned about.

What do young men and women studying business administration con-

TABLE 5: QUESTION: HOW MANY OF YOUR OCCUPATIONAL GOALS DO YOU THINK ARE LIKELY TO BE SATISFIED?

	(percentage distribution of responses)		
	India	USA	Total
(a) Most of them	65.4	77.6	70.9
(b) Some/very few/none of them	34.6	22.4	29.1
Total	100.0	100.0	100.0
Number of cases	(179)	(147)	(326)

$$X^2 = 5.806 \text{ d.f.} = 1 \text{ P} < 0.02 \bar{c} = 0.207$$

der as the secret of success in business? Intelligence is, of course, a prerequisite; but even more important than that is the ability to express oneself. Both groups of students believe that, more than anything else, they have to talk their way to success in business. Communication, therefore, is viewed as the major secret of success. It is interesting to note that practical knowledge of facts, devotion to work, and even leadership ability are of only moderate importance. If, on the other hand, a person has the ability to convince and persuade people, he is sure to succeed in business. Such factors as luck, well-groomed appearance, or social poise, are considered of little importance. Even less important are good grounding in basic theory, knowledge of special technique, or access to capital.

Although the Indian and the American students of business generally agree on both the ends and the means of their occupational activities, there are some differences. Critics have often blamed the Americans for their worship of Mammon. I have heard many Indian students in the United States decrying the materialism of Americans and playing up the Indian tradition of spirituality. The data in Table 6 show that, among the various alternatives, a chance to earn a good deal of money is regarded as one of the two most important objectives by both Indians as well as Americans. In fact, the proportion of those considering this goal as important is much higher among the Indian students (72.8 per cent) than among their American counterparts (64.7 per cent). There is another important difference between the two groups concerning the relative importance given to money and security. Contrary to popular belief, the Indian students consider money more important than security, while the Ameri-

TABLE 6: OCCUPATIONAL GOALS THAT INFLUENCED THE INDIAN AND AMERICAN STUDENTS IN CHOOSING BUSINESS ADMINISTRATION AS A CAREER

Occupational Goal	India (N=180)			USA (N=153)		
	N	Per Cent	Rank	N	Per Cent	Rank
1) Chance to earn a good deal of money	131	72.8	1	99	64.7	2
2) Stable and secure future	119	66.1	2	105	68.6	1
3) To use special abilities/talents	115	63.9	3	87	56.9	3
4) Social status and prestige	112	62.2	4	77	50.3	4
5) To exercise leadership	91	50.6	5	50	32.7	6
6) To be creative and original	69	38.3	6	34	22.2	10
7) For adventurous experience	64	35.6	7	47	30.7	7
8) Opportunity to work with people	42	23.3	8	72	47.1	5
9) To be free of supervision	35	19.4	9	37	24.2	9
10) To be helpful to others	29	16.1	10	40	26.1	8

$$\text{Spearman Rank-Order Correlation Co-efficient } (r_s) = 0.806, P < 0.001$$

can students prefer security to money.

The fact that the Indian students emphasise money over security may be explained not so much by the national culture as by the structure of the Indian job market. The accelerated economic development of the country, and the fact that formal training in business management has only just begun in India, have kept the demand for professional managers quite high and well in excess of supply. Indian students are confident they will be needed and they are concerned not with the stability or security in their occupational lives, but with its monetary gains. Certain of the cake, they are, in fact, looking for the icing! This pattern of behaviour can be explained entirely by economic rationality and has very little to do with Indian culture. The Indian job market for the professionally competent business manager is even more favourable than in the United States where formal business education is neither new nor scarce. American business administration students have to worry about keeping their jobs in the teeth of keen competition, and this may be why they worry more about stability and security.

The two samples differ insofar as the choice of means is concerned. The major difference is over the importance of (1) ability to convince and persuade people and (2) hard work and effort. Of the American students, 72 per cent rank hard work and effort next only to the all-important ability to express yourself, as regards the means to success in business. The Indians rank hard work and effort eleventh on the list. The same is true, though in reverse, of ability to convince and persuade people. Indian students consider this quality the third most important among the list of 18 alternatives, while the

Americans give it the eleventh place. While cultural explanations for these differences sound plausible, they are not really necessary as neither sample is completely representative of its respective country.

The high emphasis on hard work by the American students indicates the competitive nature of the job market as well as the competition within an American business organisation. The Indian managers, on the other hand, are less sensitive to the need for hard work and effort. The Indian students' emphasis on the ability to convince and persuade people may spring from the "case method" of teaching to which they are exposed at present. The case method, borrowed from the Harvard Business School, emphasises the importance of group discussions and team work. The American schools included in the sample did not teach

through the case method. If a sample from, say, the Harvard Business School had been used, the difference between the Indian and the American samples might well have been reduced. The crucial point, however, is this: differences or similarities between business students of the two societies do not necessarily arise from their respective national cultures. Occupational affiliation is a far more important determinant.

CONCLUSION

In summary, the two groups of students are highly identical in their occupational goals. They, however, differ significantly in their choice of means for achieving those goals. A comparison of the values of the two groups in two diverse cultures has revealed several facts that are contrary to popular belief. This shows how faulty and misleading popular notions can be, and also points to the need for more such studies. Conclusive generalisations and reliable predictions must wait till such time as we have more empirical evidence of the kind presented here. The fact that the two groups of business students, far removed from each other in time and space, emphasise almost identical occupational values shows that differences in the socio-cultural environment in which the students are brought up do not significantly modify what they seek from their chosen career. Rather, they seem to get socialised into the occupational sub-culture and imbibe the norms, values, and attitudes, pertaining to that sub-culture.

TABLE 7: QUALITIES THAT GET A YOUNG PERSON AHEAD IN BUSINESS MANAGEMENT

Quality	India (N=180)			USA (N=153)		
	N	Per Cent	Rank	N	Per Cent	Rank
1) Ability to express yourself	143	79.4	1	120	78.4	1
2) Intelligence	135	75.0	2	109	71.2	3
3) Ability to convince and persuade people	126	70.0	3	78	51.0	11.5
4) Organising and administrative ability	122	67.8	4	95	62.1	5
5) Understanding of other people	121	67.2	5.5	90	58.8	7
6) Leadership ability	121	67.2	5.5	82	53.6	10
7) Devotion to work	111	61.7	7	83	54.2	9
8) Ability to get people to like you	107	59.4	8	89	58.2	8
9) Practical knowledge of facts	105	58.3	9	101	66.0	4
10) Knowing influential people	93	51.7	10	53	34.6	14
11) Lots of hard work and effort	88	48.9	11	110	71.9	2
12) Pleasing, well-groomed appearance	81	45.0	12	92	60.1	6
13) Luck	74	41.0	13	28	18.3	17
14) Special talent or aptitude	63	35.0	14	50	32.7	15
15) Having good social poise	62	34.4	15	60	39.2	13
16) Good grounding in basic theory	51	28.3	16	78	51.0	11.5
17) Knowledge of special techniques	39	21.7	17	46	30.1	16
18) Having capital or access to it	27	15.0	18	20	13.1	18

$$\text{Spearman Rank-Order Correlation Co-efficient } (r_s) = 0.689, P < 0.001$$

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- *initiate developmental research
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- *organise mass-scale relief programmes
- *extend fortification of basic foods
- *use mass communication for nutrition education



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The rank order in which different occupational values are emphasised by business students is consistent with that found by earlier studies in the United States. This shows that a person's values play an important part, if not in determining his choice of a career, at least in delimiting the alternatives that are open to him. Occupational values, as used here, are not thought of as a fixed trait. Therefore, one may raise the question: Why cannot a person pick a profession irrespective of his occupational values and then adjust his values to the demands of the profession he has chosen?

In my opinion this is difficult but by no means impossible to do. What are the chances of a person whose values do not conform to the demands of the career he chooses being successful in

that career? In the first place, such a person may not be aware of the demands made by the occupation he chooses. When, therefore, he learns that those demands are not congruent with his values, he may either drop out of the training institution or else face an inner conflict and lack of satisfaction in his subsequent career. Alternatively, such a person may modify his values to bring them into accord with the demands of his occupation, which is, at best, a difficult process.

Despite many limitations, the findings of this study have several broad implications. I have suggested that, by and large, national cultures play a marginal role in the evolution of occupational values. This view contradicts stereotyped notions of vast cultural differences in this respect. Further, a

knowledge of occupational values, it is hoped, can enable us to select the "right" man for the managerial role. The institutions training students for the managerial profession should be particularly interested in studies of the present kind. My findings reveal that the Indian student is highly self-centred and is likely to show little concern for others. A social consciousness, which is an important aspect of the managerial role, is typically lacking among the Indian students. Are we admitting students who are socially conscious, rather than status-seeking, and who are aware of the significance of hard work? And if we are not, which seems to be the case, it is doubtful whether our future managers will be able to meet the many challenges facing the society.

North-East Frontier Tribes Impact of Ahom and British Policy

P N Luthra

The North-East Frontier Agency is inhabited by about twenty tribes, each distinct in its language and culture. The rulers of the Assam plains have adopted varying policies towards these peoples. A methodical record of the frontier tribes is available only after the advent of Ahom rule in Assam in the thirteenth century.

The Ahoms who were constantly faced with threats from two flanks—Muslim rulers in the west and Shans and Burmans in the east—were eager to establish friendly relations with the tribes. They managed to do this by introducing, along with other measures, the posa system, which allowed the hill peoples a share of the produce of the fertile plains. For about six hundred years the Ahoms largely succeeded in maintaining cordial relations with the tribes through policies of great tact and diplomacy.

When the British occupied Assam in 1826, they, unlike the Ahoms, proceeded to establish a degree of political and administrative dominion over the tribes. This was initially effected by punitive expeditions and later through the establishment of amenities like annual trade fairs. For a short period before World War One, the British became wary of Chinese encroachments into the tribal areas and set up several police posts. They did not, however, interfere in the internal life of the tribes, but they did take the initial steps in linking the frontier peoples with the rest of India.

THE North-East Frontier Agency, as it is known today, is a mountainous territory, some 32,000 square miles in area. It lies in the shape of a scythe to the north and east of the Brahmaputra valley. Herein live some 20 tribes, each with a distinct ethnic, linguistic and cultural individuality. The major tribes are, from west to east, the Monpas, Akas, Daffas, Apatanis, Adis and Tagins. In the north-east and east of the territory, which sweeps round the head of the valley, there live Idus, Taraons, Kamans, Khamptis, Singphos, Tangsas, Noctes and Wanchos. Each tribe is divided into numerous clans

which are generally exogamous. The number of clans dividing a tribal group can be appreciated from the fact that among the Idus who number about 10,000, there are about 450 clans. A habitation so severely divided into small groups had never formed a single political unit. From time immemorial, not only the tribes but even the clans and, in certain cases, the villages have led a separate existence. Various factors have driven these tribes, clans and villages into isolation. In the case of the Noctes and the Wanchos, for whom head-hunting had religious connotations, villages of the same tribe were

naturally constantly at war with each other. Among the Idus, clans mutually fought for economic gains. The situation was the same among the sub-tribal groups of Padams, Minyongs, Gallongs and Pasis of the Adi tribe. Among the Akas, there existed a semblance of tribal entity in that at the head of the tribe there was an elective Chief or Raja who, with his council, governed the village communities of the tribe.

The area of the North-East Frontier Agency was thus inhabited by a miscellany of tribes, independent of each other, varying in language and culture,

without any common bonds, living under the shadow of mutual fear and hostility. Dense forests, deep ravines and wide water gaps separated the clans and sub-tribes of these people from one another. These tribes were riven with acute competition and rivalry when in 1228 Sukapha entered Assam through Pangsau, the eastern gate of the Patkoi hills. The history of the frontier tribes and their migration into what is now known as the North-East Frontier Agency, has yet to be written in precise terms. However, claims to ancience can be judged from the fact that at least one of the tribes, called the Idus, have it that Rukmini, the consort of Lord Krishna, belonged among them. Rukmini according to Idus, was carried away by Lord Krishna, which infuriated them and led to conflict between the two. The Idus admit that they came off worse and, to symbolise the humiliation of their defeat, they decided to partly cut off their hair. This earned them the name 'Chulikata', a descriptive term whose origin was only recently unveiled when Bhishmaknagar fort was unearthed 18 miles from Roing in Lohit District. As to the authenticity of the legend, mythologists and historians will, no doubt, have a good deal to say.

ADVENT OF AHOM RULE

Any continuous or methodical record of the frontier tribes only began from the 13th century with the advent of Ahom rule in Assam. The first confrontation of the Ahoms with the frontier tribes took place in 1228, on the slopes of the Patkoi hills, when the Tangsas, Noctes and Wanchos of Tirap District offered opposition to the advance of the Shan conqueror. Sukapha, the founder of the Ahom dynasty in Assam, overpowered these tribes and adopted the most barbaric and cruel extremes to demonstrate his superiority over them. Records narrate how some of the tribals were cut to pieces, or boiled, and how the flesh of a younger brother was forced down the throat of the elder brother. Happily, however, such inhuman treatment on the part of Sukapha did not constitute the Ahom policy towards the tribal people. On the whole, the Ahoms displayed tact, diplomacy, and statesmanship, of a high order in formulating a *modus vivendi* with the tribes. The Ahoms were more concerned with carving out a kingdom for themselves out of the rich plains of the Brahmaputra valley. Their main political aim was to consolidate their

hold over the plains of Lakhimpur in the east up to what was then the Kamrup kingdom in the west. This was in itself a major operation for it meant overcoming the resistance of a large number of kingdoms and principalities of Kacharis, Chetias, Saikias, Morans, Borahis, and so on. This historical operation continued for some 450 years and it was not until the close of the 17th century that the Ahoms became the masters of the valley extending up to Manas in the west.

The policy of the Ahoms was influenced by a number of factors. Being foreigners in the land, they had to tread the ground with circumspection. To achieve a stable rule, they had to identify themselves socially and culturally with the people. They faced threats on all flanks. Mughals in the west, who had their eyes on Assam and indeed made efforts to annex it with force. In the east, they were apprehensive of a Shan or Burman offensive, in their wake, to wrest their newly-won kingdom. In the north and south of the valley, there lived a conglomeration of tribes who asserted their wild and rugged freedom by launching attacks on the plains whenever opportunity offered itself. Thus while concentrating on the main object of conquering the valley, the Ahoms were eager to establish friendly relations with the tribes so that their resources were not dissipated in guerilla warfare in the hilly terrain of the tribal people. They saw special advantage in forging friendly terms with the Tangsas, Noctes, and Wanchos, who could not only warn the Ahoms of any invasion from across Burma but could also help to oppose it.

The Ahoms were shrewd enough to realise the importance of conciliating the tribal people. In order to achieve it, they introduced the *poso* system for the Akas, Daflas and Miris on the northern frontier. This was both a clever and a humane measure. The Ahoms realised that the hill people raided the plains to seize goods which did not exist in the hills or were available in only small quantities. The *poso* system, therefore, permitted the hill people to obtain a share of the produce of the fertile lands of the Duar areas. In the case of Nagas, the Ahoms adopted the system of Naga-Khats, whereby revenue-free lands and fishing waters along with Pikes were granted to the Noctes, Wanchos and other Naga tribes on the borders of the Lakhimpur and Sibsagar Districts. The Naga-Khats were managed for the Nagas by Assamese agents, called Naga-Khatias,

who were posted by the Ahom government.

The Ahoms knew that the Mishmis in Lohit District carried on large-scale trade of their hill produce with the plains of Assam. The economy of the Mishmis depended primarily upon such barter. The Ahoms exploited the economic need of the Mishmis and permitted this trade to continue only on the condition that the Mishmis recognised the overlordship of the Ahoms.

MATRIMONIAL ALLIANCES

The Ahoms came to Assam in very small numbers — about 9,000 in all. As their dominion expanded, they were compelled to increase their community and for this they forged matrimonial alliances in order to assimilate the local people. Those who were thus ethnically assimilated enjoyed the same privileges as the true Ahoms. High ranks were offered to new entrants into their community. The Ahoms Buranjis record that, during the reign of King Protap Singh, the post of Borphookan, or Viceroy, of Lower Assam was given to a son of Banfera Wanchos.

This is not to say that the Ahom concern to conciliate the tribal people displayed any weakness on their part. Conciliation was invariably backed by show of force when the situation so demanded. They undertook punitive expeditions against the tribals and insisted on the surrender of evil-doers who were punished for their misdeeds. But the hand of goodwill and friendship was extended soon after the conflict whose sole objective was to act as a deterrent.

The Ahoms realised the importance of maintaining vigilance over the tribal people and, therefore, appointed frontier wardens. Thus the Sadiya Knowagohain was charged with overseeing the tribes in the Sadiya area, viz, the Adis, the Miris, and the Mishmis. Similarly, the Solal Gohain was responsible for looking after any threat from the Akas and the Daflas. These Gohains were assisted by the Duarias, or the guards of the passes, on the frontier between the hills and the plains.

During Ahom rule, the terms 'Bori' and 'Abori' came into use, indicating the attitude and the policy of the Ahoms towards certain tribes. 'Bori' signified those tribes which had submitted to the political control of the Ahoms and who had agreed to abide by certain terms and relations, such

as *posa*. So long as these terms were honoured, there was no bar to friendly intercourse. Indeed, on many occasions the Boris joined the Ahom army. A British officer wrote in 1883, "The Assamese army appears at this time [1660] to have been largely recruited from Nagas and Miris and it is evident that they were quite able to hold their own against the well-trained armies of Hindustan". There were, however, numerous occasions when the terms of agreement were broken and the Ahoms took armed action to push back the raiders into the hills.

On the whole, the Ahom policy towards the tribals was successful. It achieved reconciliation with certain tribes and led to assimilation of certain others. The Ahoms profitably used the tribes in the ranks of their army. There was no occasion when a tribe invoked the help of a foreigner against Ahom rule. On the other hand, there were instances when a tribe invited the intervention of the Ahom government in its inter-tribal conflicts. This is exemplified by the Banfera Wanchos who invited Ahom assistance against Banchang Nagas living to their south. It is due to their tact, resilience, and diplomacy, that the Ahoms were able to enjoy sovereignty for some 600 years in a country which was surrounded by ferocious hillmen who delighted in depredation and loot.

The Snake Pillar in the Gauhati Museum bears the inscription of a treaty arrived at with the Mishmis by the Ahoms in 1532:

"I, Dihingiya Borgohain, do hereby declare on the strength of this stone-inscription and copper table that the Mishmis with their wives and children will henceforth inhabit the entire hills near the Dibang river... Should the other neighbouring tribes ever invade the Mishmis, they would become slaves of the Mishmis".

The above demonstrates the Ahom policy towards the tribes: It meant conciliation, non-interference in their independent existence, and assistance to meet their needs if they were friendly.

BRITISH POLICY DIFFERENT

When the British occupied Assam in 1826, they inherited the *ad hoc* relations which had existed between the Ahoms and the hill tribes of NEFA. The later years of Ahom rule had been enfeebled by internal conflict and Burmese invasions. The weakening Ahom rule emboldened the hill tribes to violate their obligations and to make the best use of the prevailing chaos. The area which now constitutes the

eastern part of Tirap District and the southern part of Lohit District, being on the route of the Burmese invasions of 1816, 1819, and 1822, was the most affected. The Singphos and the Khamptis were the main tribes deeply involved in the lawlessness and turmoil of the day. The Singphos joined hands with the Moamarias towards the close of the 18th century, and they terrorised the surrounding tribes of Nagas and the Khamptis. They also frequently raided the plains of Assam to capture slaves. The Khamptis, on the other hand, used this opportunity to consolidate their hold on the Tengapani basin with a view to developing it into an independent state.

The British policy towards the tribal people ran a different course from that of the Ahoms. Geo-politically, the British were in a far more advantageous position than the Ahoms had been. The western flank offered no threat to the British, and the eastern flank was secured for them by their conquest of Burma in 1854. The northern frontier with Tibet was dormant, for China had not yet become a power. Practically throughout the 19th century the British sensed danger to India from the Russian Czar, however, through the north-west mountain passes of Hindukush. The British defensive machinery in India was, therefore, geared to forestall any Russian advance into India from the north-west. That Russophobia led to the three Afghan wars, which cost the British so dearly and which left a black mark on the history of British rule in India.

The British were determined to establish peace in Assam and, unlike the Ahoms, they intended to extend their dominion over the frontier tribes. The British came into conflict with the Singphos first. Their aim was to contain this tribe within its mountainous habitat and, if possible, to push it back to its original home in Burma. The British also intended to release the captives held by the Singphos and to prevent them from taking any more slaves. Emancipation of the slaves was as much a philanthropic as a political objective. The movement against slave trade had agitated England since 1789. This agitation ended with the passing of the anti-slavery Act in England in 1811 which was further bolstered by the Act of 1833. The movement in England naturally influenced British policy in India. This may be considered as the first act of humanism on the part of the British government in the hills of North-East India.

Such humanism had a twofold advantage — it abolished slavery and at the same time did away with the primary incentive for the raids of the Singphos. The drive against the Singphos led to the sequel of defining the political relationship between the Singphos and the British.

The relation with the Khamptis was determined by attempts to define it in specific terms and by insistence of the British on faithful and scrupulous observation of mutual obligations.

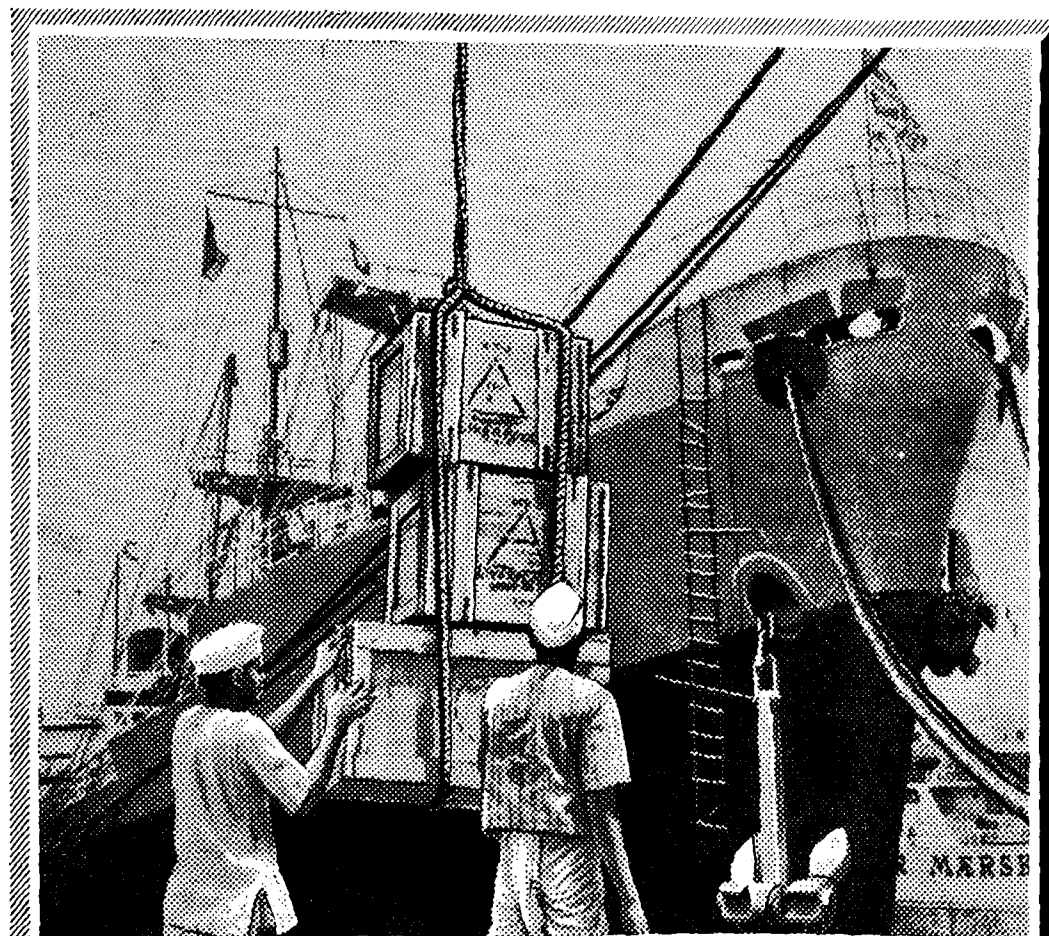
Armed conflicts with Singphos and Khamptis came to an end in the early part of British advance into the eastern corner of India. After the annexation of Burma in 1854, the importance of the Singphos and the Khamptis as frontier tribes disappeared.

INVOLVEMENT WITH POSA

With the Abors, Mishmis, Daflas and Akas — the tribes who lived along the Tibetan frontier — the British got first involved over the issue of *posa*. In this, they accepted the Ahom tradition, and limited their efforts to codifying and firmly implementing the terms of that ancient relation. Thus, in 1844, an agreement was signed with the Monpas of Towang, whereby the Monpas' claims on the plains were bought out by the British government by payment of an annual sum of Rs 5,000. Similarly the peoples of Shergaon and Rupa were granted a *posa* of Rs 2,526. Likewise, Thembang and Rahung were allowed *posa* of Rs 145,13 annas and 6 pies.

In the case of the Akas, the dominant rival of the British was in the person of Thagi Raja — a Chief of the Kovatsun clan of the Akas. During a punitive expedition in 1829 to put a stop to the raids of Thagi Raja, the British captured him. In 1832 he was released but, instead of living peacefully, Thagi Raja conducted a massacre of Balipara village and of the police outpost there in 1835. Punitive expeditions were launched against him again till his surrender in 1842. An agreement was signed with the Akas by which the two clans of this tribe agreed to live in peace on payment of Rs 536 per year to the Kovatsun clan and Rs 164 per year to the Kutsun clan. The demarcation of the boundary with the Akas took place in 1874; but in 1875, the Kovatsuns rose again and claimed the territory up to Bhorali river. An expedition was mounted in 1883 to put an end to Aka intransigence.

Against the raids of Daflas, the



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British introduced a blockade, along with a military expedition. In 1910, another expedition was launched. The net result of the British display of power was that the Daflas started to come down to the area near the Inner Line for permanent resettlement. By 1922, about 1,000 of them were counted as living in the British territory. The Dafla resistance thus came to an end.

The hill Miris were inoffensive and were awarded a *posa*. A friendly mission was despatched to their land in 1911-12.

The Apatani tribe had offered no hostility. Only on one occasion did they raid the tea garden of H M Crowe, taking away his gun, killing two men, and taking three captive. This incident was followed up by a punitive expedition in 1897, when the Apatanis were overpowered. Thereafter the Apatanis offered no problem to British rule.

As regards the Padams and Min-yongs, of what was then known as the Abor tribe, the British record describes the situation as follows:

"Since our occupation of Assam, several operations were undertaken against the Padams and the Min-yongs, but none were strikingly successful. The blusterers continued to hold an exaggerated opinion of their own power and a corresponding contempt of our Administration which culminated in the barbarous massacre in 1911 of the Assistant Political Officer, Williamson, Gregorson, and 42 followers at Komsing. A military expedition sent in 1912 to exact reparations brought home to the Abors the power and resources of the Government and since then their country has been surveyed and explored and a loose political control has been established over their hills".

The Idu tribe had carried out various attacks on individuals and villages. They were blockaded several times, which led to good behaviour on their part.

The Taraons and the Kamans posed no major difficulty, because they were by disposition quiet and their main interest lay in trade with Sadiya. The only incident of note was when Fathers M Krick and M Baur, two French missionaries, were murdered in 1854 by one Kai-i-sha. A punitive expedition was launched in 1855, followed by Needham's expedition to Zayul in 1885. Further expeditions were sent in 1911 and 1912 to the Mishmi area under Williamson putting an end to any opposition on their part.

By 1839, the Khamptis had established their hold over Sadiya area and their Chief had declared himself the Sadiya

Khowagohain. He treacherously attacked the British camp at Sadiya in that year, killing Colonel White. The year, killing immediately struck back with British expedition, and, in 1842, by proclamation, Sadiya was incorporated in the Province of Assam.

The above will show that the British delivered crushing blows to the hill tribes whenever the latter violated peace. In this respect the British followed a much firmer policy than the Ahoms had done. The punitive expeditions of the British went much deeper into the hills of tribes in order to bring the lawless to book. The police operations conducted by the British were thus decisive in liquidating tribal arrogance or any sense of martial superiority on their part. Military expeditions and promenades were a regular feature of British rule, and these succeeded in producing an impact of British power and prowess on the tribes.

ESTABLISHMENT OF ANNUAL FAIRS

Side by side with punitive expeditions, the British introduced a system of commercial intercourse, by establishing annual fairs along the foothills where the tribes which behaved well could come down for trade and benefit from peaceful commerce with the plains people. These fairs exerted a steady but deep influence on the tribal mind. Thus Darranga, Udalgiri, north Lakhimpur, Sadiya, and Margherita, developed into trade marts. The tribal people, through transactions at these fairs, came to appreciate the value of money and were lured to these marts by urges of profit. In time, these organised fairs became vital for maintaining the life of the tribal people in the hills. The British introduced a new punishment for the uncompromising tribes, by forbidding them to take part at these fairs whenever they violated peace. This proved a very effective punishment, and many rebellious villages submitted when kept away from the trading centres. Thus, the Dibang or Mizamghat column, mounted in 1911 to punish the Mishmis of the Sissiri valley, was given the powers "to inform the people that all prohibition against visiting Sadiya and trading will be withdrawn as long as orders are obeyed".

Unlike the Ahoms, the British had the political aim of extending their dominion over the tribal people. Whereas they were not in any hurry to actually administer the tribal areas, they

were quite clear that the tribal people should consider themselves British subjects. There were also certain compulsions flowing from geo-political considerations. Towards the close of the 19th century, rumours were afloat that Russia was entering the chessboard of power politics in Central Asia. News was circulating at the time that Russia had come to an agreement with China to oppose any British influence in Tibet. This posed a threat to the security of British India.

The British were, therefore, anxious to demarcate a suitable boundary between India and China. In mounting the expedition in 1912, to exact reparations for the murder of Williamson, one of the primary objectives laid down was "to carry out such survey and exploration as may be possible in order to obtain the knowledge requisite for the determination of a suitable boundary between India and China in this locality as to which at present we know practically nothing. Recent events on the frontier of Burma have shown an urgent necessity of coming to an understanding with China about our mutual frontier, of preventing Chinese intrigue within our limits, and of keeping her as far as possible removed from the present administrative area. We accordingly proposed to depute a staff of Survey Officers with the punitive force".

The concern of the British about any possible extension of Chinese influence in the tribal area was so marked in 1912 that the despatch of a punitive expedition to avenge the murder of Williamson was supplemented with a friendly mission from Bomjur through the Mishmi country. The British records say that they saw "no reason to anticipate opposition on the part of the Mishmis whose headmen, indeed, on the occasion of Mr Williamson's recent journey to Wallong asked that they should be recognised as British subjects". The British records go on to say that the idea of sending the friendly Mishmi mission was a step "specially desirable by the advance of China to Rima". Thus political considerations loomed large in the determination of British policy towards the frontier tribes. India was precious beyond measure to the British, and they were not taking chances against any Chinese advance into the frontier tribes. This political consideration was reason enough for the British to extend their dominion over the frontier tribes. The punitive expedition thus came to serve a double purpose: first, to effect the

surrender of the chief instigators and perpetrators of the Williamson massacre, and secondly, to check any advance on the part of the Chinese across the frontier between India and Tibet. The head of the expedition was, therefore, charged with the following terms of reference:

"If during the course of the expedition Chinese officials or troops are met, endeavour should be made to maintain amicable relations. If, however, such officials or troops be met within the territory of tribes on this side of recognised Tibetan-Chinese limit, they should be invited to withdraw into recognised Tibet-China limits and, if necessary, should be compelled to do so."

The expedition was also asked "to submit a proposal for a suitable frontier line between India and Tibet".

British policy on the North-East Frontier was thus not limited to how the tribes should be treated. This, indeed, was only a part of the much bigger and more vital consideration, viz, the security of British India and the policy and steps necessary to stem any expansion of Chinese influence over the frontier tribes to the detriment of India as a whole.

A SUITABLE BUFFER

The British looked upon the tribal territory as a suitable buffer; and significantly, there was no urgency on their part to extend the actual administration over the frontier tribes so long as Tibet was a dormant neighbour. But in 1911, news had reached them that "the Chinese Government have approved of the despatch of a force down the Dibang river towards the Abor country". Again, there were reports that "a party of Chinese appeared in the Aka country close to the administrative frontier of Assam". There was even further news to say that "the Chinese officials at Rima have sent summons to the Mishmi tribal headmen to appear before them with a view to the annexation of the Mishmi country".

These reports caused much concern to the British Government in India, leading to the formulation of a policy to determine the frontier line across the tribal territory as would best preserve the British interest in Assam. The British realised that on the administrative border of Assam, there existed some of the wealthiest districts where large sums of private European capital had been invested and where the European population outnumbered the European population of almost any other district in India. There was thus a strong economic stake in the deter-

mination of British policy towards the frontier tribes.

The Ahom policy towards the tribes, on the other hand, had rested content with taking such steps as would prevent the tribes from disturbing the peace of the valley. The Ahoms went to the extent of introducing the *posa* system with a view to providing the tribal people with certain articles and commodities which were not available to them in the hill area. The Ahoms did not plan the annexation of tribal people nor the extension of Ahom administration into the tribal territory. The British were firm that the tribes should realise "the necessity of observing properly as subjects of the Queen". Furthermore the British had a policy of extending the administration over the tribal people and, for this purpose, the necessary administrative machinery was fashioned from time to time. It will thus be seen that, although in the earlier years the Deputy Commissioner of Lakhimpur District was given the responsibility of looking after the tribal area, by 1945 three separate frontier tracts, viz, the Balipara Frontier Tract, the Sadiya Frontier Tract, and the Tirap Frontier Tract, each under a Political Officer, were created to deal with the extensive and important administrative work of the frontier tribes.

In 1914, the famous McMahon line treaty came into being. It is difficult to say why efforts were not immediately made to extend the administration over the tribal area right up to the McMahon line. This may have been due to the outbreak of World War I. However, there is no evidence of any determined plan on the part of the British to carry the administration up to the McMahon line after the War ended in 1919. One of the reasons perhaps was the enormous cost and expenditure in establishing and feeding the administrative centres in the rugged country of the frontier tribes. Thus, when considering the necessity of a post of Wallong in 1914, British records state:

"Another important point in connection with the establishment of a post at Wallong is that of the immense cost of rationing the post from Sadiya would entail".

Financial considerations apart, the Chinese or Russian menace which had appeared in Tibet at the beginning of the 20th century was no longer in evidence after World War I. In the years after the First World War, the Chinese were busy with their internecine war

while Russia was busy evolving a new socialist state. Consequently, though the earlier British policy did not change in its essential principle, the earlier urgency for administering the tribal territory had somewhat waned. British policy towards the tribes was, therefore, very much conditioned by the bigger events across the tribal territory which were of consequence to the security of British India as a whole.

The British were, moreover, eager to explore the tribal territory from the geographical and scientific angles. Thus the expedition by Needham of the Lohit valley in 1885, to Rima in Zayul Province of Tibet, was intended to find out whether the Tsangpo river joined the Irrawadi in Burma or whether it ran through the Lohit District. British scientists, such as Kingdon Ward, the explorer botanists and scientists of the British Museum, etc, were now and again afforded opportunities to tour the tribal area to collect flora and fauna to enrich botanical and geographical knowledge.

COMMERCIAL CONSIDERATIONS

Commercial considerations too weighed very heavily with the British. Tibet was known to be a profitable market, and reports had arrived about the sale of British broad-cloth in Tibet at a fabulous profit. Tibet was also known to be rich in gold and an inviting market for tea. British trade interests, therefore, started clamouring for suitable action to oust the Russian trade from the rich field of Tibet. The Chinese had a monopoly of tea trade and the British directors of the East India Company wanted it to be replaced by the Indian export of tea to Tibet. Many of the expeditions — such as that through Sikkim or through what is today the Kameng District or along the Lohit valley to Rima — were thus aimed at discovering trade routes so that British goods might be profitably sold in the markets of Tibet through a direct land route.

The British were torn between two courses of action: one dictated caution and forbearance so as not to alienate the tribes, and the other dictated by commercial enterprise pressed them to a 'forward' policy. Notwithstanding the temptations of lucrative trade, political expediency won the day. Commercial enthusiasm was kept in check for the sake of imperial interest. Thus the Inner Line Regulation was passed to prevent any friction between the tribes and British commerce which

was eager to expand tea cultivation within the hills.

Political interest, generally overrode commercial consideration. Even in the sphere of administration, the policy of non-interference in the internal affairs of tribes was adopted so as to leave them to develop and change in their own way. The extension of British administration meant the opening of police check-posts in the interior, and the insistence that the tribal folk consider themselves part of British India. The British flag had to fly over the tribal territory without interference and rivalry. The headquarters of British administrators remained in the plains of Assam, such as Charduar, for the Political Officer of Balipara Frontier Tract or Sadiya for the Sadiya Frontier Tract. The British had no programme for the development of the tribes or the extension of welfare services to them. Thus, in 1947, when Independence came to India, there were only two Lower Primary Schools in the entire North-East Frontier Agency. Such was the low level of social welfare development achieved over a period of 120 years of British rule over the frontier tribes.

The British did not levy any taxes, except for an occasional poll tax or house tax, payable by tribes which had shown intransigence against the advance of British influence. British law, which applied in Assam or in other parts of India, was also not extended to the tribal territory. In fact, special laws for the administration of justice, which respected the customary codes of tribes, were introduced so that the settlement of disputes and crime might continue uninterrupted according to the ancient tradition of the tribal people.

The British conceded that the tribal people were the owners of their land. They took pains to enforce the principle that forest trees and other produce were tribal property. When punitive expeditions or British administrators on tour in tribal territory, wanted land, trees, or any other items, they sought permission from the people and paid compensation for what they took.

The British refrained from any deliberate or systematic efforts to introduce change in the pattern of tribal society. The solid fact of British policy lay in the creation of a strong and stable government in the plains which, while it did not meddle in tribal affairs, insisted upon and enforced scrupulous adherence to agreements and the need of peaceful co-existence. This had a

deep and permanent effect on the tribal mind. The tribal freedom to manage their own affairs, to enjoy the rights of total possession of their land and plantations and uninterrupted liberty within their area, were fully maintained. The result was that, people looked upon the British as some kind of a distant benign superior authority which they could approach to seek a solution of their difficulties. The tribal recognition of British authority made them invite the British for mediation between warring groups or in matters of land disputes or in murder cases or if the property of a person was seized by another.

BEST DETERMINED IN THE FIELD OF BATTLE

The blows dealt by superior British arms made the tribal people recognise the fact that the British were the masters. This demolished any psychological barrier between the two and led to the frank and free admission by the tribal population that they were subjects of the British government who had defeated them in physical combat. Among the warlike tribes, superiority was best determined in the field of battle, and only the winning side could claim it. This fact has been demonstrated by the hypothesis put forth by the Naga hostiles who state that they came under the British because the British

defeated them. After the departure of the British, the Naga people had every right to resume their independence.

British rule represented a new era in the history of North-East Frontier. It was during the British rule that the process of gradual penetration into the hills had started. It was the British who made the people realise that they belonged to India and it was during the British period that the political jurisdiction of India was extended on the McMahon line principle. The British took the initial steps to link the economic interests of the frontier people with that of the rest of India by organising marts and fairs along the foothills. The British also were the first to introduce a high ethical conception of life through measures such as the abolition of slavery or the renunciation of head hunting. It was also during British rule that the tribal mind was diverted towards India to seek a solution to their difficulties in every-day life. All these are positive achievements of British rule. They constitute the initial spadework and the clearing of obstacles, on which further programmes of work of socio-economic development, more intensive administration of the people, and their integration with the rest of India, was to be built by the National Government of India which took over the reins of power in 1947.

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Banking Efficiency and Banking Growth

A M Khusro, S N Raghavan
Khushi Ram, N S Siddharthan

The operational efficiency of commercial banks can be measured in many ways. One measure is in terms of the elasticity of bank deposits with respect to advances — i.e., the percentage increase in a bank's deposits following a one per cent increase in the advances of the banking system as a whole. Another measure arises out of an evident linkage between banking efficiency and banking growth.

This article combines these two measures and demonstrates the applicability of the results to the 15 nationalised banks. The banking data, however, relate to the 18 years prior to nationalisation.

THE operational efficiency of commercial banks can be measured in many ways. Khusro and Siddharthan¹ recently developed a measure of banking efficiency in terms of the elasticity of bank deposits with respect to advances, i.e., the percentage increase in a bank's deposits consequent to a one per cent increase in the advances of the banking system as a whole. This measure had been applied to four commercial banks in India. Raghavan and Khushi Ram² have more recently extended this application to another 11 commercial banks and have further shown the linkage between banking efficiency and banking growth. The present paper combines the theory of both works and demonstrates its applications in relation to all the 15 nationalised commercial banks.³ The data, however, are for the 18 years (1951-68) before nationalisation.

RELATIVE EFFICIENCY OF BANKS

The theory behind the measure of bank efficiency used here is simple. In a growing economy, as output increases and borrowers stand in a queue, the banking system increases its loans and advances. It also increases other forms of credit, e.g., it purchases more bills. Bank credit, defined as commercial bills plus loans and advances, increases. As the borrowers or debtors write cheques to third parties, their (loan) accounts get depleted. But the third parties, the recipients of the cheques, probably deposit the cheques in their bank account. Thus, consequent to an increase in bank advances, bank deposits increase.

But it is not as though there is a one-to-one correspondence between rise in advances and rise in deposits of the banking system. Some of the cheques written, or new deposits created, will be withdrawn in cash. Every society, for the time being, has a relation between its cash holding and its deposit holding and, in relatively poor societies, cash holding bears a large proportion to deposit holding. In India, in recent years, this proportion of current

cy with the public to aggregate bank deposits has been around 0.85 per cent.

Thus, after a certain proportion of the new deposits have been withdrawn in cash, the balance represents the increase in deposits consequent to new advances — i.e., the resources that the banking system has been able to mop up with the right hand after itself creating those resources with the left hand. The percentage increase in the deposits of the system's advances is itself a measure — among other measures — of the system's efficiency.

But, while the system's deposits rise owing to an increase in the system's advances, how much an individual bank is able to increase its share in the system's additional deposits depends upon the efforts, the techniques, and the strategies, used by the bank. The elasticity of a bank's deposits in relation to the banking system's advances

— or $\frac{dD_i}{D_i} / \frac{dA}{A}$ — or, the percentage

change in a bank's deposits, D_i , resulting from a one per cent change in the banking system's advances, A , — would seem to be a fair measure, among others, of an individual bank's efficiency.

This elasticity was estimated for each of the 15 now-nationalised commercial banks, separately, over the 18-year period. While the influence of bank advances, A , can be expected to be a powerful one on an individual bank's deposits, the latter may be expected to be influenced also by the interest rate, r_i , to be earned on deposits. We thus have the relationship of the type:

$\log D_i = \alpha + \beta \log r_i + e_i \log A$ where e_i depicts the co-efficient of efficiency and β the responsiveness of deposits to interest rates.⁴ This co-efficient of efficiency as well as the deposit response to interest rates is shown in the Table for each commercial bank. As judged by the consistently high value of R^2 for all the banks, the two independent variables, r_i and A are able to explain very well the behaviour

of the dependent variable, bank deposits, D_i . Co-efficients of efficiency are also seen in the Table where they are arranged in the descending order of magnitude. All the co-efficients, judged by t value are significant.

The Canara Bank, the Syndicate Bank, the Bank of Maharashtra, and the Union Bank, yield a high co-efficient of efficiency, a one per cent rise in the system's advances leading, in their case, to between 1.6 and 1.3 per cent rise in their deposits.

Moreover, it is clear that, the responsiveness of deposits to changes in interest rates is real, suggesting that the interest rate weapon can be very fruitfully employed in deposit mobilisation.

But there are other banks, lower down the efficiency ladder, in which a one per cent rise in advances results in a rise of 0.45 per cent only in deposits.

RELATION BETWEEN EFFICIENCY AND GROWTH

If our criterion for commercial banking efficiency is valid, there ought to emerge some relation between banking efficiency and banking growth. In general, a more efficient bank — which, presumably, earns more, relative to some measure of its assets or liabilities — ought to have greater wherewithal for expansion and ought actually to grow faster than other banks.

The manner in which this linkage, between efficiency and growth, occurs is as follows: When the banking system advances more credit, the less efficient banks that do not mobilise deposits at a rapid rate, will soon experience a decline in their cash ratios and liquidity ratios, and will be prevented from expansion as these ratios hit the prescribed minimum ratios. The more efficient banks will not hit this constraint and will consequently expand their earning assets further and faster. The annual percentage growth rate of individual banks must thus bear some relation with the co-efficient of efficiency of the banks, unless the co-efficient of efficiency does not truly measure efficiency.

DIAGRAM: RELATIVE EFFICIENCY OF COMMERCIAL BANKS

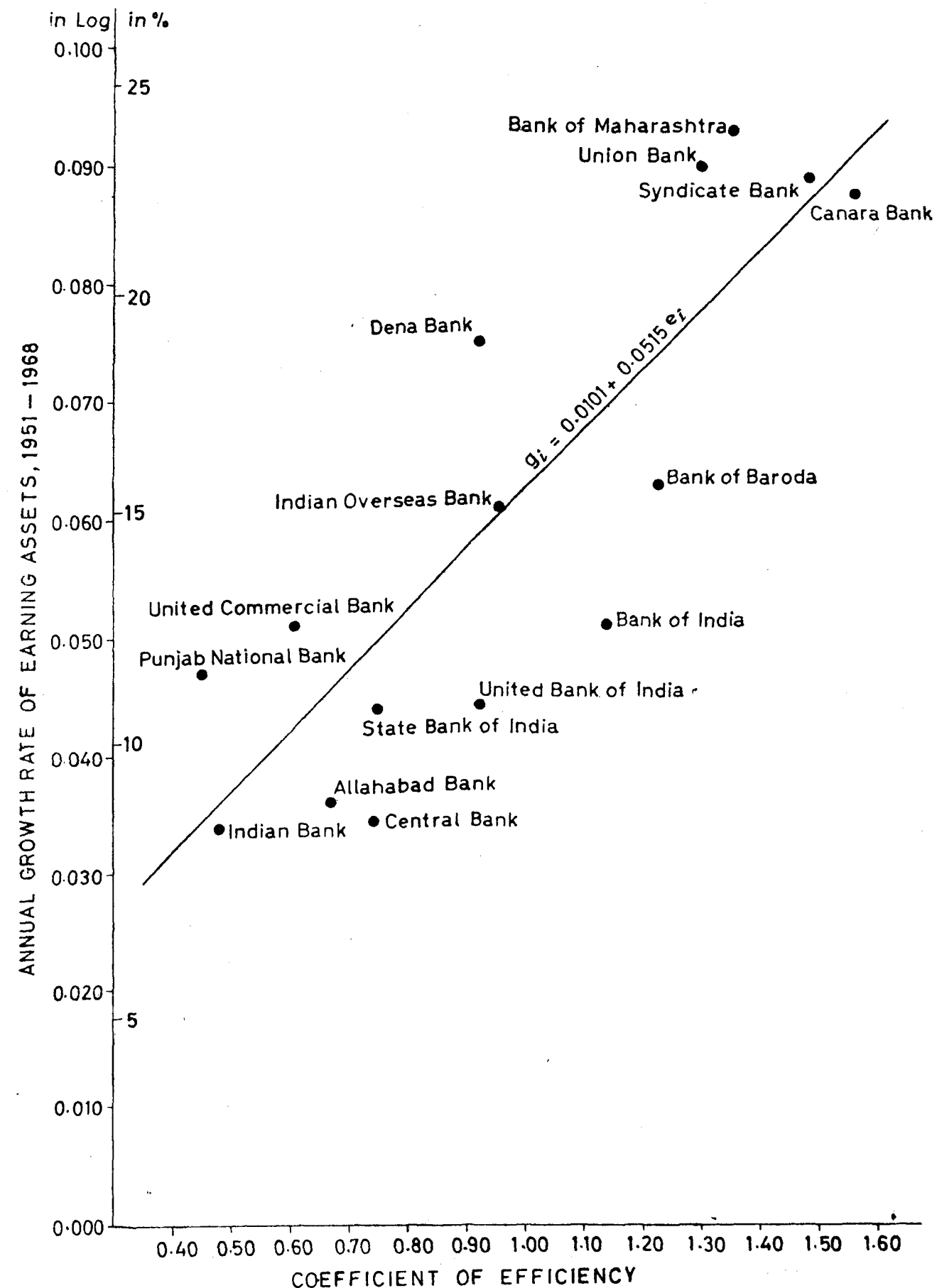


TABLE: EFFICIENCY AND GROWTH OF NATIONALISED COMMERCIAL BANKS, 1951-1968

Name of the Bank	Equation I		Equation II		
	$\log D_i = \alpha_1 + \beta \log r_i + e$	$\log A$	$\log E_i = \alpha_2 + g_i T$		
	Value of the Co-efficients of r_i	$\bar{R}^2$	Value of the Co-efficient of T	Annual Percentage Rate of Growth of Earning Assets	
1	2	3	4	5	6
Canara Bank	+0.1822** (6.8755)	+1.5613** (7.2958)	0.9987	0.0881	22.5
Syndicate Bank	+0.4277 (1.5167)	+1.4792** (6.5163)	0.9862	0.0895	22.9
Bank of Maharashtra	+0.5948* (1.9438)	+1.3478** (5.5012)	0.9841	0.0926	23.8
Union Bank	+0.4926 (1.1455)	+1.2995** (3.7449)	0.9649	0.0899	23.0
Bank of Baroda	+0.0927 (0.5150)	+1.2277** (8.4089)	0.9894	0.0632	15.7
Bank of India	-0.0712 (-0.3137)	+1.1434** (6.2480)	0.9756	0.0515	12.6
Indian Overseas Bank	+0.2810 (1.1611)	+0.9617** (5.7503)	0.9766	0.0607	15.0
United Bank of India	-0.0350 (-0.0208)	+0.9283** (6.8763)	0.9809	0.0439	10.6
Dena Bank	+0.6265** (3.0560)	+0.9244** (5.5663)	0.9883	0.0753	18.9
State Bank of India	+0.0974 (0.2569)	+0.7499* (2.4423)	0.8056	0.0444	10.8
Central Bank	-0.0724 (-0.5285)	+0.7436** (6.7600)	0.9777	0.0348	8.3
Allahabad Bank	+0.0840 (0.7368)	+0.6677 (2.3024)	0.9872	0.0262	8.7
United Commercial Bank	+0.5094* (2.3475)	+0.6134** (3.5253)	0.9974	0.0511	12.5
Indian Bank	+0.3060* (2.1398)	+0.4785** (4.1609)	0.9979	0.0336	8.0
Punjab National Bank	+0.5811** (3.4589)	+0.4498** (3.3319)	0.9809	0.0471	11.4

Notes: Figures in parentheses indicate 't' values of the co-efficients. One asterisk denotes significance at 0.05 level and two asterisks denote significance at 0.01 level. All tests are one-tail tests.

One can, therefore, relate the co-efficient of efficiency, cross-sectionally, to the annual percentage growth rate of each bank, as measured by earning assets.

We have observed that the co-efficient of efficiency, e_i , was derived for each bank from a regression equation: $\log D_i = \alpha_1 + \beta \log r_i + e_i \log A$ (1)

The annual percentage growth rate of earning assets E_i , of each bank has been estimated through a regression equation of the type:

$$\log E_i = \alpha_2 + g_i T \text{ (2)}$$

where T stands for time. From this equation we estimate the annual percentage growth rate of earning assets of each bank and this is seen in column (6) of the Table.

In order to test the relationship between annual percentage growth rate and the co-efficient of efficiency we use the regression:

$$g_i = \alpha_3 + \phi e_i \text{ (3)}$$

This yields cross-sectionally for all the 15 banks the result:

$$g_i = 0.0101 + 0.0515 e_i$$

where $R = 0.85$

The significant and reliable relationship between efficiency and growth rate of a bank is seen not only in the high value of the correlation co-efficient, but also visually in the accompanying scatter diagram.

It is clear that commercial banks that have shown higher efficiency in terms of the criterion used in this work have also shown, by and large, a faster growth rate of earning assets.⁵ The top 4 banks according to our efficiency criterion — Canara Bank, Syndicate Bank, Bank of Maharashtra, and Union Bank — also happen to be banks which have shown assets growth rates of more than 20 per cent per annum. This strong relationships would seem to confirm the validity of the measure

of efficiency used here. But it also underlines two important deductions for policy:

- (1) that deposit mobilisation can be more effective when it is pursued with higher interest rates than when it is made to depend on administrative devices alone, such as more branches and more staff.
- (2) that the mainsprings of better performance and the techniques for deposit mobilisation used by the banks with higher efficiency can be studied with profit and can be recommended to the other banks which wish to expand as rapidly as the more efficient ones.

NOTES

- 1 A M Khuro and N S Siddharthan: "An Econometric Model of Commercial Banking in India", Institute of Economic Growth, 1970, mimeographed.
- 2 S N Raghavan and Khushi Ram: 'Relative Efficiency of Commercial Banks in India', seminar paper, Institute of Economic Growth, 1970.
- 3 These 15 banks accounted in 1968, just before nationalisation of 14 of them, for 81 per cent of total advances and 86 per cent of total (demand plus time) deposits of all Indian scheduled banks.
- 4 The interest rate paid on deposits, r_i is common to all banks and is a weighted average of different deposit rates weighted by the volume of the respective deposits at each rate.
- 5 For a comprehensive model on demand for and the supply of deposits, see A M Khuro and N S Siddharthan, *op cit*.

Aromatics Project

THE Gujarat Aromatics Project will go into production as per schedule by the end of this year or early next year. About 95 per cent of the equipment is already at site. The basic engineering design, supply of imported equipment and supervision of erection and start-up will be provided by M/s Fried Krupp Chemieanlagenbau of Germany. The foreign exchange component of about Rs 7.16 crores will be met with a 39-million D-mark loan from Reconstruction Loan Corporation (KfW) of W Germany. The project, designed to utilise 120,000 tons per annum of naphtha from Gujarat Refinery to produce 21,000 tpa of ortho-xylene, 17,000 tpa of para-xylene to be converted into 24,000 tpa of dimethyl terephthalate and 2,500 tpa of mixed xylenes, will save nearly Rs 10 crores of foreign exchange when it goes into full production.

NSS and Some Poverty of Economic Methodology Therein

P R Brahmananda

In recent months there has been some recrudescence of interest among Indian economists and statisticians in understanding the magnitude of poverty and the inter-temporal distributional changes in living standards and in incomes. The National Sample Survey reports on consumer expenditure have come into limelight again.

Efforts have been made by a host of scholars to extract some operational juice from the published, and unpublished sometimes 'monopolistically' accessible, NSS data and reports. In some of these exercises efforts have been made to build some bridges between the National Income or Accounting data and the NSS data. The findings from these exercises involve very important methodological procedures, the significance of not all of which is recognised or explicitly stated by the 'exercisers'.

In view of the country's commitment to abolishing poverty, these exercises are no longer only of academic import. It is necessary to subject the methodological procedures to a severe scrutiny. It is this sort of an effort which is sought to be attempted here.

The task of removal of poverty is so important a goal of economic policy that the most accurate of economic thought has to be given to it. Should not a surgeon be equipped with the keenest expertise and the most precise instruments when a major operation has to be conducted on a long-suffering yet faithful patient?

THE NSS data on consumer expenditure on each item is a sum of (a) monetary purchases for consumption, (b) imputed value of barter purchases for consumption, (c) imputed value of self-consumption out of home-grown stock, and (d) money value of the consumption financed by loans, gifts, etc. The NSS uses three types of price data for obtaining the money value of 'consumption'. Consumption out of home-grown stock is evaluated at the ex-farm price, that out of cash-purchases at actual purchase price, that out of barter and transfers at the average retail price; these prices are specific to the areas. The NSS has deduced a category termed 'average price'; the latter is the ratio of estimated value of consumption to the estimated quantity of consumption. But this notion is a purely statistical concept with no analytical significance.

FOUR SETS OF PRICE DATA

In the estimation of national income, the values of crops and other outputs are calculated at some weighted average of wholesale harvest prices. As the consumption out of home-grown stock is evaluated at the ex-farm price of the crop, or rather of the consumable portion of the crop, we may treat the latter as being only somewhat though not exactly corresponded by the price used for the national income calculations.

Thus we have to reckon with three, or rather exactly, four sets of price data whenever we have to transit from

the NSS data to the National Accounting or Income data. Obviously there is no reason to believe that the four price series move in the same fashion and for every crop; secondly there is no reason why the relative proportion of consumption falling under (a) direct cash-purchase, (b) barter-purchase, (c) consumption out of home-stock, and/or (d) consumption through kind loans and gifts should remain invariant for each crop over any two years.

Strictly speaking, we have to evaluate all the outputs of consumption goods and all outputs of investment goods at ex-farm (producers') prices if we have to apply the methodology of the Keynes-type dichotomous division of national income between Consumption and Investment. Pure theory of this sort abstracts from space and, under comparative static equilibrium, from time as well. (There can be no bridge between the Colin Clarkian trichotomy and the Keynes-type dichotomy.)

It is true that when, in each year, we are deemed to operate at micro and macro layers under a golden age state, with a common rate of profit each year, we may proceed as if the different series of prices all move in the same direction and at the same rate year by year. The period covered by the NSS in India has not been empirically corresponded by the above pattern of behaviour.

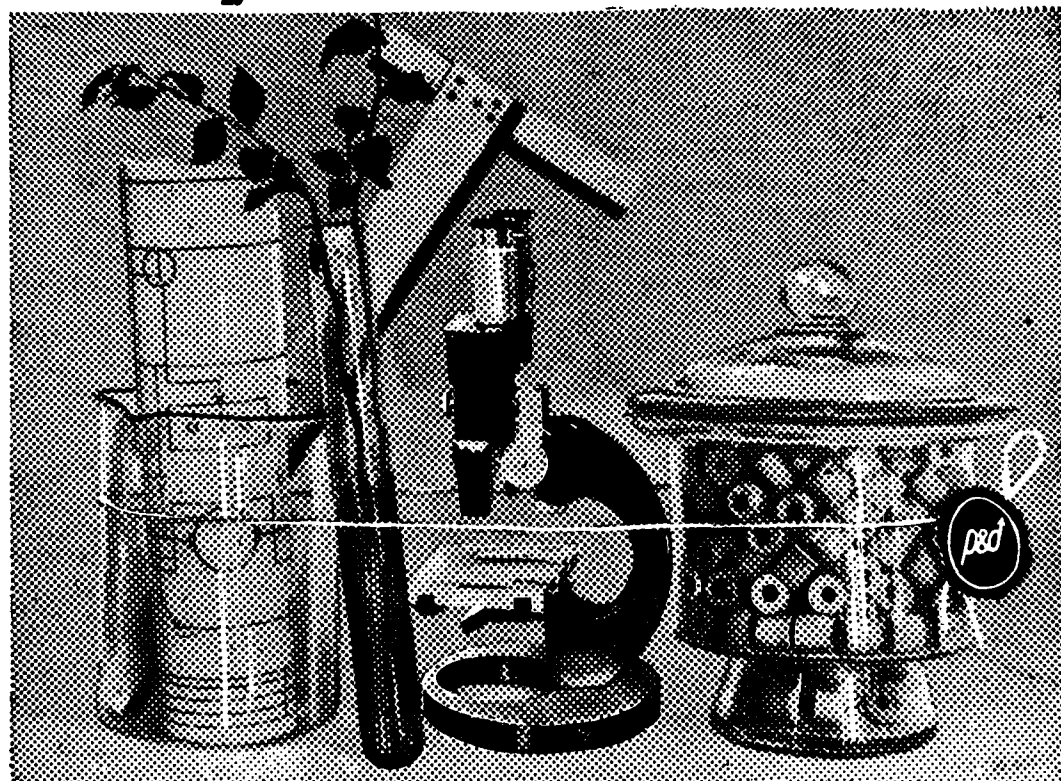
All the above presumes that the NSS notion of 'consumption expendi-

ture' is analytically satisfactory. The NSS reports categorically mention that consumption outlays specific to 'enterprise' activities of households are sought to be excluded. The reports also state that for items belonging to the category of food, intoxicants and fuel and light, the data refer only to the amounts (and values thereof) actually consumed irrespective of the amounts (and values thereof) actually purchased for non-productive domestic consumption purposes. Thus, for many crucial items, the data refer to consumption and not to consumption expenditures as such.

METHODOLOGICAL DEFICIENCY

The procedure of the NSS appears to involve a serious methodological deficiency which impairs its utility for social accounting purposes. Amounts consumed (and values thereof) within the households and not the amounts produced, purchased and/or obtained for (domestic) consumption are taken into account in items (mentioned earlier) of blocks 10-30 of the schedule used in the consumer expenditure surveys. Now National Income data for any year refers to outputs in each year. From a national angle actual consumption in any year equals, in a closed economy, the sum of (a) the portion of previous years' stocks used for consumption in the current year, and (b) the portion of the current year's outputs consumed during the current year. In an open economy we have to provide for imports and exports. Even granting that the

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distinction between enterprise-expenses on consumption and unproductive-expenses on consumption is validly applied in the NSS schedules, and the processed reports, the data from these exclude from consumption expenditure in any year, that portion of purchases which is *not* used for consumption during the current year, but, includes however the portion of current consumption occurring out of previous years' stocks. This is perfectly understandable; but this procedure destroys the possibility of a link between the NSS consumption expenditure data and the National Income data. The critical assumption here is that in each year the portion of the previous years' stocks drawn for consumption in the current year and the portion of the current year's production (and purchases) kept for future consumption (and/or for hoarding), both as ratios of current year's consumption, remain the same. In effect, what this amounts to is the assumption that the ratio between stocks and consumption remains the same year by year. Stated thus one would realise that the NSS data cannot serve as a basis for inter-temporal comparison of income-distribution even after making presumed adjustments for savings.

We have now to raise the most important objection to the NSS definition of 'unproductive consumption' expenditure. The NSS treats all consumption by households of grains, beverages, etc, howsoever the physical items are obtained, as consumption. The use of grains and crop materials for feeding livestock as well as for additions to stocks, for whatever purpose, is deemed as 'non-consumption'. Similarly the use of grains as seed, etc, has to be considered as an enterprise expense.

CONSUMPTION AND NON-CONSUMPTION

Thus the NSS appears to treat all physical consumption of certain commodities, known as consumption goods, by members of households, employers and/or labour, as falling under the category of consumption expenditure. The use of consumption goods for stocks, feed and seed is *alone* deemed as enterprise expenditure. Let us note that the NSS is not distinguishing between consumption and investment expenditures as economists understand these terms. If some portion of the work-force is concerned with capital-maintenance or capital-formation activities like repair, replacements, bunding, construction, laying orchards, making tools, rearing young stock, etc, and this

portion of work-force has to feed itself, or be fed, for this purpose, such expenditures on consumption goods could still be 'non-enterprise' expenditure from the standpoint of the NSS. The formulators of the NSS methodology have not realised that physical consumption by households is involved in the production of both consumption goods and investment goods. The mere act of physical consumption does not tell us whether the activity of the households involved in it leads to production of consumption goods or of investment goods. Even in the models of Solow, the most neo-classical of neo-classical growth theorists, in a single commodity model, the use of the commodity categorises the activity as falling under consumption or under investment.

Theoretically speaking, some portion of what the NSS treats as consumption expenditure is *not* consumption expenditure. Hence the distinction between household expenditures for consumption and for enterprise purposes has no analytical rationale at all, particularly in India, where most households, particularly in rural areas, are also enterprises.

What then does the NSS data reveal? As noted earlier, the data of expenditure in regard to food, intoxicants, fuel and light pertains to output, but excludes provisions for replacement of and increment in stocks. In an economy in which most of crops have only one harvest in a year, and most of production in all crops flows as a result of one harvest in a year, the most important sources of supply for physical consumption in any current year are the previous years' stocks. It follows that most of the current year's outputs of crops and related materials are the gross capitals produced during the current year and are available as stocks for disposal over the next and subsequent years. The Keynes-type procedure of treating consumption of a current period as a function of income of the current period is completely out of touch with the empirical reality of the Indian rural scene. Unless we assume that the ratio of stocks to consumption is the same year by year, we cannot defend the analytical validity of the Keynes-type procedure. Such an assumption flies in the face of reality in India.

If then all that the NSS data tell us is the information regarding the portion of previous years' stocks utilised for physical consumption during the current year, we cannot deem the lat-

ter as being tantamount to the current year's output or as forming a *constant* fraction of any current year's output.

It would be therefore highly improper to treat the NSS derived physical consumption data as a measure of the current year's gross or, rather, net outputs.

The NSS data is at best a proxy for a measure of that portion of stocks which is taken in the form of physical (human) consumption. There is no reason to assume that the stocks available during any current year for use of human consumption is accumulated wholly out of the immediately previous year's outputs. Accumulation may have been formed out of the residue after consumption of several previous years' outputs.

Let us now summarise our main findings:

(1) The NSS data of consumption expenditure is partly of physical consumption and partly of consumption expenditure.

(2) The NSS data of physical consumption and of consumption expenditure is, strictly speaking, not all consumption outlays according to the economists' meaning of the term 'consumption' used in National Accounting discussions.

(3) The NSS data on physical consumption and consumption expenditure is not a proxy for the current year's outputs but is so for that portion of the previous years' stocks which is utilised in the current year for consumption.

(4) Unless we assume that the ratio of stocks to physical human consumption remains the same year by year, we have no sanction for the identification (in some form) of the NSS consumption data with output data for the relevant year.

Even apart from all the above, the NSS uses three types of prices, and in different proportions each year, for estimating the money values of the totals; but the prices data used by the National Accounting calculations are different from the three types utilised in the NSS.

UNTENABLE POSTULATE OF STABILITY

Two conclusions follow from the above. The gulf between the NSS data and the National Accounting data cannot be overcome. These two sets of data are entirely two different animals. Secondly, the NSS data cannot be utilised for inter-temporal comparisons of measures of the degree of inequality in consumption-distribution.

At this stage we may question the

basic postulate underlying the NSS rounds on consumer expenditure. The Indian economy is deemed basically to be stable at all its micro-points year by year. This stability refers to the property of the viability of the circular flow of economic activity at the levels of the observed micro-units. It is only then that one can think in terms of seeking evidence of regularity and repetitiveness of the behaviour units. On the other hand, if we throw in the postulate of instability, or rather, of a tendency to fluctuate either way, with no built-in trend, the very rationale of the NSS from an inter-temporal angle may be questioned. One sees no economic reason why one should adopt the postulate of stability under Indian conditions. This, of course, is a philosophical issue which challenges the utility of the statistical procedures in countries like India at the socio-economic states they are in. The statisticians appear to have slipped in their analysis a property of a developed economy with suitable real-liquidity buffers.

Apart from the above, there is another important finding of some policy significance. The data in respect of relative consumption-distribution according to consumption expenditure classes for any year is simply some measure of the distribution of stocks, and of accessibility to consumption thereof, among different consumption-expenditure groups. In other words, it is a measure of the distribution of a component of capitals, owned, gifted and/or borrowed, among different consumption-expenditure classes. Unless we assume that the Lorenz-type curve of the distribution of gross productive power among the different consumption-expenditure classes completely overlaps that of the distribution of consumption-outlays among the different consumption-expenditure classes, we cannot deduce that a redistribution of consumption-outlays among different consumption-expenditure classes would constitute a viable shift.

REDISTRIBUTION OF PRODUCTIVE POWER

A redistribution of consumption outlays does not mean a redistribution of (gross) productive power. The distribution-pattern of productive power by and large implies a similar distribution-pattern of stocks, and hence by and large, of a similar distribution-pattern of consumption outlays according to consumption-expenditure classes.

A redistribution of productive power according to any theoretically desired

pattern of distribution of consumption expenditures implies a redistribution of ownership-rights (and/or operation-rights) of (a) land, (b) fixed capital assets like inventories of livestock, tools and implements, fertilisers, seed, accessibility facilities to water, etc, and (c) circulating capital like inventories of wage-goods. The redistribution of land and of capitals has to precede the redistribution of accessibility-rights to consumption goods if we have to consider a many-period lasting solution to the problem of social real distribution of consumption expenditures among the different consumption-expenditure classes.

Unfortunately the NSS data is of no help in the discussion of measures for the alleviation of poverty as it touches only upon one component of the measure of gross productive power.

It would be erroneous to identify the distribution-pattern of gross productive power with the distribution-pattern of economic power. The proper measure for the latter is the distribution of net productive power. As noted earlier, a substantial portion of consumption expenditures are outlays

for capital-maintenance and some portion of expenditures is for investment. We therefore need a measure of a Ricardo-Marx-Sraffa-type net surplus in regard to different households if we have to measure a component of net productive power. Alternatively we have to find out, from a static angle, the measure of that portion of productive power, command over which is just, no more and no less, necessary for maintenance of assets and of labour-power. The measure of economic power is obtained after this portion is deducted from the measure of gross productive power. For dynamic purposes, provisions for increments to stocks of capitals have also to be deducted.

Unfortunately the tragedy of the NSS is that rigorous economic thinking in terms of the principles underlying classifications does not appear to have been associated with the drafting of the schedules and the reports. Economic statistics, after all, is not a means for itself but has to fulfil itself in use, in rigorously tenable schemes of economic theory, which alone can serve as a sure basis for economic policy.

Technology Transfer

HOW production and management techniques can be transferred effectively to enterprises in developing countries at minimum cost, when and wherever possible, will be probed by a meeting of United Nations experts. The interregional expert group convened by the Secretary-General, will review this question in depth in New York from 21 to 26 June. The expert group will make recommendations on ways of offering more systematic aid to developing countries to accelerate their productivity through utilisation of the most advanced production and management techniques.

The stress on 'enterprise level', or transfers between enterprises — public or private — means that the knowhow is transferred by direct consultation and training at the foreman to foreman, plant manager to plant manager, level. The emphasis on 'operative' similarly indicates that the programme's focus is on practical, pragmatic production and management techniques rather than on purely theoretical considerations.

Direct investment and licensing of inventions, processes and knowhow, whether patented or un-patented, are the principal devices for transfer of technology between public and private enterprises. Public enterprises, such as state-owned factories, including some in centrally planned-economy countries have licensed their technology to plants abroad, notably to India and Pakistan.

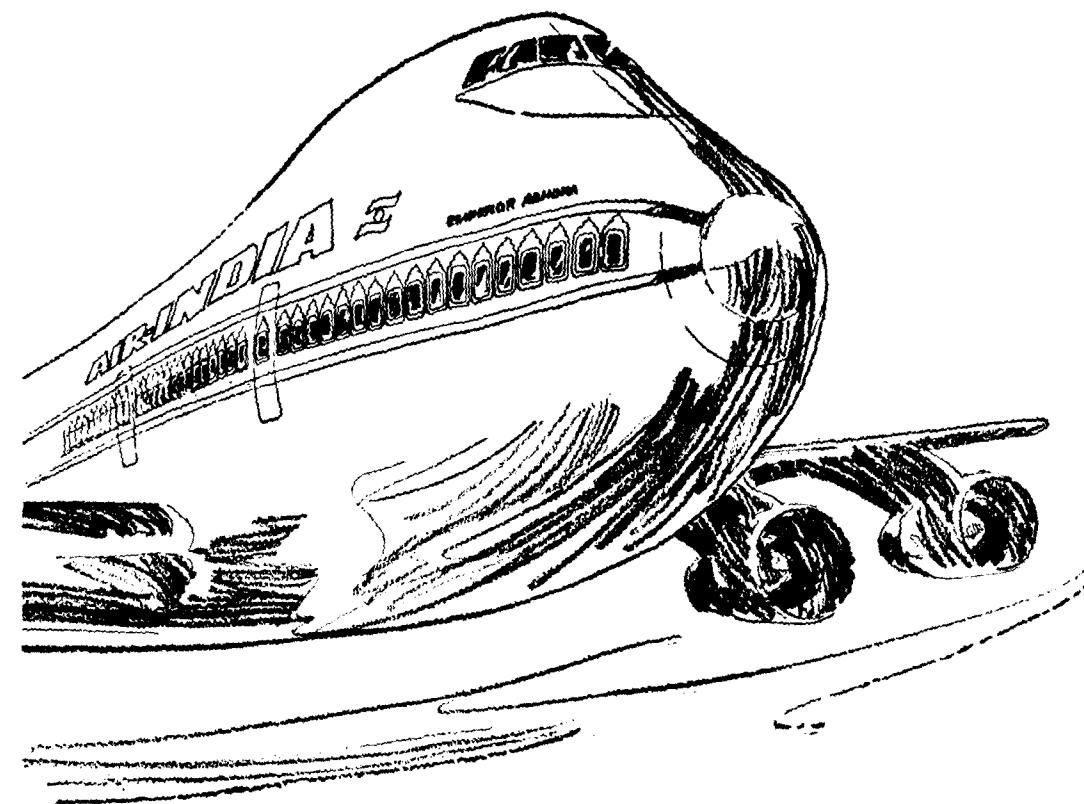
Various country case studies have been carried out; others have reached an advanced stage of implementation. They will serve as the basis for discussion at the experts' meeting. The countries are: Argentina, Brazil, India, Kenya, Lebanon, Mexico, Nigeria, Pakistan, the Philippines and Senegal. In some cases, preliminary reports published in 1968 will be updated. Eight reports on surveys prepared by the United Nations Institute for Training and Research on enterprises of developed countries will also be made available to experts and should greatly facilitate the assessment of the situation.

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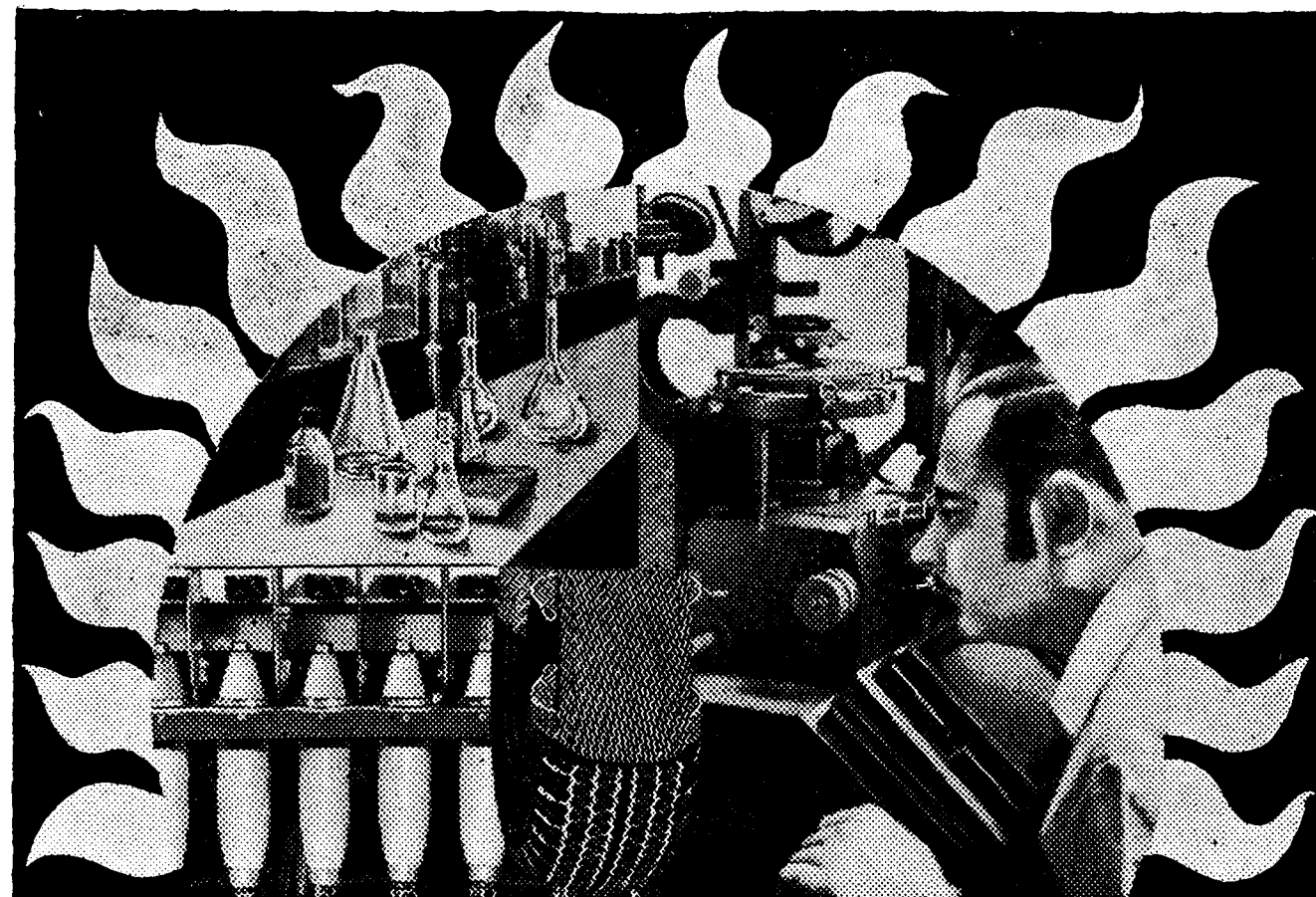
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Fruitless Errand

IN the midst of the thousands of refugees pouring into India every day, it may not be exactly comforting to know of "the coincidence of points of view of India and the Soviet Union on all major international problems". But evidently Foreign Minister Sardar Swaran Singh, who visited Moscow from June 6 to 8, does feel comforted. In his talks in Moscow, the joint communique tells us, he was concerned that peace should prevail in the Middle East, that racialism and apartheid should disappear from parts of Africa, that the war in Indo-China should be brought to a speedy end, and so on. Nor was our Foreign Minister totally unaware of the situation nearer home. While in Moscow, the joint communique continues, Swaran Singh "also discussed the serious situation created by the continuing stream of millions of refugees from East Pakistan coming into the adjoining States of India" (emphasis added). The coincidence of views does not seem to have extended to this problem, but then it is a small matter. The important thing is that both Soviet Union and India "consider it imperative for immediate measures to be taken in East Pakistan which would ensure the stoppage of the influx of refugees from East Pakistan". Equally, both sides realise that "simultaneously it is desirable to take further steps to ensure that peace is restored and all conditions of security are created for the return of refugees to their homes in East Pakistan".

Noble sentiments indeed! What is the Soviet Union prepared to do in this direction? Swaran Singh evidently has no clue to this after three days of talks in Moscow. The best that he could get out of the Soviet side was "frank and clear understanding". But then, as the communique says, this "understanding" was already there in President Podgorny's message to Yahya Khan on April 2. Swaran Singh did not have to take a trip to Moscow to reiterate that!

In the annals of our foreign relations, it would be difficult to find a more pointless and fruitless errand. The only result seems to have been to reassure the Soviets (as if that was necessary) that we do not intend to get involved in the civil war in Pakistan. The independence of Bangla Desh is no longer the issue. We are worried primarily about the refugees. In other words, the Soviets have reason to feel relieved that the change in the political map of the sub-continent is not imminent after all. The status quo faces no serious danger of alteration.

Even if Swaran Singh wanted to emphasise this, the least he could have done was not to link the fate of the hapless refugees with umpteen other problems of the world. For once he could have been frank and to the point. His mission to Moscow was *exclusively* concerned with Indo-Pak relations and there was no need to stress the identity of Indo-Soviet views on the state of the world. Whether or not we want to admit as much, the Soviets have not taken this mission seriously.

Having thus volunteered to scale down the importance of the refugee question, it is obvious that we can hardly persuade the Soviets (or anybody else for that matter, as Swaran Singh will realise at the other capitals he is due to visit) to exercise the necessary pressure on the Pakistanis to take the refugees back. It is difficult to see how and why the Soviet Union would get more concrete assurances on this score than what President Yahya Khan had already given in his press conference of May 24. He made three points in that conference. First, he would take back "bonafide citizens of Pakistan who had to leave their country". Second, some of them "were driven away possibly by the forces not friendly to Pakistan". Third, the Awami League members of the National Assembly would not lose their membership of the Assembly except the few who in his view were "guilty of crime".

Sardar Swaran Singh should have realised that the restoration of *status quo ante* on this subcontinent has remained the prime objective of Soviet diplomacy during this crisis and as such it can hardly quarrel with President Yahya Khan's points. After all, this is how compromises are reached. To be fair to the Soviets, they are not alone in this objective, so that Swaran Singh may well hear similar language in the other capitals that he is scheduled to visit. In the end, it may all work out as a grand persuasion effort on the part of big powers to make India see wisdom in Yahya Khan's conciliatory approach. A part of Awami League would be in; a part of refugees would be owned. India could not have had it better! This conclusion again would be very ably worded and, maybe, put in as a fifth or a sixth point in the joint communique that Swaran Singh may sign in future!

Swaran Singh, however, should pause to consider the consequences of this restoration of *status quo* on the subcontinent. The Awami League would have

gradual watering down of our concern for the freedom of the East Bengalis. And the military-bureaucratic elite in Islamabad would not be any less hostile in the bargain. The east Pakistanis would be a mass of sullen, bitter and cynical people. The dollars, pounds and roubles that might flow in to feed the refugees would have scarcely earned us any gratitude. In short, Indo-Pakistani tensions would have returned to a more bitter and acrimonious note. To pretend, in these circumstances, that foreign trips are useful or that they can yield some results may be all right for a Sarvodaya leader, but can be disastrous for a nation.

Jute

Cost-Benefit of Dispersal

IT was to be expected that the States producing raw jute would in time demand location of manufacturing units within their own boundaries. Such pressure on the Union Government has been on for some time now from Assam, Bihar, Orissa and Andhra. But it did not gather momentum till 1970. For one thing, the Centre's reaction had been the obvious one of wanting not to 'dislocate' the existing mills by depriving them of their raw material supplies. Secondly, rather than channel finance to new units, the Centre had given priority to modernising existing units. In the past year, however, it has seemed that perhaps the Centre was barking up the wrong tree.

Raw jute production in 1969-70 recovered from the steep fall witnessed in the previous year. Reports have it that, this year, production may be so high as 80 lakh bales which is an all-time high figure. If the package programme for increasing raw jute production and productivity is to be carried through, an unstable demand-supply situation will be a positive hindrance. Consumption outlets for the existing crop will have to be established, and prices to the grower will have to be assured.

The 'idle capacity' among jute mills in West Bengal is a consequence mainly of these mills being marginal and uneconomic. Demand from them for raw jute can rise, therefore, only with their improved competitiveness following modernisation. But this is precisely where hopes are dimming. The Industrial Finance Corporation (IFC) had sanctioned Rs 5 crores for modernisation, but these have remained largely unutilised because mills have not proceeded with schemes for re-equipment in the face of the declining demand for Indian jute goods

abroad and the industry's falling share in the world market. Instead, they have constantly harped on ever more incentives and facilities to help them out of their 'crisis'. Consequently, IFC's offers of abundant credit on soft terms have only underlined the hopelessness of the jute goods situation. L N Mishra was stressing the same point when he said in Lok Sabha this week that, though Rs 8 crores had been allocated for outdated and uneconomic mills, there was a paucity of modernisation programmes.

The case of States like Assam and Orissa is further strengthened by the fact that, though they have a higher per-acre yield, the accrual to their farmers from the final price paid by the mills in West Bengal in comparatively low owing to the chain of middlemen and dealers who organise the trade and transit across State borders. If jute production and productivity in these States is to be raised, the farmers there must get better terms. This, in the present trade and purchase set-up, would be best assured by consuming mills situated within the same State. There would also be greater incentive for a State to promote the package programme for cash crops if there is vertical integration through to the manufacturing stage. Assam, Bihar and Orissa already produce over 25 per cent of the raw jute and may be encouraged to produce more. Internal demand has been rising firmly and, after a lull during the recession, it has picked up once more, accounting now for nearly 50 per cent of total jute goods produced. The increasing demand could be met through new mills located nearer the raw material source with the better-off mills in Calcutta being left to concentrate on exports.

However, before undertaking such a drastic reallocation on grounds of efficiency, it needs to be asked whether everything has been done to rehabilitate the units in West Bengal. The implications for West Bengal's economy of such closures are obvious. Jute is one of West Bengal's major industries and closure of jute mills can hardly be countenanced at a time when so much effort is going into reviving the State's economy. Yet so far neither the State nor the Central Government has had any definite ideas for putting these jute mills on their feet. Hope was rekindled with the formation of the Industrial Reconstruction Corporation — after all, engineering and jute are the two major areas for IRCI's efforts. Will IRCI venture, beyond finance, to make these units viable? Further, one also needs to test

the suspicion that at least part of the initiative to start jute mills elsewhere emanates from industrialists keen to move out of Calcutta in search of less organised labour and more favourable political conditions.

Rumania and China

Outflanking Russia

THE main thrust of China's recent diplomatic offensive, whatever the local context — be it South Asia or South-East Asia —, is to prevent a convergence of interests between the Russians and the Americans. While adhering to this as the primary aim of its diplomacy, Peking has not lost sight of the purely Russian threat. It is in this latter context that Peking's active wooing of some East European countries must be regarded. Rumania, which for several years has stoutly followed an independent policy *vis-a-vis* the Soviet Union, is the obvious and willing choice for making the Russians feel slightly insecure on their western boundaries. The Chinese calculation is very likely to be that the encouragement of Sino-Rumanian ties will make for greater Russian caution on their eastern, i.e., Chinese frontier.

Last Tuesday, towards the end of his visit to China, Nicolae Ceausescu, the Rumanian President, made a pointed reference to the Soviet Union by saying: "People of all countries are rising to oppose super power politics". Chou En-lai's speech at the same rally resolutely opposed "big power hegemony", though in this case the reference was probably to both the Soviet Union and the United States. He also stated that China would never become a super power, implying that China did not want to dominate smaller countries.

The Yugoslav Foreign Minister, Mirko Tepavac, has followed on the heels of the Rumanian President. The Chinese at the height of their Cultural Revolution went beyond calling the Yugoslavs 'revisionist' and branded them 'unsocialist'. All this has now been forgotten and the days of fruitful co-operation between 1955 and 1958 are resurrected. In another move, Peking has upgraded its diplomatic representation with the previously maligned Husak regime in Prague from charge d'affaire to ambassadorial level. China's warmth towards Rumania and Yugoslavia can, perhaps, be regarded as the obverse of Russian diplomatic and commercial penetration of China's back-door — South-East Asia. Peking is also showing signs of understanding for some South-East Asian governments

which are edging towards closer bonds with China. Malaysia has just concluded a lucrative rubber deal with China, the Philippines has for the first time sent a trade team to the Canton fair. Thailand has called a halt to officially inspired anti-Chinese propaganda and is seriously considering opening commercial ties with China. There is also speculation that Ceausescu might be acting as a mediator between the Americans and the Chinese.

The Rumanians are more concerned about a possible Russian military threat to their political independence than about Russian diplomatic or commercial penetration, specially since the Russian invasion of Czechoslovakia in 1968, which was forthrightly condemned by Rumania. In a significant speech last month Ceausescu strongly indicated that Rumania might be thinking of military co-operation with the Chinese. He declared that his country would henceforth be ready to co-operate with the armed forces of all socialist states, regardless of whether they were members of the Warsaw Pact. By this he made it clear that military co-operation with the Yugoslavs and the Chinese could not be ruled out. This sort of suggestion is in breach of the spirit of the Warsaw Pact and is bound to worry the Kremlin — an effect which it was meant to have.

Rumania has for some time been keen to strengthen its bonds with countries other than the Soviet Union, whether they be China, the United States or France. During Nixon's unprecedented visit to Rumania also — it was the first visit by an American President to a communist country in peace-time — Ceausescu had urged all countries to liquidate policies of domination over others. That barb too, was directed against the Soviet Union.

Refugees

From Euphoria to Anxiety

Our Assam Correspondent writes:

REFUGEES from Bangla Desh are daily pouring into Assam. Meanwhile, the euphoria over reports of setbacks to the Pakistani army in Bangla Desh has petered out, and has been replaced by the hard reality of having to shelter lakhs of refugees. A large number of the refugees have moved from the border camps into the interior, to live with their relatives. Many of them are still unregistered—which is causing anxiety not only in the Government but also among the people. "Will they go back?", is a question that is being ask-

ed everywhere and is becoming a political irritant in a State where the decades-long migration from East Bengal has already created a demographic problem. The basic fear is that the Assamese might eventually be outnumbered by the non-Assamese in their own homeland. The uneasiness rankles in all political quarters in the State.

Outwardly, the people fully endorse the refugee policy outlined by the Central Government which comprises: (1) registration and sheltering at camps; (2) augmenting of resources for them through international assistance (3) creating conditions for return of evacuees; and (4) ensuring internal peace and security. This last, ostensibly, has made the State Governments concerned request the Centre to disperse the refugees to other States. More than 100 persons have already been arrested by the Assam Government, under the relevant Security Acts, as suspected Pakistani agents said to have been behind the recent communal disturbances.

Indeed, it seems that the refugee influx has given Assam's Congress Government an excuse to tighten up security measures and gag the Press—a predisposition to which already existed. Last April, a local Assamese daily front-paged a news item of an assault of some Assam Sahitya Sabha delegates at a railway junction by some alleged Bengali volunteers. The day the news was published, there was some communal tension which was immediately brought under control. Soon afterwards, the Government stopped issuing advertisements to the daily and seems to have pressed the management into taking action against the editor.

Socialist Merger

Pure Arithmetic

THE leaders of the PSP and SSP evidently hope that by constantly harping on it, they will succeed in turning the non-event of a prospective merger between the two parties into an event in Indian politics. Just a few weeks ago it was let out that the chances of the two parties coming together were bright; more recently, however, they have dimmed. What happened in the meantime was that the PSP refused to go to the rescue of Karpoori Thakur's ramshackle SVD Government in Bihar. This promptly won a recruit in the former Bihar Chief Minister to Raj Narain's anti-merger camp in the SSP. This is as good an instance as any of the kind of considerations that weigh with the leaders

of the two 'socialist' parties.

Anti-Congressism remains the centre-piece of SSP politics. It has been insisting, therefore, that the PSP put an end to its ambivalent relationship with the Congress. As earnest of this it should get out of the Governments in Kerala and West Bengal. The PSP sets greater store by a kind of undefined ideological purity. It will have no truck with the Jan Sangh and Swatantra and wants the SSP to have none either. But what about the CPI(M)? No, not CPI(M). With SSP it is the other way about: CPI(M) yes, CPI no.

It should be obvious to the leaders of the two parties that by endlessly quibbling over issues of detail such as these they are unlikely to get any nearer formulating a political perspective for the new party that they are seeking to create. Yet one issue that they have resolutely refused to face is that of the role of the new party in the Indian political system? Of course, if wishes were horses, it will be a party of democratic socialism which will challenge the Congress on its home-ground by being both more democratic and more socialist. What has to be spelt out is what being 'more democratic' and 'more socialist' means. Till they face up to this central task, their merger efforts will be underpinned by expectations of a purely arithmetic aggregation of their present separate support bases. This is not much to go on. One near-cipher plus another near-cipher cannot yield anything very substantial.

CSIR

Fresh Controversy

Our Delhi Correspondent writes:

THE Council of Scientific and Industrial Research is apparently in the throes of a fresh controversy. One of the issues is the appointment of Atma Ram's successor as Director-General. Atma Ram, who has held the post since 1966, is due to retire in August. Another issue is the Government's failure to implement the recommendations of the committee of Directors of the national laboratories affiliated to the CSIR, envisaging reconstitution of the executive councils of the laboratories and the induction of more scientists into them. The recommendation was endorsed by the governing body of the CSIR in July last year.

In a letter to Prime Minister, the Directors have urged an early decision on the appointment of a new Director-General. CSIR sources interpret the de-

lay in taking a decision as indicating a possible extension of Atrna Ran's tenure. This would, however, mean continuation of the present strained relations between the Director-General and the heads of different divisions in the CSIR and the Directors of many of the national laboratories.

Failure to implement the decision to reconstitute the executive councils of the national laboratories has already marred the smooth working of some of these laboratories. Prominent among these are the National Botanical Gardens, at Lucknow, the National Geophysical Laboratory and the Regional Research Laboratory at Hyderabad. These laboratories are reported to have done hardly any research work for the last two years.

That research work is not held up on account of shortage of funds is illustrated by the fact that in the last three years, out of Plan allocations of Rs 50 crores only Rs 20 crores have been spent. While the funds lie unutilised,

research in food and electronics has suffered and the projects of the Regional Research Laboratory at Hyderabad have been slashed. No work is being done at the Central Mechanical Engineering Research Institute either, its Director having resigned.

This state of affairs is likely to continue until a new Director-General adopts a fresh approach to the problems facing the CSIR and is successful in resolving the deadlocks which are holding up implementation of decisions which have been agreed upon. A large number of the CSIR staff are also unhappy over the compartmentalisation of staff into "scientific and technical" and "research and non-research" categories. Such distinctions are described as "artificial" and not conducive to the smooth functioning of the CSIR. In a joint memorandum to the Prime Minister over 200 scientists are understood to have expressed their opposition to what they call the "caste system" prevailing in the Council.

BUSINESS

Time for Some Credit Planning

DESPITE all its defects, not all of them unavoidable, the Reserve Bank's credit policy for the 1970-71 busy season did prevent a recurrence of a runaway credit expansion of the kind that occurred in the 1969-70 busy season. Between the end of October 1970 and April 1971 — which is the traditional busy season — bank credit expanded by Rs 413 crores to Rs 4659 crores, against the expansion of Rs 578 crores to Rs 4071 crores noted in the 1969-70 busy season. Against this background, the point is now being made, among others by certain eminent bankers, that it is high time that the Reserve Bank loosened its grip on the banking system. Underlying this demand is a fear that the slack season of 1971 might turn out to be too slack. In May 1971 credit expanded by Rs 29 crores against the average monthly credit expansion of Rs 69 crores during the busy season. In May 1970 bank credit had expanded by Rs 71 crores against the monthly average expansion of Rs 96 crores in the 1969-70 busy season.

The question is: however slack the demand for credit, how well placed are the banks to meet it? The credit deposit ratio at the end of May 1971 at 77 per cent was two percentage

points above that prevailing a year ago. The paradox of a higher credit commitment despite a lower seasonal credit expansion is easily explained. The busy season credit expansion was preceded by an unprecedented credit expansion of Rs 192 crores during the 1970 'slack' season against an expansion of Rs 31 crores in the slack season of 1969. Clearly, the overextended position of the 1970 slack season, following the stupendous credit expansion of 1969-70 (a recession year!), remains to be corrected.

The argument for relaxation of credit control is, however, based on expectations of a deposit surge. Bank deposits have, it is true, swelled by Rs 528 crores to Rs 6080 crores during the seven months ended May 1971 against an expansion of Rs 374 crores to Rs 5162 crores in the corresponding period of the previous year. But the high credit-deposit ratio at the end of May 1971 is proof that even the larger growth of deposits has been inadequate. That apart, it may be asked whether the increase in deposits from now on should not be used to wipe off the banking system's indebtedness to the Reserve Bank? At the end of the 1970 busy

season, the banking system's borrowing from the Reserve Bank stood at Rs 150 crores. The outstandings were lower at the end of May 1971 at Rs 131 crores but have tended to rise from that low since. The figure is likely to rise further from now on because of refinancing of advances for food procurement.

In asking for a relaxation of credit control, therefore, what banks are really saying is that they should be allowed not only to carry forward for all time the high level of Reserve Bank refinancing for food procurement, but to increase it, and use additional deposit resources for expanding advances in other fields. It is true that at one time food procurement finance was a Budgetary responsibility of the Central Government which has since been shed on the banking system. While it would be a valid criticism of the Government's financial management to say that the shedding of the responsibility for food procurement has in no way curbed its dependence of deficit financing, the argument cannot be extended to suggest that the financing of the marketable surplus in food-grains is not a banking responsibility. Yet the banking system has been trying to shirk this responsibility, thanks to the Reserve Bank's liberal refinance policy. With deposits rising, surely the Reserve Bank should now tighten its refinance policy for food procurement.

This is the way to make the banking system aware of its responsibility to allocate scarce resources. Unfortunately, the Reserve Bank itself has tended to feed the banks on the myth of amplitude of resources. How else can one explain, for example, the fact that cotton mills were allowed to borrow to the hilt long before arrivals (delayed) of Indian cotton and imported cotton had commenced?

Bankers ooze sympathy for industry's credit requirements to cover higher costs, including those arising from heavier direct and indirect taxation. But they have to be made to fall in line with the Finance Minister's strategy — incidental, as it happens — of using the tax axe to chop the potential for price escalation. Old habits die hard. And the Reserve Bank, unfortunately, is unwilling to impart the long-delayed shake-up to bank executives.

Shipping

Paying for Expansion

THE proposal to withdraw the development rebate after May 1974 has been assailed on the ground that it will affect

the investment plans of industries. The protests of the shipping industry have been among the loudest, understandably because shipping has enjoyed development rebate on the most generous scale. Development rebate was available to the shipping industry at the highest rate (40 per cent) which, for a highly capital intensive industry, was nothing short of a bonanza. During the ten-year period, 1961-1970, certain major shipping companies, which made an operating profit of Rs 130 crores, paid tax of only about Rs 5 crores instead of the Rs 70 crores or so that they would normally have had to pay. In other words, the development rebate made available to these companies over Rs 60 crores for use to finance their expansion on which the investment made during these ten years amounted to Rs 175 crores.

The shipping industry is concerned about the proposed withdrawal of this substantial tax concession and has represented to the Finance Minister that the resultant drain on its resources would affect its capacity to implement the expansion programme set out for the industry. Taking into account the nature of the industry, its case deserves careful consideration, though thinking in the matter need not necessarily be in terms of restoration of the development rebate.

The shipping industry's requirement of funds is admittedly large. But what proportion of this should be met out of government revenues and what proportion should be provided by the shareholders of the shipping companies? Of the Rs 175 crores invested by the shipping companies referred to above during 1961-1970, only Rs 3 crores came in by way of fresh capital contribution while the balance was made up of loans and self-accruals (over Rs 60 crores coming from the tax rebate). Clearly, the shareholders have to be made to put in a greater effort than this to finance future expansion, the benefits of which ultimately accrue to them.

The other consideration which needs to be kept in mind while assessing the impact of the discontinuance of the development rebate on the future expansion of the shipping industry is that as a result of the generous development rebate and the liberal availability of loans from the Shipping Development Fund Committee shipping companies have been flush with money. This is clearly brought out in the accounts of shipping companies which show very large sums of money invested in extra-shipping activities.

Any discussion of the consequences

of the ending of the system of development rebate for the shipping industry and of alternative ways of meeting the industry's financial requirements for expansion must thus take into account the need to, first, exert pressure on the shareholders of shipping companies to bear a substantially larger share of the financial burden of expansion than they have done so far and, second, mop up the surplus liquid resources available with shipping companies. Within these constraints, the Government needs to formulate a policy for meeting the financial requirements of the industry for expansion—and this should be done well in advance of May 1974 when the development rebate is to be discontinued.

Hindustan Lever

Social Objectives of Business

THE annual statement of the Chairman of Hindustan Lever, V G Rajadhyaksha, attempts a social audit of his company over the last decade. In this audit the company presents a good picture of itself in the areas of Indianisation, import substitution, agricultural extension and management development. The setting up of plants in backward areas where raw materials are available or can be developed or the farming out of parts of relatively unsophisticated operations (like packing) to small-scale industries are of great interest and, if successful, can achieve a happy marriage between the interests of the large-scale and small-scale sectors. This kind of blending has occurred so far mainly in labour-intensive industries like electronics. The more this approach can be extended so that the large-scale manufacturer concentrates on operational areas where his size yields economies, leaving the relatively unsophisticated areas to small-scale units, the greater the social benefit. This will, at the same time, permit expansion of such large businesses, which may have been held back because of limitations on capacity. The experiment proposed by Hindustan Lever will be closely watched for the lessons it may have for other similar large corporations.

It is in a business audit, as against a social audit, that Hindustan Lever does not come out quite so well. Over the decade, its turnover has expanded by more than 200 per cent, but profits have not shown anything like the same increase. Admittedly, this is because of a sharp rise in the price of vegetable

oils. The company could have protected itself by diversification into other industries where oilseeds did not play the same importance so that, at the end of the decade, the importance of soap and vanaspati to total business could have been reduced. The company does not appear to have attempted this to any significant extent. Expansion into synthetic detergents has made some difference, but over the decade the major new investment of the company has been in milk products. In retrospect, this cannot but appear as a serious misjudgment by the company's management at the beginning of the sixties. Indications that milk and milk products were going to be more or less reserved for the co-operative sector and that dairies were going to be established by State Governments in each State were already available by the end of the First Plan. Further, private collection of milk is a notoriously difficult business because the milk supplier has other avenues of disposing of his milk, especially in the lean season. Entry into the field of milk products thus provided no escape from the raw material problems plaguing the company's vanaspati and soap business.

This is not to detract from the significance of the company's accent on social objectives. Even from a purely business point of view, this accent is essential for a large corporation such as Hindustan Lever, especially one which is substantially foreign-owned. But the ability to successfully pursue social objectives will depend, in the ultimate analysis, on the soundness of the basic business decisions and the correctness of the straightforward business policies. The experience of Hindustan Lever in the sixties bears this out.

Company Law

Protecting the Shareholder

A Correspondent writes:

THE important issue of shareholder protection has received a certain amount of attention recently. Given the corporate form of company organisation and the nature of company management, it is inevitable that company managements should enjoy a considerable advantage over outsiders, including in this group shareholders, in maintaining control over the affairs of companies. It is as a countervailing force to this tendency that the company law requires that auditors should be appointed afresh by a share-

their remuneration as auditors should be separately approved and shown in the accounts of a company. The auditors thus have a crucial role in protecting shareholders, as K T Merchant has recently pointed out in his writings ("Payments to Auditors", June 5, pp 1119-20) and speeches at annual general meetings of companies.

In India the problem of shareholder protection is further complicated by the fact of concentration of voting power in various private hands. In fact, this control is so strong that even institutional shareholders like LIC and UTI have been frustrated in their attempts to push through much-needed changes. Some firms of auditors are also closely identified with particular business groups and when partners of a firm of auditors join the board of a company, it is taken as a prelude to the company passing into the hands of the business group with which the firm of auditors is identified. While one can understand the institution of 'house brokers', is it in keeping with the professional ethics for firms of auditors to be identified as 'house auditors'?

The practice of 'house auditors' is all the more dangerous because, as has happened not only in India but also in other countries, there is considerable discretion involved in presentation of accounts of companies. There are known cases of valuations of stocks (soya bean oil in the US), of treatment of 'sales' (Pergamon Books) and of other valuations (AEI in the UK) which have shown that accepted accounting practices are not always sufficient to protect shareholders. In India, auditors almost always accept inventories as valued by management; it is not certain if the auditors at any point try to satisfy themselves that the valuation is fair. This makes nonsense of all profit and other statements of companies. Unfortunately, unlike in the US and the UK, professional organisations of accountants have not taken a clear stand on issues of ethics. Silence evidently is literally golden here! Instead, as is typical of this country, we have got bogged down in issues of large and small firms of auditors, of pre-emption of audits by large firms and of nationalisation of the audit business!

In this connection the role of share brokers also needs to be examined. While soliciting of subscription to share capital is subject to stringent disclosure requirements, like those required to be made in prospectuses, under the Companies Act, the soliciting of deposits from the public is almost totally un-

trammelled by any obligations on the companies. At one point the Reserve Bank intervened in its typical elephantine way by imposing a limit on the amount of such deposits, promptly to nullify the restriction by allowing large loopholes. As a result, the restriction hardly helps the depositors, for whose benefit the Reserve Bank had initially purported to act.

The result is that share-brokers go about touting for deposits with companies, without any responsibility for misfeasances in the use of the funds. To rectify the situation, it is necessary, firstly, that the Stock Exchange makes an inquiry into all deposits obtained through broker solicitation, and the Government takes action against brokers who have failed to ensure protection to deposits obtained through them. It is time share-brokers were made to realise that their function is not only to earn commissions, irrespective of misfeasance by companies in the use of the depositors' funds. Secondly, companies must be asked to supply to depositors and file with the Registrar the same information as they are required to provide for a share issue for every tranche of Rs 10 lakhs of deposits obtained.

This also raises the issue of 'independent' directors on boards of companies. In the case of Synthetics and Chemicals, in the dispute between the main partners, the independent directors took the side of one partner though this was not in the interests of 'outside' shareholders whose interests such directors are expected to uphold. In the case of National Rayon, again, the independent directors are clearly identified with one or the other of the two warring groups. In other cases, where matters tend to get on the wrong side of law, the outside directors quietly slink out of the companies, leaving those who have invested money in the companies on the stretch of their association to fend for themselves as best as they can against unscrupulous promoters.

It is obvious that the mechanism for protecting shareholders is weak. The so-called Shareholders' Associations (except one or two, like the one in Ahmedabad) are essentially share-brokers' rumps, intended to further their business interests. The Company Law Board, with poor and inadequate staff, has hardly been effective in preventing company mismanagement. The only two alternatives left are for institutions like LIC and UTI to take a more active part at shareholders' meetings and for the Companies Act to be amended to

strengthen the hands of minority shareholders. It is time action is taken on these lines at an early date.

National Rayon

Banks' Votes

THE drama of the National Rayon Corporation proxy fight, it appears, is likely to be re-enacted this year. The views of the contending parties have begun to get wide publicity in the Press. And, to support this, advertisements have also begun to appear.

In last year's proxy battle, Kapadias emerged clear winners, so far as election of directors was concerned. However, Kapadias have not been allowed to enjoy the fruits of their victory. The Board of National Rayon is equally divided between Chinai and Kapadias, and the casting vote of the Chairman has been faithfully cast in favour of Chinai. Moreover, the company, with Chinai's new-found faith in professional management, reappointed two employees as professional directors, though the majority shareholders (Kapadias) had voted against their continuance at the general meeting.

The two 'professional' directors come up for re-appointment again this year. One can question the ethics of a Board co-opting individuals defeated in company elections, as such co-opting could frustrate majority shareholders for a considerable length of time. Moreover, K M D Thackersey, an 'independent' (that is, Chinai) director, is due for re-election. In the normal course, Kasturbhai Lalbhai would preside at the annual general meeting. But Kapadias find him too 'committed' to Chinai and propose to oppose his taking the chair.

But there is a joker in the pack this year, in the form of the voting power of 80,000 shares held in the names of banks. Since Kapadias have used bank funds to obtain their controlling interest, the bank vote affects their voting power. Last year, as was noted in this journal, the custodians of nationalised bank used their discretion to vote as they liked (the results of this, curiously enough, went in favour of Kapadias). The banks, or rather the Reserve Bank, will have to think how the votes will be cast this time. With a tie on the Board, the election is crucial to the future of National Rayon and its outside shareholders. In a sense banks will be making a judgment on whom they want to entrust the control of National Rayon with. It is time the Reserve Bank defines clearly the issues involved and takes a firm decision.

Waiting for Action

Romesh Thapar

IT seems irrelevant to write about anything but Bangla Desh and the critical situation developing in East India as the refugees pour across the border. The steady swell of the uprooted into a tense and sullen Calcutta, and the threat of epidemics like the dreaded cholera, create the kind of despair that can change suddenly into insurgency. It is clear that the Centre must boldly face this reality and attempt in a few swift moves to give the people in the East some confidence that these problems will be tackled, whatever the cost. No such confidence exists at the moment.

Ironically, as a first step, the ruling politicians at Delhi will have to suspend the activities of their dear friends and colleagues among the politicians in the East. The existence of an emergency will have to be formally recognised. Administrative and executive power will have to pass to task forces equipped to do the job of control, co-ordination and reorganisation without fear or favour — the sort of style which is the anti-thesis of the politicians' life and philosophy.

This emergency will have to continue until such time as the refugees — that means some 10 million people when it's

all over — are assisted to return to their homes. And 'assisted' means, in fact, either by negotiated agreements or by agreements dictated by force of arms.

The Government of India is being compelled by events to face these perspectives despite all the built-in tendency to drag its feet, to watch events, to stay squatting for ever and ever. Of course, if we have a death wish, we can continue to wallow in tributes to our supposed 'tact' and 'patience'. All that the world is in fact saying is that our credibility as a serious nation is in doubt.

But, then, surely we will act when Pakistan's economy is in the doldrums, when the Himalayan passes are frozen and when the monsoon rains stop. All these factors converge towards the end of 1971.

But can the situation hold until this historic convergence. It is here that the speculation will be intense. All those who during the last two crucial months delayed action because of their economic, military and climatic hunches failed to assess the dimensions of the problems which would develop as a result of non-action. Ten million people. Six months of critical care. And tensions

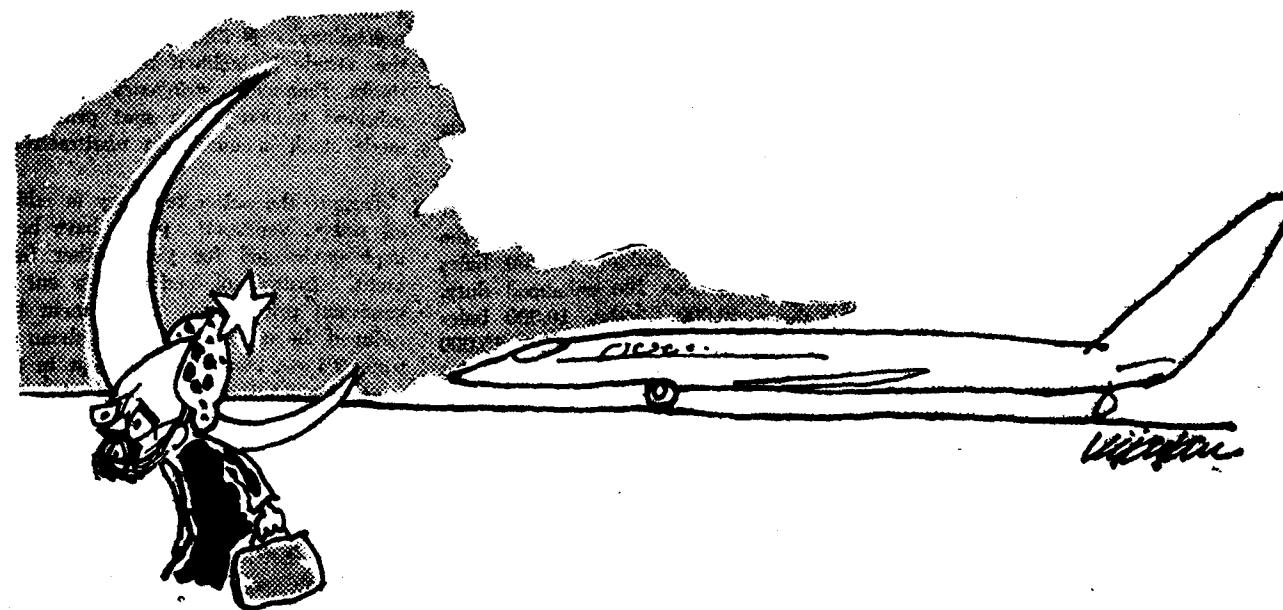
galore among the 550 millions hosting the 10 millions from across the border. To survive this challenge, India will need all its reserves of strength.

The way things are going at the moment, you would think we were involved in some temporary catastrophe. No mobilisation at any popular level has been attempted. Even the information media are not being directed in such a way as to make the mass of the people realise their duty during the crucial months ahead. We are carrying on as if our present marginal efforts will be adequate.

Small wonder, then, that the satraps of the Centre in the East are in panic. The PM will have to use her weekends for morale-booster visits very much more frequently. Maybe, Foreign Minister Swaran Singh may bring back some cheer from his belated and seemingly pointless tour of several important capitals. Maybe, the UN may be pressurised to move more solidly in aid of the uprooted. Maybe, Pakistan will be further isolated as a genocidal criminal. Maybe, the Mukti Foj will show its skills.

Maybe... maybe... maybe. In the final analysis, everyone with a modicum of political ballast knows India must act with or without support, whatever the odds, or go down with Pakistan.

June 7



Travelling heavy—with the horns of our dilemma.

False Alarms

Nishtar

THE stock market has still to recover from the budgetary chill. The mid-week rally induced essentially by technical considerations has been too feeble to make any impact on market sentiment which remains unsettled because of the adverse criticism of the budget proposals. It is said that the budget is not growth-oriented and that it will generate a new round of tax-induced inflation. It is argued that the increase in personal taxation will reduce savings in the hands of the people and act as a serious deterrent to further investment and that the larger burden on the corporate sector will vitiate the climate for new investment and would affect capital formation and slow down the rate of industrial growth. The threatened withdrawal of the development rebate after May 1974 has come in for sharp criticism. It is argued that since it takes a long time for an industrial licence to fructify, the proposed abolition of development rebate will lead to deceleration of project planning activity. It would thus not only act as a future deterrent but also prove a current deterrent to economic growth.

The budget does contain some unpleasant features but it suffers more from what it has left undone than what it has done. With personal and corporate taxation estimated to yield only about Rs 27 crores in 1971-72, the purely financial implications of the budget proposals should not be serious. But the eminent tax lawyer, N A Palkhivala, has gone to the extent of stating that the "budget will sap the nation's strength, blight confidence and strangle enterprise". Perhaps not many sober persons will take Palkhivala's criticism seriously; such criticism is not calculated to promote the climate for investment. A vast sheltered market should normally provide sufficient incentive for entrepreneurial initiative and industrial growth. What has been holding back rapid industrial growth is the poor performance of public sector enterprises. The incidence of taxation could be considerably reduced if the public sector could generate resources for development.

It is not really the budgetary imposts which are worrying the stock market

most. The market is far more concerned about the likely implications of the unending influx of refugees from East Bengal which has created a crisis for India. In purely financial terms, the burden of refugee care can be crushing. But the refugee problem has many other disturbing aspects. It appears that caution flags will continue to fly in the stock market for some time. This does not mean that the market will beat a retreat from the current positions.

Lustre Taxed Away

IT has been an altogether unexciting week for cotton. Business was of a routine nature with mills evincing greater interest in varieties required for the manufacture of controlled cloth. Prices moved rather irregularly but the undertone was distinctly steadier. Conditions in the piecegoods market have improved a little. Quality cottons have been getting scarcer with the advance of the marketing season. Industry continues to complain about credit curbs. While credit needs of the weaker units deserve sympathetic consideration, credit for stock accumulation, be it raw material or finished goods, needs to be kept under close scrutiny. This is all the more necessary when the raw material supply is not comfortable.

The main topic of discussion this week has been the situation arising out of the steep rise in excise duty on staple fibre. Out of the 45,000 bale import quota, only 5,000 bales have borne the old duty; the remaining 40,000 bales will have to bear the enhanced duty. Of these 40,000 bales, 10,000 bales have already arrived, another 15,000 bales are on the high seas and the remaining 15,000 bales are still to be shipped. Staple fibre has lost much of its earlier attraction because of the enhanced levy.

Export activity has been negligible and interest in foreign cottons also was poor. Export sales in Bengal Deshi registered this season up to June 5 are placed at 160,192 bales against 198,700 bales in the same period of last season.

Imports up to May 22 are placed at 2.47 lakhs against 5.58 lakh bales, but figures for the current season do not reveal the correct position. This is because figures of cotton imports through Bombay are only up to November 20. Why the Collectorate of Customs of Ports cannot bring the Bombay figures up to date is difficult to appreciate. Unofficial sources estimate imports at around 4.89 lakh bales.

Why Not Cheaper Vanaspati?

OILSEEDS and oil prices have eased further. Fluctuations in castor and linseed futures have been erratic but with bulls eager to lighten their commitments on a rally, the general tone has been distinctly subdued. Castor futures have been under considerable pressure because of lack of fresh export demand for oil and easier Brazilian advices. Spot oil prices have moved in an extremely narrow range, with groundnut oil fluctuating between Rs 4,125 and Rs 4,025 (per tonne), linseed oil between Rs 3,550 and Rs 3,500 and castor oil (commercial) between Rs 2,800 and Rs 2,750.

While the net decline over the week has been modest, the market has developed a distinctly soft tone. Reports from all centres — producing as well as consuming centres — point to comfortable supply all round. This has had a marked impact on general market psychology. Neither the industry nor the trade is inclined to carry large stocks. Financial stringency apart, the subdued tendency in spot prices has made stock accumulation unattractive.

Despite the easier tendency in edible oil prices, vanaspati prices have been kept unchanged for yet another fortnight. Instead of effecting a cut in vanaspati prices, the Government has reduced the use of cheaper soyabean oil from 9.4 per cent to 4 per cent in the western zone, from 13.8 per cent to 9.5 per cent in the eastern zone and from 14.6 per cent to 5 per cent in the northern zone. Vanaspati units situated in the southern zone are not given soyabean oil as groundnut oil is available in plenty in that area. In view of the very comfortable supply position of soyabean oil, the Government would do well to allow larger use of imported oil and reduce vanaspati prices.

Subsidy from the Exchequer

Hansavivek

SOUTH INDIA VISCOSE is taking steps to implement its staple fibre expansion scheme (including production of polynosic) from 10 to 50 tonnes per day. A 'letter of intent' has been obtained, and the cost, economics, and other technical details, are being examined both by the collaborators and the company's technical staff. Production of rayon grade pulp reached rated capacity, of 60 tonnes per day, in July last year. At present, movement of surplus pulp is slow on account of liberal issue of import licences to other indigenous rayon spinners, the only consumers of the company's product. Representations have been made to Government to restrict import of pulp. Tamil Nadu Government has been requested to continue the price and conditions for sale of pulp wood of the original agreement. Also, the company has asked for allotment of additional area of forests in view of its reaching rated capacity in pulp production. Government of India has approved the collaborators' claim of about Rs 96 lakhs following the increase in price of pulp plant machinery supplied by them. Their claim towards interest on the escalation amount is still pending with Government. The company's claim for about Rs 14 lakhs with STC, reimbursement of loss and interest under the export promotion scheme, has not been accepted so far. The Textiles Committee, Bombay, had demanded Rs 78,433 as fees payable on monthly production of rayon yarn and staple fibre from March 1966 to March 1967. The company did not accept the claim, as no service was rendered by the Committee to the company. Revenue recovery proceedings were taken against the company for recovering the amount. A writ petition was filed in the Madras High Court, challenging the validity of the levy, which was dismissed. The matter is being taken on further appeal.

SIV's production of staple fibre and rayon yarn amounted to 3,549 and 3,368 tonnes, against 3,186 and 3,405 tonnes, respectively, in the previous year. About 50 per cent of production of wood pulp was consumed by the company in its rayon plant. The company had to supply 45 per cent of its output of rayon yarn to actual users at a concessional rate of Rs 10 per kilo, exclusive of excise duty and sales tax upto

September 1970, and Rs 10.50 per kilo from the subsequent month. A new agreement has been entered into for the current year. Allotments to actual users are exclusive of those under the export promotion scheme, up to a maximum of 10 per cent of production, at Rs 7 per kg exclusive of excise duty. The company has produced good results for 1970, with a 38 per cent increase in sales and 89 per cent jump in gross profit. Net profit increased three-fold, and equity distribution doubled to 12 per cent enjoys a more respectable cover than last year. This bright picture, however, owes much to the absence of tax liability.

SVADESHI MILLS' chairman, Naval H Tata, has urged Government to permit imports of polyester fibre in times of cotton shortage, as this measure would not only serve to conserve cotton stocks in the country, but also enable the cotton textile industry to produce more blended fabrics which are in demand both at home and in export markets. Svadeshi benefited last year from the improvement in the tone of the cloth market, both in respect of realisation and offtake—even though cotton prices continued to rise and at the year-end ruled about 50 per cent higher than those a year before. The company continued the process of replacing old and worn-out machinery, and installed plant and equipment worth about Rs 8 lakhs. Since 1968, the mills had experienced recurring water shortage. An overhead water storage tank of 30,000-gallon capacity, and an underground RCC water storage tank of 50,000 gallons capacity, have been constructed. Caromandel Garments, in which the company has invested, fared well during 1970. It has started making permanent press shirts.

TRIBENI TISSUES is seeking a licence to build a new mill in South India to manufacture—apart from existing range of papers—such speciality grades as insulating paper for power and telephone cables, plastic base surface paper, and high quality recorder chart paper, all of which are at present imported. The company's third machine, recently installed at its mill, includes design features which will enable it to produce condenser tissue paper used in the manufacture of electrical capacitors or condensers. This "highly complicated"

speciality paper has been imported till now by the electrical industry. A special light-weight tissue for covering the wires used for winding coils and transformers will also be made by Tribeni on its new machine. While these developments may serve as a morale-booster for the shareholders, the 1970 results are not too encouraging. Total sales expanded by over 26 per cent to Rs 5.44 crores, but gross profit shrank by 7 per cent to Rs. 1.44 crores, reflecting sharp diminution of margins. The unchanged dividend of 15 per cent is just covered. The directors say that increase in turnover was not commensurate with that envisaged by them because of a "number of interruptions" in production. The additional sales income, they add, was hardly enough to cover the increased expenses during the year.

HINDUSTAN ALUMINIUM, one of the last to enter the aluminium field and today the largest producer in the country, is going ahead with its project to expand capacity for primary metal — from 80,000 tonnes to one lakh tonnes by mid-1972 and further to 1.20 lakh tonnes by the end of 1973. It is also seeking permission to increase licensed capacity for fabricated items from 37,000 tonnes to 60,000 tonnes. A V Birla, a director, complains of red tapism in the State and Central Government departments. He says the UP Government has still to finalise the contract for the supply of power, which it agreed to make available over a year ago, and that the entire construction schedule has been upset by "undue delay" in transferring the land on which the new facilities are to be constructed. The foreign exchange financing arrangements for the expansion have not been finalised. Exim Bank's foreign exchange loan proposal was submitted to the Central Government in September 1970, but its approval is yet to be received. The application for import licence for essential machinery and equipment for expansion has been pending Government clearance for nearly 8 months. Non-availability of steel is also holding up construction work. He observes that time-limits for carrying out the expansion in stages were specified by Government itself, but the company's hands are tied down by delayed official decisions on vital matters. Describing the aluminium prices fixed by Government as from May 24, 1970 as "unrealistic and unjust", Birla says they are considerably lower than the levels at

which they were frozen in March 1970 when the Aluminium (Control) Order was promulgated besides being about 15 per cent below the prices that prevailed in early 1967. He pleads for sufficient margins to cover increase in power and raw material costs, railway freight, overheads, etc. The levy of excise duty on indigenous calcined petroleum coke at 20 per cent *ad valorem*, and the increase from 27.5 per cent to 40 per cent in the import duty on almost all the raw materials, will inflate cost of production. By removing the aluminium industry from the list of 'priority' industries, the company has been deprived of the advantage of concessional taxation of profits whereby an amount equal to 8 per cent of profits could be deducted from taxable income. Birla also points out that, the steep increase in import duty on various items of machinery and equipment will raise the cost of the entire expansion scheme above earlier anticipations. Nevertheless, HINDALCO's 1970 results show further, substantial, improvement. Net sales advanced by 16 per cent to Rs 39.82 crores and, with margins widened, gross profit leapt by 34 per cent to Rs 13.57 crores. With no tax liability

as before, net profit shot up by 51 per cent to Rs 9.75 crores and covered equity dividend, stepped up 2.5 per cent to 12.5 per cent, nearly nine times.

CEAT TYRES OF INDIA, now the second largest exporter of tyres and tubes in the country, commenced exports in 1964 and has made rapid progress since then. It is looking ahead to bigger strides in the current and future years. The company has entered into heavier export commitments this year, chiefly to UAR, Burma, Yugoslavia, UK, Sudan, Iraq and USSR. Ceat's orders overseas span the range of tyres and tubes manufactured: giant, passenger, light truck, scooter and motor-cycle tyres, particularly the first two categories which account for most of the exports. The unvarying standards of Ceat products have been the crucial factor in consolidating existing markets and gaining entry into new ones. At the 25th Plovdiv Fair in Bulgaria, Ceat was awarded a gold medal for 'products of the highest techno-economy quality at world levels'. The market spectrum has also been widening apace. The company now exports to countries all around the world, as against to some 4 coun-

tries only in 1964. Moreover, most of the markets have been wrested in the teeth of stiff competition. Ceat's exports in 1970 were worth Rs 84 lakhs, representing a rise of 48 per cent over 1969, in spite of a plant shutdown due to a strike that lasted four months.

MALAYSIA-SINGAPORE AIRLINES more than doubled its profit for the year ended March last at \$ 40 mn (\$ 19.4 mn). Over 1.5 million passengers were carried — an increase of 23 per cent over the previous year. Sixty-five per cent of the seats offered were sold, against 62 per cent in the previous year, and the percentage of break-even load factor improved from 46 to 45 per cent. With 89 per cent of aircraft departures within 15 minutes of scheduled time in 1970-71, MSA achieved one of the world's best records of punctuality. Arrangements for the new route to London are proceeding to plan, and the first flight is scheduled out of Singapore on June 2. Development of 'Kriscom', MSA's multi-million dollar instant-response computer system for reservations, departure control, message switching, and other applications, will become operative by June next year.

The Week's Companies

(Rs in lakhs)

	South India Viscose		Svadeshi Mills		Tribeni Tissues		HINDALCO	
	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year
	31-12-70	31-12-69	31-12-70	31-12-69	31-12-70	31-12-69	31-12-70	31-12-69
Paid-up capital	490	490	136	136	426	381	1303	1303
Reserves	197	167	161	148	213	157	2617	1768
Borrowings	957	1001	366	436	8	91	1941	1961
of which Term borrowings	851	851	103	103	—	—	1669	1943
Gross fixed assets	2454	2235	721	712	711	690	5380	5145
Net fixed assets	1480	1429	231	257	391	398	3414	3560
Investments	23	6	14	15	14	14	401	390
Current liabilities	564	448	156	161	329	1333	401	451
Current assets	704	683	574	610	571	1551	2126	1385
Stocks	319	227	353	411	131	113	861	751
Book debts	383	265	169	146	396	415	392	211
Net sales	760	550	1054	895	544	431	3982	3430
Other income	3	3	17	15	18	12	175	124
Raw material costs	176	229	589	467	153	106	1127	1030
Wages	75	52	264	248	111	90	265	226
Interest	71	5	47	45	—	—	130	148
Gross profit(+)/loss(-)	282	149	85	68	144	155	1357	1011
Depreciation provision	169	112	36	40	29	19	382	365
Tax provision	—	—	25	15	50	14	—	—
Net profit(+)/loss(-)	113	37	24	13	65	122	975	646
Development rebate provision	—	—	4	3	3	47	33	400
Transfer to reserves	54	2	8	—	—	20	797	121
Dividend								
Amount	59	29	16	12	62	55	P45	P45
Rate (per cent)	12	6	12	9	15	15	E100	E80
Cover (times)	1.91	1.27	1.25	0.83	1.05	1.36	P9 & 9.3	P9 & 9.3
Ratios (per cent)							E12.50	E10
Gross profit/sales	37.10	27.09	8.06	7.59	26.47	35.96	8.97	2.51
Net profit/capital employed	6.87	2.23	3.62	1.81	10.05	19.34	16.63	12.83
Inventories/sales	41.98	41.27	33.50	45.92	24.08	25.75	21.62	21.89
Wages/sales	9.87	9.45	25.04	27.71	20.40	20.88	6.65	6.57

Innocence in South Block

G P Deshpande

THE annual report of the Ministry of External Affairs for 1969-70 had proclaimed that "the foreign policy of India could not stand still and remain rigid and inflexible". If one read the latest report of the Ministry for 1970-71, one would find precious little evidence of this flexibility. The Ministry could well have reprinted the 1969-70 report and added 'ditto'. Of course, whereas the 1969-70 report had 13 chapters, the latest report has 15. The additions are chapters on "cultural centres" and "protocol matters" which give the valuable information that diplomatic missions in New Delhi now number 75 and that the administrative control of the Indian Council of Cultural Relations has been transferred to the Ministry of External Affairs. As for the rest, little seems to have changed.

The report makes a couple of issues quite clear. It leaves us in no doubt that the Ministry of External Affairs holds that the rapid consolidation of super power duopoly in world affairs is an excellent thing to happen. "Non-alignment", in fact, was meant to achieve precisely that. The report makes the customary reference to "the virulence of Great Power rivalry" but does not, understandably, cite much evidence of this. Even as non-alignment gets slowly transformed into bi-alignment, the mythology of the Soviet-American rivalry has to be repeated, for that seems, in the Ministry's view, to be the *raison d'être* of non-alignment.

The Ministry seems to be delightfully innocent of the power-content of non-alignment. In the early years of non-alignment, it became a much-maligned doctrine primarily because Nehru (more than anybody else in the non-aligned world) meant it as a political strategy to reject a kind of world order that the Communist Bloc led by the Soviet Union and the so-called Free World led by the United States were contemplating to impose on the rest of the world. Nehru's strength and influence lay in this basically anti-*status quo* element in his formulation of non-alignment. Evidently, the Government of India has no use for such dangerous thoughts any longer. The report therefore does not see the distinction between 'co-opera-

tion' as aimed at bringing about a *just* world order and co-operation as aimed at consolidation of the *present* world order.

This malaise in our thinking has set the entire tone of our foreign policy. No wonder, the report speaks in a language which is not exactly non-aligned. In the chapter on South-East Asia, it stresses that the Chinese have not stopped giving "assistance to subversive movements". One would like to know which movements in South-East Asia the gentlemen from the South Block treat as subversive? The FLN of South Vietnam? The Pathet Lao of Laos? The Thai Liberation Front of Thailand? One can go on multiplying these questions.

But while our foreign policy pundits are free to brush these or similar movements aside as "subversive", the central point is that they have no business to maintain that this characterisation is in conformity with non-alignment. This is a language more from the vocabulary of Dulles than of Nehru. And the irony is that it is being employed more than a decade after Dulles' death and that too when the report is at pains to establish the rapidly changing character of the world situation!

It was only to be expected that people so fearful of China-aided 'subversion' in South-East Asia "have not yet seen any change in substantive matters so far as the Chinese stand towards India is concerned". In a sense they are right. It is difficult to see what incentive there possibly is for the Chinese to change their stand towards a people who do not seem to have any regrets that they have become the largest client of the two super powers.

So enchanted are we with our new version of non-alignment that the report confidently asserts that "disenchantment with military alliances has increased amongst the countries of the 'region [South-East Asia]'. Pray, where? The Ministry seems blissfully unaware that the year 1970 saw the emergence of yet another General in South-East Asia, General Lon Nol. South Block can, of course, argue that the Cambodian General is not a member of any military alliance such as SEATO and, therefore, is non-aligned. Evidently, alignment, like

FROM OUR CORRESPONDENTS

beauty, lies in the eyes of the beholder! For all one knows, the Ministry's report for 1971-72 may have a few kind words, for Lon Nol too. For if Suharto is non-aligned, there is no reason why Lon Nol should be denied that prestigious title.

It must be emphasised that this is not merely a question of semantics. The report quotes our Foreign Minister as saying that "we are always prepared to settle all matters with our neighbours, including China, peacefully, through bilateral negotiations, on the basis of respect for our territorial integrity and sovereignty". This emphasis on sovereignty is very important and welcome. However, that raises the real issue. Non-alignment sought, among other things, to preserve the sovereignty and independence of developing Afro-Asian states. The question of eroding the sovereignty of the developing states is, indeed, the central question today. To talk of sovereignty only in the limited context of the Sino-Indian dispute is to miss the most ominous aspect of the present world order. If we were living in a world where national sovereignty was being replaced by a world sovereignty, this complacency and innocence would have been pardonable. The truth is that we live in a world where it would seem the two super powers between them want to liquidate national sovereignty. It is a pity that Indian foreign policy-makers do not seem to be disturbed by this phenomenon.

A Correction

UNION BANK OF INDIA has issued the following correction to the Report of the Bank's Board of Directors published in the issue of May 29:

Line 7 of Para 7 (p 1101) should read "from 31.8 per cent at the end of 1969 to 38.8 per cent at the...". In the comparative Table (p 1101) against the item of Small Scale Industries figures of December 1970 should read "No. of Accounts 4073, Balance Outstandings 13,44.6 and per cent to Total Advances 12.1". Total in this Table under December 1970 should appear as "Balance Outstandings 43,30.0 and per cent to Total Advances 38.8". In Para 8, figure of 90 per cent shown in line 3 should be corrected to 80 per cent and the second last line of the same para should read as "accounted for Rs 16 crores, i.e., 80 per cent of the accretion to deployable resources".

India and South Asia

Growing Economic Stake

Sumanta Banerjee

THE promptness with which India rushed to help Sirimavo Bandaranaike crush the Ceylonese insurgents might have disappointed the Leftist admirers of India's 'progressive' foreign policy. As Ashok Rudra rightly points out: "It ought to set a problem for those who genuinely believe India to represent...the progressive, anti-monopoly, national bourgeoisie of India." ("Spectre Haunting Indira", May 29, pp 1069-71). But it would not be quite correct to say, as Ashok Rudra does, that "there had not been any military expression of India's imperialistic ambitions up till now". A closer look would reveal that the Indian intervention in Ceylon was in keeping with our traditional attitude towards instability in neighbouring countries and the policy of protecting our economic stakes in these areas.

MILITARY AID TO BURMA

It is now generally forgotten perhaps that as far back as 1949, two years after Independence, India sent military aid to Burma to put down Karen and Communist rebels who had captured large chunks of the country and were about to march on Mandalay. At the late Jawaharlal Nehru's initiative, joint discussions took place in Delhi in February 1949 between our Prime Minister, the British High Commissioner in South-East Asia, Malcolm Macdonald, the Australian Minister for External Affairs, Evatt, and the Ceylonese High Commissioner in India, De Silva. At Nehru's invitation, the Burmese Prime Minister, Thakin Nu, arrived in Delhi on April 12 and had discussions with Sardar Patel, who was then our Home Minister, Defence Minister Sardar Baldev Singh and Nehru. Soon after this, on May 11, a communique was issued by our Government in Delhi stating that the Prime Ministers of UK, India, Pakistan and Ceylon had met to consider a request from Thakin Nu for assistance in the restoration of law and order in Burma and that they had agreed to give whatever support they could to the Burmese Government.

Behind the Indian support lay Indian consideration of the economic stakes in Burma. At the end of the Second

World War, three million acres of Burmese paddy land valued at Rs 60 to Rs 80 crores were owned by about 5,000 Indians, chiefly Chettians. Some 250,000 Indians in Rangoon were said to own 70 per cent of the buildings and 50 per cent of the cinema houses there.

After Burma's independence, the Burmese government drew up the Land Alienation Act, 1948, and the Disposal of Tenancies Act, 1948, which sought to curb Indian interests and put restrictions on remittances abroad. This was done primarily to provide an opportunity to the Burmese middle peasantry and urban middle class aspiring for independent growth. But the Indian Government, pressed by Indian business and landed interests in Burma, made a request to Burma to postpone enforcement of the Acts pending an overall agreement to be negotiated between the two countries. As negotiations dragged on, in December 1953 a delegation headed by the Indian Ambassador to Burma came to Rangoon to persuade Burma to pay more compensation for Indian landholdings in Burma than was provided for under the law. But apparently no tangible concessions could be wrung from a recalcitrant Burmese government.

ECONOMIC POLICY

India found a chance to retaliate the next year when Burma faced a rice glut. During talks in Delhi in 1954, the Burmese government requested Indian to buy Burmese rice at £ 50 per ton. But India was prepared to pay only £ 30 per ton. Finally, the agreement that was signed by U Nu generally favoured India. India agreed to pay £ 50 per ton during 1954, £ 48 per ton in 1955 and £ 46 per ton in 1956. But this was subject to the stipulation that £ 15 per ton would be set aside in partial repayment of Burma's post-separation debt to India. Approximately three-fourths of Burma's debt was repaid under the above arrangement.

In fact, India's economic policy towards the neighbouring countries was chalked out much earlier, on the eve of Independence. In March-April

1947, the Asian Relations Conference was held in Delhi. A paper on inter-Asian trade stated in clear and unmistakable terms the main objectives which an independent India should pursue. "In spite of her sufferings and sacrifices, India has emerged out of the war relatively stronger than other Asian nations. She is no longer the debtor country she had been throughout her past connections with the British Empire; her productive capacity has also gone up and the domestic atmosphere for industrial expansion relatively to other Asian countries is more favourable. With the elimination of Japan as the dominant exporter in the Far Eastern markets, and with the unlimited demand of devastated Europe which Britain and USA are being called upon to meet, Indian has a very bright future in Asian markets. India, of all the Asian countries, must do everything in her power to take the former place of Japan...India alone can, if she wills, provide a large proportion of the consumer goods which the millions of Asians are wanting and for which India has so much potential capacity."

It was no wonder that delegates from Ceylon and Burma attending the conference were reported to have expressed the fear that small countries might be submerged by economic and demographic domination of big Asian powers like India and China.

MILITARY POLICY

India's military policy towards neighbours was clarified sometime after Independence. Speaking about Nepal in Parliament on December 6, 1950, Nehru said: "Besides our sympathetic interest in Nepal, we were also interested in the security of our own country...Therefore, much as we appreciate the independence of Nepal, we cannot allow anything to go wrong in Nepal...". In accordance with this policy, in 1952 an Indian military mission was sent to Kathmandu to begin the reorganisation and modernisation of the Nepalese army. Indian army contingents were assigned to patrol duty side by side with Nepalese Gurkha units in the Himalayan passes on the Tibet-Nepal boundary.

Although the ambition to replace Japan still remains, an unfulfilled dream, what was an aspiration in 1947 has steadily become a major factor influencing India's economic policies towards its neighbours. While the

traditional Indian bankers and financiers who used to own assets in Burma, Ceylon and other Asian countries before Independence have been forced to either quit those countries or leave their business, new Indian economic stakes are growing in these countries in the form of investments in joint ventures, export of Indian manufactured goods and import of cheap raw materials. Internal economic compulsions within these countries are coming into conflict with Indian pressures and new tensions are developing.

TYPICAL CASE

A typical case is Ceylon. The most important item of India's export to Ceylon were textiles. But because of the need to protect its nascent handloom industry, Ceylon imposed a ban on the import of sarongs and sarong materials from India at the end of 1958. But under India's pressure, the ban had to be lifted a few months later (refer announcement in Lok Sabha, April 30, 1959). The pressure of Ceylon's indigenous industry was however more compelling and Bandaranaike had to introduce a strict import control policy in 1960. By 1962, the value of textile imports from India had dropped to Rs 35 million from Rs 58 million in 1954. Apart from the demands of the Ceylonese textile industry, availability of cheap textiles from Japan, China and other countries was another factor leading to reduction of imports from India.

Besides textiles Ceylon found it less expensive to obtain its other import requirements traditionally supplied by India from other sources. Thus, dried fish imports from India declined from 553,261 cwts in 1959 to 104,748 cwts in 1962.

In spite of the decline in Indian exports to Ceylon, India still enjoys a favourable trade balance with Ceylon. In 1964, Ceylon's Minister of Finance appealed "to those countries with whom we have a large adverse balance of trade, particularly India, Burma and Japan, to adopt a more generous attitude towards imports of commodities from Ceylon" (*Ceylon Daily News*, July 31, 1964). The appeal fell on deaf ears. The balance of trade continued to be in favour of India. The gap between exports to and imports from India has risen from Rs 70.26 million in 1965 to Rs 295.75 million in 1970. While we exported goods worth Rs 282 million to Ceylon in 1970, we imported goods worth only Rs 26.25 million.

Besides the advantages accruing from a favourable trade balance, our industrialists have begun to invest in Ceylon in joint ventures. Since 1967, four Indian firms have been permitted to invest in such ventures in Ceylon. They will be manufacturing artificial leather cloth, glass ware, air coolers, water coolers, air-conditioners and deep freezers. The machinery and equipment necessary for the factories would be supplied by India. The total investment, including the value of the machinery, would amount to about Rs 70 lakhs.

Another Indian firm, Birla Brothers, which sought permission to set up a factory for spinning, weaving and finishing of cotton textiles, was not allowed by the Ceylon Government because the venture would have gone against the country's policy of encouraging the indigenous textile industry. According to Ceylon Government sources, the high prices of Indian-made textiles was another factor which prompted the Ceylonese to reject the Birla proposal.

Our Government has also been extending credit to Ceylon. In 1969 such credit amounted to Rs 5 crores, which has been spent by now. Negotiations are on between the two governments for another credit.

DECISIVE ROLE

One can well understand, therefore, how concerned our Government and business interests must have been when the Che Guevarist rebellion broke out in Ceylon. They could not afford to stand by while their stakes were jeopardised. Although Indian aid to Ceylon to combat the armed insurrection amounted to five naval frigates, six helicopters, some arms and ammunition and 150 personnel of the Indian armed forces to guard the Bandaranaike airport, it played a decisive role. "Indian helicopters manned by Indian pilots played the vital role of spotting terrorist concentrations and movements enabling the security forces to launch a fierce air and land offensive which undoubtedly checked the uprising... The uprising had, in fact, been contained with Indian and British military assistance" (correspondent's report from Colombo in *The Statesman*, April 25, 1971).

Indian investments are not confined to Burma, Ceylon and other South and South-East Asian countries. Since 1967, the number of collaboration ventures in other countries has gone up

to nearly 70, embracing 20 countries which include Ireland, Columbia, Saudi Arabia and Kenya. But the Indian Government is more concerned about South and South-East Asian countries, quite understandably because of strategic and other reasons. War-torn Bangla Desh is holding out prospects of more profitable pastures before Indian industrialists. According to the Engineering Association of India, the total purchases of engineering goods by Bangla Desh in normal times from West Pakistan used to be worth Rs 30 crores a year. Together with the needs of plant and machinery for ushering in large-scale industrialisation in Bangla Desh, this amount, the Association thinks, could shoot up to Rs 100 crores a year, which could be supplied by India.

SHIFT IN EMPHASIS

The silence of the Middle Eastern countries on Bangla Desh is encouraging a lobby in this country which is insisting on shifting attention from the Arab countries. In the coming years, the emphasis is likely to shift from the Middle East to the South and South-East Asian countries. A similar lobby is apparently working in US official circles, seeking to boost India as the propounder of a Monroe Doctrine in Asia. As far back as 1954, Chester Bowles wondered: "Is India today, as was the United States in 1823, aware that an independent position can be maintained only by positive, imaginative action and by the assumption of some clear responsibilities?" (*Foreign Affairs*, October 1954). Another American commentator was more forthright 13 years later. "The United States must help India survive and must induce her leaders to look east to South-East Asia and Japan rather than to the Middle East and Africa. For quite obviously, the United States cannot base its position in South-East Asia on the countries of that area alone or on allies like South Korea, the Philippines, Australia and New Zealand. The weight needed to ensure the establishment of a counterpoise to China can be provided only by a viable India and Japan at the two ends of the Asian arc" (Drew Middleton: "American Stake in Asia", 1967).

Judging by India's growing economic stake in South Asia and the prompt response to Ceylon's appeal, it seems that India is fully aware of and prepared to assume the "clear responsibilities" which the former American Ambassador to India had in mind.

June 7

BIHAR

Another Skirmish in the War of Castes

POLITICAL change in Bihar has been on the whole a reflection of the struggle for power within the Congress party between Brahmins, supported by the Backward Castes, and different permutations and combinations of Kayasths, Bhumihars and Rajputs. It is possible to see that the fall of the Samyukta Vidhayak Dal (SVD) Government and the installation of the Progressive Vidhayak Dal (PVD) Ministry in its place within this broad framework, though this may not be immediately obvious.

The last government to be led by the united Congress in Bihar was headed by Harihar Singh, a Rajput, who was supported in the party by the powerful Kayasth and Bhumihar leaders, K B Sahay, M P Sinha and S N Sinha. But there was strong opposition to Harihar Singh's leadership from the Brahmin-Backward Castes combine in the party. So when the split in the party came, it occurred broadly along these lines. The Brahmin-Backward Castes alliance was dominant in the Congress(R) while the Kayasth, Bhumihar and Rajput leaders, who had been dominant in the undivided party, were in the Congress(O). Subsequent political changes in the State can be seen in terms of the struggle for power between these two caste combinations—a struggle which took place within the Congress before the split, but which now took the form of the confrontation between the two Congress parties.

After the split, both Congress parties had to seek alliances with other parties in their bid to form a government. Ultimately, a coalition Government headed by Daroga Prasad Rai, the Backward Caste leader of the Congress(R) Assembly Party, was formed in February 1970. The Government lasted 10 months before succumbing to the efforts of the Kayasth-Bhumihar-Rajput leadership of the Congress(O) to topple it. But because of its limited strength in the Assembly, the Congress(O) leadership had to concede the Chief Ministership in the new SVD Government to the SSP leader, Karpoori Thakur. Nevertheless, the Kayasth-Bhumihar-Rajput leaders of Congress(O) remained the effective power behind the Government. Some of these leaders were appointed to influential posts in Government-controlled institutions. Thus Ambika Sharan Singh, whom the Patna High Court had debarred from seeking elec-

tion for six years for corrupt practices, was appointed chairman of the State Financial Corporation. The Congress(O) leaders also dictated the policies of the SVD government and took a big hand in administrative matters such as appointment and transfer of government officials.

This domination of the Government by the Congress(O) leaders caused much hearthurning among the other constituent parties of the coalition. But what really upset the arrangement was the disastrous performance of the Congress(O) in the Lok Sabha elections earlier this year. The party put up 24 candidates, but won only 3 seats as against the 8 that it had in the previous Lok Sabha. By contrast, the Congress(R) improved its position from 24 seats to 39. In terms of the basic tussle between the Brahmin-Backward Castes group and the Kayasth-Bhumihar-Rajput group, the election results represented a sharp setback for the latter. The sweeping success of the Congress(R) all over the country and the general impression that the Congress(O) was finished as a party, accentuated the consequences of the party's failure in Bihar. The fall of the SVD Government, which had been controlled and propped up by the Congress(O) leadership, was, therefore, a foregone conclusion. In the meantime, the Brahmin-Backward Castes combination in the Congress(R), represented by the party general secretary, Ram Lakhan Yadav, and L N Mishra, Minister for Foreign Trade in the Central Government, had consolidated its position. In March, this group's candidate, Ram Jaipal Singh Yadav, was elected leader of the Assembly party, replacing former Chief

Minister Daroga Prasad Rai, who had been earlier forced to resign.

The defeat of the Congress(O) in the Lok Sabha election and the consolidation of its position by the Yadav-Mishra group in the Congress(R) cleared the way for the toppling of the SVD Ministry. With the loosening of the grip of the politically discredited Congress(O) leaders, who had dominated the Ministry, the internal conflicts within the coalition came to the surface. This, together with the anxiety all-round to jump on the Congress(R) bandwagon, made it easy for the Congress(R) leadership to engineer the necessary defections to bring down the Government on June 1.

Like the Congress(O) earlier, the Congress(R) has had to accept Bhola Paswan Shastri as Chief Minister to secure the support of other parties, especially the PSP and the CPI who were reluctant to support a government led by the Congress(R). But like the SVD government, the new Government will in effect be run by the Congress(R). It is in recognition of this fact that the CPI and PSP have decided to stay out of the Government. Without these two parties in it, the Government will be even more under the sway of the dominant group in Congress(R). The opposition to this group comes really from within the party—from a faction which includes former Chief Minister Daroga Prasad Rai, whose nominee was defeated in the election to the leadership of the Assembly party. In alliance with political forces outside the party, such as the CPI, this faction is already trying to lobby against the dominant group on issues like the size of the new Ministry and whether defectors recently admitted to the party should be made ministers. Immediately after the swearing in of Bhola Paswan Shastri, both the groups in the Congress(R) rushed

to New Delhi to canvass support with the Prime Minister and other Central leaders. However, there is little doubt that, for the present, the dominant Yadav-Mishra group will be able to have its way.

The installation of the Paswan Ministry thus represents another swing of the pendulum in the tussle between caste-groups, this time in favour of the Brahmin-Backward Castes grouping. However, with the disintegration of the Congress(O) as well as of parties like the SSP and the Jharkhand party, the chances are that the close henchmen of the Kayasth-Bhumihar-Rajput leaders will gradually find their way back to the Congress(R). The internal conflicts

in the Congress(R) provide conditions favourable for their return. The dominant faction in the party is just now anxious to attract defectors so as to smother the dissident faction and to reduce the dependence of the PVD Government on the CPI and the PSP.

Thus we should expect to see, in the next few months, the reincarnation of the undivided Congress in the form of the Congress(R). Like the undivided Congress in the old days, the Congress(R) will once again subsume within itself the basic caste confrontations which, as we said at the beginning, have been the moving force behind much of the political change in the State.

their cart- and camel-loads and not selling the wheat, in a bid to protect prices, since traders and even officials of the Food Corporation have allowed market prices to fall below the procurement prices fixed by the Government—the FCI officers pleading their inability to purchase newer supplies of grain brought to the market since their targets have been realised, and the private traders at that stage offering lower prices. Where the price fixed by the State Government is Rs 76 per quintal of wheat, private agencies are purchasing it at Rs 60-65 per quintal. There is the further problem of germinated wheat. Farmers, of course, want Government to procure that, too, to sell it later as animal feed.

The present crisis has thus brought to light some inherent weaknesses in the purchase system of the FCI. The duality—or the co-existence of the private trader and the FCI—does not always serve the agriculturist's interests. UP has a powerful Sugarcane Marketing Federation. Lakhs of cultivators—large as well as small—are its members. They sell their produce to the sugar mills, through the Federation. Perhaps wheat farmers will take the hint since wheat is certainly a commercial crop now. Once again, the Government is unaware of the long-term implications of this.

LUCKNOW

Palliatives, No Solutions

THE entire belt in UP that has benefited from the Green Revolution has been getting early rains in the last three years. A section of opinion among experts maintains that this is going to be a normal feature consequent to the control of the Rajasthan desert. Children born in 1971 will know the *loo*—that squally summer wind—only from the books. But even assuming that the past three years may merely be part of a cycle of early and late rains, how is the damage to be assessed and minimised?

It has been officially admitted that the early rains have caused heavy damage, worth Rs 215 crores, to the rabi crops and fruits. Also, harvested crops, left in the field for threshing, are germinating. Yet, instead of thinking in terms of long-run solutions, the State Government has got bogged down in traditional reliefs. Taccavi loans are being distributed and collection of revenue has been suspended.

The cultivators want protection against the rains for their harvested crops. One way to help them in future would be to speed up harvesting and threshing operations via mechanisation. There is in fact a widespread demand for mechanisation of the harvesting and threshing operations. This could be met by starting machine-tractor stations at the block level. Also, the State has earmarked Rs 30 crores for unemployment relief, and some of this could be used to put a work-force to construct raised platforms covered by straw roofs, canvas, or any comparable material, to protect the threshing operation. This would also provide work to a sizeable number of

agricultural population. But the Government has simply failed to take initiative.

There is another area requiring attention. In spite of the damage caused to the crops, marketable rabi wheat and other rabi crops are so abundant that the peasants are actually taking back

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KUALA LUMPUR

Chinese Checkers

Mohan Ram

THERE is a great deal of logic to the visible convergence of super power interests in South-East Asia. The Nixon doctrine and subsequent policy pronouncements imply that much as the United States is for a military disengagement in Vietnam, it is by no means willing to abandon the South-East Asian region and is set on ensuring its presence there is some form or other. Also the United States would rather like a Sino-Soviet confrontation in the region so that it could play a balancing role. But not very surprisingly on its part, the Soviet Union would hate to see the United States abandon the region. A delicate triangle involving China, so as to avoid a direct confrontation, would be to Soviet advantage.

NEW REGIONAL BALANCE

A new regional balance is emerging in South-East Asia. What shape it will take is hard to forecast but certain facts strike one as significant. The smaller countries of the region are realising that they have been victims of super power machinations in the past. At the same time they have begun to accord super power status to China and believe that there can be no stability or peace in the region unless its neutralisation is guaranteed by all the three super powers.

There is little doubt that these countries, while befriending China, would also like to have closer relations with the Soviet Union. Asian, and more particularly, South-East Asian anti-communism was simulated largely by US hatred for China. With the US moving towards better relations with China, the smaller nations realise the need for a re-orientation of their policies to make them less doctrinaire and more pragmatic. There is a lively debate on in Thailand about the need to trade with China. Malaysia has pulled off a big rubber deal with China. The Philippines is on the point of opening trade relations with China. As for Singapore, a Chinese island in a Malay ocean, trade with China has not presented any problems of conscience.

Malaysian Prime Minister Abdul Razak's neutralisation plan is still vague and nebulous. Many of the countries

concerned remain to be convinced and won over, but this cannot be achieved unless the plan is spelt out in less imprecise terms. Like Thailand, Malaysia has been using France as the intermediary to sound China, but last month the leader of the Malaysian trade team to China, Razaleigh, seems to have ventured a direct approach when he met Chou En-lai. The Chinese response to the plan is reported to be helpful from Malaysia's point of view.

The odds are in favour of neutralisation for different reasons. From Peking's point of view, it provides an opportunity for off-setting the disturbing Soviet penetration of the region which is mainly in the form of trade at present. The Soviet intention, on the other hand, seems to be to mobilise the 150 million 'Polynesians' in the region as a bulwark against China, to whom the overseas Chinese of South-East Asia still look as their mentor.

INSURGENCY PROBLEM

Another factor favouring neutralisation is that the countries of the region, faced with communist insurgencies of varying intensity, have begun to feel that a long-term *detente* with China would lead to a change in Chinese attitudes towards these movements. For instance, Thailand has stopped propaganda attacks on China while continuing its battle against the Chinese-supported insurgency movements within the country. Malaysia has a fair-sized insurgency problem and the Malayan Communist Party for most purposes has its 'headquarters' in Peking. Nevertheless, Malaysian Government leaders went 'ga ga' over the 150 million tonne rubber deal with China which also means higher prices for rubber all over the world. The windfall from the rubber deal should help overcome a large part of Malaysia's proclaimed anti-communism. Chou En-lai is reported to have assured the Malaysian trade team that it was not China's policy to interfere in the internal affairs of small nations and that it would respect the sovereignty of all countries. If these professions were to be applied in practice by China, countries like Malaysia and Thailand might be able to get rid of their insurgency problems.

In Malaysia, the Chinese constitute about 40 per cent of the population but the money power of the Chinese is out of all proportion to their numbers. The latest census in Malaysia shows a 42 per cent Malay population which barely gives the Malays an edge over the Chinese. A racial polarisation is becoming apparent in Malaysia. Closer diplomatic relations with China would, however, help to defuse racial animosity. Malaysia could then more easily implement its plan to promote Malay interests and slowly put the squeeze on local Chinese money power in the country. Disaffected Malaysian Chinese support for the communist insurgency might also lessen once China and Malaysia develop normal diplomatic relations because it is likely that China will then begin to soft pedal the people's wars not only in Malaysia, but all over the region.

Thus the chances of the neutralisation plan succeeding are rated high. The United States would rely largely on the powerful Seventh Fleet for its military presence in the region. In the economic sphere, US investments in the region are already showing a significant increase and the rate at which they have been flowing into Indonesia could be termed alarming. If the Soviet Union wants to preserve its interests in the region it cannot actively oppose the neutralisation plan even though this could work to China's advantage.

MORE THAN A REALITY

On the whole China's new look diplomacy has resulted in immediate returns, at least in South-East Asia. No country any longer firmly believes that China is a threat to the region's peace and stability. On the contrary the conviction is growing that there can be no peace and stability unless friendly relation between China and the countries of the region are developed. The Soviet Union stands to lose the most in the bargain. Aeroflot operates regular flights from the Malaysian peninsula to London via Moscow and is shortly going to extend its services to Thailand on a reciprocal basis. Soviet Government traders are busy promoting the sale of farm machinery in Malaysia. Over the last two years quiet Soviet diplomacy has paid dividends of sorts in South-East Asia. Until the recent Chinese diplomatic offensive, Soviet gains did indeed look impressive. What China has pulled off recently is nothing short of a diplomatic *coup*. A Chinese counter-weight to Soviet influence in the region is now more than a reality.

If Wishes Were Budgets...

Nireekshak

DOES no one have a good word for the Union Budget? It would seem not; certainly, such words of appreciation as have been thrown in the direction of the Finance Minister have been drowned in the chorus of protests. Even *National Herald*, which is unmistakably acquiring, if it has not already done so, all the credentials of an official mouthpiece of the Government, had to concede that it was "a difficult budget".

The Press usually tends to give the budget the treatment it reserves for Derby Day at Mahalaxmi. A day or two before the great event the most probable winners — taxes substituting for horses in the case of the budget — are paraded for public view on the front pages. Excitement mounts as the day dawns and, as the evening newspapers record, all roads lead to Mahalaxmi or the stock exchanges as the case may be. From the moment the Finance Minister starts making his budget proposals in Parliament just like when the starter releases his horses on their fateful journey at Mahalaxmi, all bedlam is let loose — except that while the betting ceases from the moment of start of the horse-race, in the case of the budget it really starts only after the Finance Minister has made his proposals. The betting now is that the tax on maida will never get past the winning post.

However that may be, few newspapers have been as circumspect as the *Herald* in their comments on the budget. *Statesman*, for example, called it "a savage budget", even as the spokesman for Indian monopoly capital, G D Birla, was leaning over backwards to applaud Yeshwantrao Chavan's efforts in budget-making! The changes in wealth tax, *Statesman* argued, will not only impose a "virtual ceiling on individual wealth at a much lower level" but will ensure that "for an even larger number of taxpayers the total tax burden will greatly exceed income". The budget has "given a further boost to black money, tax accountants and corrupt tax collectors." As for corporation taxes, Chavan's proposals were "one more attempt to penalise the more efficient company". Altogether, contended *Statesman*, the budget "is distinctly long on sticks and short on carrots".

Birla's own newspaper, *Hindustan Times*, thought Chavan's was "not the best prescription". Some "sound principles...discernible in Mrs Gandhi's budget last year", it argued, "have been abandoned in an all-consuming tax-hunger". Though from every point of view, "holding the price line, creating employment, and improving the climate for further investment" was necessary to "quicken the impulses of production", what has actually happened is "a mechanistic approach to the concept of reducing disparities in income and an overwhelming compulsion to raise resources", with the result that Chavan has been compelled to pursue his aim in "self-defeating ways".

MILD TONES

In contrast to such uncompromising criticism, *Indian Express*, surprisingly enough, spoke in uncharacteristically mild tones. The burden of its criticism was that the Finance Minister "is weighed down by the burden of what he regards as the electorate's mandate". However, since what the mass of the people wanted was "a better life", this could not be provided without "a much higher rate of economic growth" and "Mr Chavan's proposals will not deliver the goods". *Times of India* likewise contended that the "real weakness" of the budget was "its failure to use fiscal and price policies as a planning instrument to secure a more rapid rate of growth". Chavan, it added, had not "come to grips with the central problem of generating more savings in the economy".

One of the very few newspapers which disagreed with such a view was *Hindustan Standard*. The paper believed that the budget was indeed "growth oriented, in the sense that its primary aim is to raise resources for accelerating economic growth". No underdeveloped country could "hope to buy prosperity at a low price", it argued, and "Mr Chavan's objective seems to be to put as low a burden on the poor as possible and to extract from the rich as much as is practicable — although it cannot be said he has been very successful in his balancing act". *Free Press Journal* was another newspaper which stood out in the

guarded, albeit not uncritical, welcome it accorded the budget.

Though the budget naturally overshadowed other issues, one development which attracted considerable notice was the publication of the Rajamannar Committee's report on Centre-State relations. Perhaps the most trenchant, and certainly the longest — two full columns — comment on the report came from *Tribune*. In the Chandigarh daily's opinion, it was "subnational politics" that the Committee was indulging in. "Short of demanding that the people of one State should equip themselves with passports before crossing into another State", *Tribune* wrote, "the Rajamannar Committee has done everything else to make the States practically independent of each other and of the Centre by making the Constitution stand on its head".

Searchlight saw it all differently. When the Prime Minister rejected a suggestion in the Rajya Sabha for the appointment of a national commission to go into the question of Centre-State relations, *Searchlight* wrote: "She not only ruled out the appointment of a national commission to examine the question but went to the length of stating that the appointment of a commission to go into the question of giving wider powers to the States might create complications. It was a strange assertion..." The Patliputra daily — Patna is no longer official name of Bihar's capital — found much to commend in the recommendations of the Rajamannar Committee. It was a "valuable document" full of "highly sensible and practical" recommendations which "respond to the urges of people all over the country". Therefore, it said, the "stand taken by the Prime Minister that Centre-State relations required no re-examination has been most ill-advised and calls for an immediate reconsideration".

The Rajamannar Committee's report does not however seem to have enthused everyone, even in Tamil Nadu, if comments in *Mail* are any indication. *Mail* said, that if given effect to, the recommendations of the Committee "will change the entire face of the country and encourage centrifugal tendencies". What India needed was a strong Centre and viable States, and "these objectives can be achieved within the present constitution".

Incidental Study of Incidence

Mahesh Bhatt

Incidence of Taxation in Gujarat, published by National Council of Applied Economic Research, New Delhi, 1970; pp 118; Rs 18/\$3/24 sh.

THE search for quantitative estimates of tax incidence leads the explorer through a wasteland of muddled concepts, inadequate theory and lack of data.¹ Nevertheless, the questions, "What proportion of the total tax bill is paid by different income groups?" and "What proportion of the benefits from total Government expenditure is received by different families?" must be answered. Unless such tax-benefit analysis is available it is not possible to make any meaningful statement regarding the equity, progressivity, or distributional justice of any tax-structure. Unfortunately, in India, no such effort has been made till now to determine the *fiscal incidence*—i.e., the incidence of both aspects of governmental activity, viz., expenditures and revenues. What is available is the studies of incidence of indirect taxes carried out by Economic Division of Department of Economic Affairs, Ministry of Finance² and the study of NCAER under review.

The well known problems involved in estimating the incidence of total tax-structure are (1) selection of taxes to be included; (2) the allocation of tax-payments by income brackets; and (3) the translation of this allocation into a schedule of average "effective" tax rates. Both studies of the Finance Ministry were restricted to the burden analysis of indirect taxes at the national level. This was inevitable because data on income distribution by size brackets are not available. As against this the NCAER study tries to analyse the tax-burden at the State level and makes an effort to estimate tax incidence in relation to expenditure as well as income of households.

EXCLUSION OF RURAL SECTOR

The necessary information was obtained by sample survey of 1,000 households of the five urban towns with a population of more than 10,000 out of the total of 116 such towns in Gujarat. Thus, this is not a study of incidence of taxation in Gujarat—as its title suggests—but a study of incidence of taxation on the urban population (of five towns) in Gujarat. The exclusion of the rural sector was insisted upon by Gujarat Government which financed

this study. What factors led Gujarat Government to insist on such an exclusion of the rural sector is anybody's guess. Whatever, may be the reasons, the exclusion of the rural sector reduces the usefulness of this study as a guide to policy-making.

The study begins with a review of the Budgetary position of the State. The success of the State Government in mobilising resources is reflected in the fact that total revenue as a proportion of State income increased from 6.76 per cent in 1960-61 (the year in which the State came into existence) to 12.44 per cent in 1965-66—the highest increase obtained by any State in this period. Similarly, the proportion of State income taken as tax revenue increased from 3.29 per cent in 1960-61 to 5.25 per cent in 1965-66. This rise is also the highest increase obtained by any State during the period. This rise is also reflected in the highest exploitation or buoyancy co-efficient of 2.00, compared to 1.55 for all States. This amounts to a tribute to the State Government's sound management of its finances.

However, it is difficult to understand why the Council study finds no mention of certain unhealthy (or unpleasant to the State Government) aspects of State finances. For example, as against the tendency to exceed budgeted revenue and expenditure, on revenue account, in the case of capital expenditure (outside the revenue account) one finds that the target (budgeted) for this expenditure is normally not realised.³ This, indeed, is an unhealthy feature of the budgetary position of the State, because a substantial portion of the revenue expenditure is devoted to non-developmental purposes while capital expenditure is largely developmental expenditure. Could it be then that the financial soundness of the State is achieved at the cost of economic development of the State?

Similarly, there is no mention of the role of Central assistance. Even a casual study of the State budget attracts attention to the declining proportions of the Central assistance and increasing self-reliance of the State.

However, this should not be considered a great weakness of the study since the main objective was to study the tax-burden distribution and not the budgetary position of the State. The main findings of the survey on incidence are given in nine pages (out of 118 pages) spread in two chapters, on dealing with the incidence of taxation on urban households (which ought to have been the title of the book) and the other with the incidence of taxation on trade and industry. The actual distribution of tax-burden among individual households has been calculated by applying the tax-rates to the expenditure and income data collected through the survey (involving some 30 pages of foolscap questionnaire). The survey relates to 1967-68, and as mentioned earlier is confined to the urban sector. The findings of the survey reveal that the distribution of the money burden of the tax system (Central and State as a whole) is progressive; tax burden as a proportion of income increased from 8 per cent in the lowest income group (less than Rs 1,200 annual income) to 22 per cent in the highest group (above Rs 24,000). Taking the taxes individually, it is found that the burden distribution of excise tax and sales tax is regressive. But this need not worry us because tax progressivity is relevant to the "tax system as a whole".

NO PROPER PROCEDURE

The question is whether the observations made in the study about the marked progressivity is really about the tax system as a whole? Although it is claimed that all important Central and State taxes, both direct and indirect are covered, in fact as far as Central taxes are concerned only income tax and Union excise on consumer goods bought by households are taken into account. As for State taxes, all important taxes are taken into account except land-revenue. However, no account is taken of the local municipal taxes (which are relatively very high in Gujarat⁴). Hence the observation made cannot be strictly considered as the observation about the 'tax system as a whole' unless the mixture of some Central and State taxes is regarded as a whole. In order to convince that the 'mixture' is 'representative of the whole', the proper procedure would have been to give the percentage distribution of total taxes collected in Gujarat by tax revenue source and show

that the taxes included in the tax-burden calculations are most important for the purpose.

Similarly, it may be perfectly all right to examine the distribution of tax payments in a closed economy and to allocate all taxes to families within an economy when we are concerned with the economy as a whole. But it is a distorting simplification for a study of incidence of taxes in a State which is highly commercialised. So a consideration of the degree of tax-exporting to non-residents would be crucial for an assessment of incidence, unless it is assumed that tax-exporting and -importing cancel out.

Further, to make a meaningful statement on the equity or progressivity of the tax system as a whole, some efforts ought to have been made to answer the question: "What proportion of the benefits from total government expenditure in the State is received by different income-groups?" If such study is undertaken, one may find that many taxes paid by people in the higher income brackets are used to finance services which are for the benefit, broadly speaking, of the same income group which pays the taxes. Unless such an analysis is done, all burden analysis remains incomplete and should be treated as an incidental study of incidence only. It is true that the task of allocating the benefits of the public expenditure is a formidable one. However, let us note that several attempts have already been made abroad to estimate the distribution of benefits from government expenditure. One would legitimately expect that an institute like NCAER, with its ample resources, would have at least made a beginning in this direction.

EXERCISES IN FIGUREMANSHIP

The tax-burden analysis under review relies largely on information collected through survey method. It is a well-accepted fact that, to obtain even approximately correct information about income (and that, too, of the high income group households) is extremely difficult. Much of the validity of the conclusions of such a survey depends on how much reliable information is made available by respondents to the ordinary investigator. In many cases such an exercise amounts to 'figure-manship' without reliable figures.

It is not known whether the concept of income used includes all types of non-money incomes (such as rental value of owner-occupied homes) and imputed incomes. The household income, on the basis of which the tax

burden is calculated, includes non-taxable income of members of the family and also income which falls below the exemption limit. If the non-taxable income and income below the exemption limit were excluded, it would have perhaps considerably diminished the progression for the high and highest open-end income brackets. It is not clear whether, in applying the tax rates to the income of each household, any consideration is given to the size of the family, to whether the taxpayer is unmarried or married, and has a dependent child or children, nor to whether it is a Hindu undivided family. Such factors have a major bearing in determining income-tax liabilities because of the income-splitting opportunities which they provide. It is doubtful whether the NCAER study makes any allowance for such factors. Grouping of families receiving the same income in the same income-brackets, and mechanical application of the tax rates without the consideration of these above-mentioned characteristics, may give a seriously misleading picture of the progressivity and distribution of tax burden.

The NCAER study also claims that it has made a study of the tax incidence on trade and industry in Gujarat. For this purpose, taxes on commodities and services consumed by the cotton textiles industry are taken into account. Having discovered that the taxes increased by 8.8 per cent (1961-67) while the prices of mill cloth rose by a much higher proportion, it is concluded that the increase in the taxes was fully absorbed in the price rise. Secondly, on the basis of the study of a 10 per cent sample of public limited companies out of the 300 registered in Gujarat, ratios of (1) tax provision to profits before taxes and (2) profit after tax to net worth of company, are calculated and it is concluded that there is no direct relationship between tax on companies and their profitability. Lastly, on the basis of discussion with the Chamber of Commerce and the Millowner's Association, it is concluded that "there is no concrete evidence of diversion of trade and industry from Gujarat to other States due to disparity in incidence of State taxes.

These methods of calculating tax incidence on trade and industry are indeed crude and hence are likely to be misleading. Simply because prices of cotton cloths have increased more than the percentage increase in the taxes on commodities and services one cannot conclude that the increase in the taxes was fully absorbed in the price rise. It

is possible that increased prices of cotton textiles might be on account of an increase in other costs. It would be relevant to correlate the taxes to the rate of return in the textile and other industries in Gujarat. Unless it can be shown that the taxes have not adversely affected the growth and the return on investment in industry in Gujarat, it is misleading to say anything about the incidence of taxes on industry. Any study of incidence of taxation on industry and trade in a particular State in a federal structure, must ascertain the effects of the State tax-structure upon the industrial development of the State. It would be necessary to examine whether the rapidly growing State would have grown still more rapidly if it had not been for the higher tax burden in Gujarat.

If a recent study of the industrial growth in Gujarat⁵ is any indication, it clearly shows that, as compared to many other States, Gujarat is not able to maintain its tempo of industrial growth. This evidence suggests that, perhaps, the high tax rate structure of the State might be driving industries out of the State.

A BOLD STATEMENT

Having said that it is not concerned with the wider question of incidence of the company tax, the council study nevertheless tries to show that there is no indirect relationship between the tax on companies and their profitability. This is, indeed, a very bold statement. In fact, the Council study did find that in the case of some companies (1) the tax ratio increased and profitability declined and (2) the tax ratio declined and profitability increased. As far as these companies are concerned there seems to be some relationship between tax on companies and their profitability. In companies where (1) the tax ratio increased and profitability also increased and (2) the tax ratio declined and profitability also declined, non-tax factors might have played an important part. But one could also argue that the same may be said about the first group of companies. It is difficult to establish any causal relationship between taxes and profits in an empirical way. This is so because many non-tax factors affecting the profits do not remain constant over time.

Further, such empirical studies are of doubtful usefulness for drawing any valid conclusions because they lump together firms of various kinds facing quite different market conditions in both factor market and product market, and

though companies may be registered in Gujarat they may not be carrying out their manufacturing activities in Gujarat. What is needed for the purpose is an industry-wise and product-wise study.

In drawing attention to some of these methodological and technical limitations, we are not questioning the general usefulness of such a study. Yet, if consideration of incidence and tax equity is to play an important part in formulating a rational fiscal legislation dealing with revenue requirements and public expenditure, it is high time that we introduce these necessary refinements in our analyses.

NOTES

- 1 R A Musgrave and his associates: 'Distribution of Tax Payments by

Income Groups: A Case Study for 1948', *National Tax Journal*, Volume IV, March 1951, p 1.

- 2 Government of India, Ministry of Finance: 'Incidence of Indirect Taxation—1958-59 and 1963-64'.

- 3 Mahesh Bhatt and C H Thacker: 'Some Aspects of the Finances of the Gujarat Government', published by Gujarat University, Ahmedabad-9.

- 4 Mahesh Bhatt and M S Trivedi: 'The Metropolitan Finance in a Developing Economy — Ahmedabad Municipal Corporation — A Case Study', Balgovind Prakashan, Ahmedabad-1.

- 5 Mahesh Bhatt and V K Chavda: 'Industrial Growth in Gujarat — An Appraisal', *Economic and Political Weekly*, Volume V, Number 28, November 28, 1970.

Unrevealing Narration

S R Tikekar

India and Nepal by Shriman Narayan; Popular Prakashan, Bombay; pp 172; Rs 28.

HISTORICALLY, India and Nepal have been closely related to each other, yet their mutual relations are not what they should be. Their differences are not mere neighbourly bickerings, but great misunderstandings about each other's roles. Both seem to be waiting for a bridge-builder to arrive on the scene.

SURFACE PROBE

Shriman Narayan, now Governor of Gujarat, was before coming to the Raj Bhavan in Ahmedabad our Ambassador in Kathmandu. In this book he provides a personal record of his public, assignment. Confining his attention to the formalities of the court, however, Shriman Narayan could not probe deep enough into underlying conditions. Being a confirmed Gandhian, he was more concerned with proving the success of open diplomacy — as the sub-title of his book shows. The record, therefore, should be read as such; it achieves nothing more concrete by way of bringing the two peoples closer together in understanding.

Shriman Narayan made the embassy receptions completely 'dry'. "Not a drop of wine was poured into the glasses at any of the functions at the Embassy" (p 107). He was responsible (p 103) for getting the Royal visit to Nagpur, to address the RSS rally, cancelled. Visits to Nepal by Indian

dignitaries (p 13) and return visits of Nepali VIPs including members of Nepali Parliament (Rashtriya Panchayat) were arranged (pp 77-79). Many other such achievements are listed by Shriman Narayan in his record of personal triumphs at Kathmandu.

From a seasoned educationist, Gandhian thinker, and experienced

political worker, something more substantive was to be expected, both in diplomatic terms as well as in the narration and analysis of Indo-Nepali relations. Instead, we have a list of the successive cabinets in Nepal, particularly during the post-Rana period — 16 changes of cabinet between 1951 and 1966 — but not a word on why these changes took place, nor the reasons for the internment of the many cabinet ministers.

That this record of ambassadorial assignment is more personal than official, is also seen from the photographs and the appendices included. More than one-fourth of the book is devoted to appendices in which laudatory letters to the author are included. Only two of the appendices — F and G — are important documents, being the texts of the treaties between India and Nepal.

From other points of view, also, the book is disappointing. Newaris, as part of the population, are not mentioned. The sociological and economic consequences of the expatriation of the Nepal youth are not even touched upon. The prime need of the Nepali people is a regular supply of salt and though India can meet it easily little is done to assure the average Nepali that he will get it. For a Gandhian ambassador, this sort of refusal to face fundamental problems is unbecoming, to say the least.

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The University of Mysore A Case Study in Decentralisation

Glynn L Wood

The changes that have reshaped the institutional structure of the University of Mysore are indicative of profound changes in the political environment of that University — changes of major consequence for most academic institutions in post-Independence India.

Caste rivalries have affected the University almost since its inception and caste based educated societies have been one of the major factors in the rapid expansion and decentralisation of the University. The earlier Congress ministries were also particularly eager to expand higher education to serve a wider clientele. The effects of the inflation of university education have been both complex and controversial.

SPRAWLING over the southern eleven districts of the State of Mysore, the University of Mysore today little resembles the small elitist institution created by the Maharaja during World War I. At the time of its founding the University included only faculties for arts and science located in two colleges that had predated the university by some forty years. The history of the University of Mysore in recent years has been one of rapid growth and decentralisation in response to a heavy demand for cheap, locally available higher education.

The University of Mysore was the first to be founded in a princely State and was the seventh university to be founded in India. The man usually given credit for its founding is M Visvesvaraya, Dewan of Mysore from 1912 to 1918. While the Maharaja's governments were ever anxious to present the appearance of progressiveness, the years under Visvesvaraya were particularly marked by schemes for both educational and industrial development.¹ Because much of the Visvesvaraya period coincided with World War I, many of his plans for industrialisation were sidetracked. Not so his plans for educational change, for as he wrote of the period, "I was convinced that the unsatisfactory economic condition in Mysore was due chiefly to neglect of education".²

When Visvesvaraya took office, higher education in the princely State was limited to two Government colleges which were affiliated to Madras University. Soon after taking office the new Dewan sent two senior members of the State's educational bureaucracy abroad to report on university education in the United States, Japan, the Philippines and Australia. Reports of these visits became part of the deliberations which led to a proposal for an independent university submitted to the Govern-

ment of India in 1915 and again in 1916.³ Despite some resistance offered by Madras University, the new University was permitted to begin operation in the summer of 1916.

It should be noted that prior to the founding of the University of Mysore and Benares University (also in 1916), no new university had been founded in India for 29 years. The moratorium on new universities had been the result of dissatisfaction with the prevailing system of affiliation in which universities were simply licensing bodies, and in which the colleges which actually did the teaching were widely scattered and little influenced by university regulations. This dissatisfaction was strongly expressed in an influential and extensive report on Calcutta University published in 1916.⁴ The report of the Calcutta University Commission provided a backdrop for planning the new University of Mysore, and the planners consciously attempted to create a teaching university, which would not deteriorate into a licensing board. This aim was clearly stated by the Maharaja of Mysore in his first speech to the University Senate.

"It is, I think, obvious that our University, with only two federated Colleges, will come into special touch with the professors and students in a way which is not possible in the case of the older universities with their system of affiliated colleges spread over vast areas".⁵

During the early years of operation the University of Mysore did fulfil the expectations of the Maharaja and his planners. Science teaching was concentrated at Central College in Bangalore, the arts were taught at Maharaja's College in Mysore, and what little expansion did occur during the first 25 years was handled by new, specialised colleges which were an integral part of the university. These included colleges

of medicine and engineering, colleges for women, and colleges especially designed to conduct the intermediate course. During the depression enrolments actually fell slightly, but by 1939 the University had just over 3,000 students, all enrolled in eight colleges in the urban centres of Bangalore and Mysore.⁶

BRAHMIN EDUCATION SOCIETIES

If the University of Mysore had been able to avoid the pitfalls of the affiliating university through 1939, the picture changed rapidly thereafter. The move away from centralised, governmental control was indirectly the result of the agitation against 'Brahmin dominance', which led to discriminatory measures against Brahmins by the Mysore Government both in recruitment to Government service and in admission to the University. Anti-Brahmin feeling has had a long history and in modern times the feeling was often shared by non-Brahmin Hindus and British administrators.⁷ The anti-Brahmin argument has usually been that the Brahmins are a privileged group who hold a disproportionate number of government jobs and receive more than their share of education at all levels; and further, that Brahmins use their position unfairly to maintain dominance over lower caste groups. The first attempt to reduce 'Brahmin dominance' in Mysore was made in 1874 by British administrators, who had temporarily replaced princely rule.⁸ The British effort was ineffective and the issue was not pursued vigorously in Mysore until the anti-Brahmin party in Madras State was in ascendancy early in the twentieth century.⁹

In 1918, while Visvesvaraya was Dewan, the Maharaja of Mysore appointed a committee under the chairmanship of the Chief Justice of the State High Court, Leslie Miller, to recommend measures to reduce Brahmin dominance. Visvesvaraya, a Brahmin, resign-

ed as Dewan in protest. In resigning he argued that everyone would benefit if the best men available were utilised in the work of improving the economy; hence any system giving special consideration to backward groups would reduce the capacity of government.¹⁰

The Miller Commission reported in 1919, and after defining all groups except Europeans, Anglo-Indians and Brahmins as backward, recommended that preference be given to members of backward groups in the Government service, and in admissions to Government schools and colleges.¹¹ Subsequent orders issued by the Mysore Government did make these reservations.

Thereafter the University of Mysore and its colleges were deeply involved in the controversy. Annual reports of the University beginning in the 1920s analysed both enrolment figures and examination results by as many as ninety-six separate caste groups.¹² Yet despite these efforts to reduce Brahmin dominance in the University, nearly 60 per cent of the enrolment in 1945 were Brahmin, while the 1941 census found that only 4 per cent of the population belonged to that caste group.¹³ The struggles that went on in the University of Mysore between Brahmin and non-Brahmin over admissions, examination results and staff appointments eventually had its effect, however; and after 1945 Brahmin students began to move into new private colleges run mainly by Brahmin education societies.¹⁴

While education societies had sponsored primary and secondary schools in Mysore for many years, until 1945 higher education had been a State monopoly. The University of Mysore had been, in effect, the governmental department charged with managing higher education in its own colleges. In 1945, however, the university granted affiliation to four private colleges, three of which were Brahmin-run. These first colleges offered courses only in arts and science, but eventually private colleges also were to compete in the more expensive fields of engineering and medicine.¹⁵

The early colleges founded by Brahmin societies usually had two things in common — a fairly high academic standard, as might be expected because of the traditional Brahmin pre-eminence in education and meagre finances. Except for the Maharaja, there had been little tradition of regular philanthropy for education in the princely State, and Brahmin colleges were usually run on students fees (inevitably lead-

ing to overcrowding) and limited grants from the Government.¹⁶

As entry to Government service became increasingly difficult in the 1950s, medicine and engineering became the most attractive fields for the young Brahmin. Merit was a more important criterion in these difficult fields, and graduates might possibly find employment outside Government service. However, openings in Government medical and engineering colleges were also limited, and became more so as the Mysore State Government revised reservations for backward groups to 75 per cent of the admission capacity of colleges in these fields.¹⁷ Reservations on the basis of caste were finally removed in 1962 after five Mysore Government orders were thrown out by the courts, but by that time a number of private colleges had sprung up to take care of the high demand for medical and engineering education.

NON-BRAHMIN EFFORTS

Discrimination against Brahmins in Government institutions was the single most important factor in the development of private colleges in the area served by the University of Mysore, but following the success of the Brahmins, other caste groups have followed suit. The most substantial efforts have been made by the Lingayats, a sect that follows the teaching of a twelfth century reformer named Basava.¹⁸ Basava, a Brahmin himself, rebelled against the formalism and hierarchy of the Brahmanic Hinduism of his time, and converted many followers to a doctrine of extreme egalitarianism in which all believers, male and female, are to be treated as equals. Members of the sect carry a small lingam, the symbol of Shiva, secured to a string around the neck — hence the name Lingayat.

In modern times few Lingayat converts have been made, and sub-divisions within the sect have in effect become jatis or sub-castes with typical practices regarding interdining, endogamy, etc. While Lingayat leadership has been strongest in the north Mysore area served by Karnatak University, two Lingayat maths (monasteries) have been very active in higher education in south Mysore. Both maths, the Shri Siddaganga math of Tumkur district and the Suttur math of Mysore district, conduct broad programmes aimed at improving educational opportunities for Lingayats. The more important of the two is the Shri Siddaganga math. Founded during the nineteenth century, the math has had two leaders during the twentieth century whose interest in improv-

ing the lot of the Lingayat sect eventually led them beyond traditional math activities, to sponsor major programmes for secular education. By 1967 the math controlled sixteen educational institutions, including the Siddaganga Institute of Technology, an engineering college affiliated to the University of Mysore.¹⁹

In addition to the Lingayats other non-Brahmin communities which are currently involved in managing colleges are the Vokkaligas, the largest agricultural caste in south Mysore, and the Indian Christians. The Vokkaliga Sangha, a caste association, currently manages a single college and Indian Christians have continued to run six missionary colleges started before Independence, and have founded three new colleges (including a medical college) since Independence. It should be noted that no college has been founded by any Harijan group.

SOCIETIES AND THE NEW POLITICS

While the older and more important education societies in south Mysore are based on either caste or religion, and are often an integral part of the struggle for improved caste status, a more secular pattern has also developed, as political elites have found private educational institutions and societies to be excellent sources of support. This relationship between education and politics can be traced back to the early days of the Independence struggle, when a number of societies ran primary and secondary schools as part of Gandhi's programme of constructive work. While few nationalist societies opened colleges before Independence, the high schools begun as part of the Congress movement were the forerunners of today's colleges, and at the time gave the Congress both a place to hold meetings and a large number of young men who could be used in Congress programmes.

The earliest connection between education and the nationalist movement in Mysore actually pre-dated Gandhi. The National High School in Bangalore was founded in 1917 by the Theosophists as part of Annie Besant's programme for national education.²⁰ The parent body, the National Education Society of Mysore, opened its first college in 1945.

Since Independence the relationship between politicians and higher education has become even more common, and colleges have been one of the bases upon which a politician can build a career.²¹ The rewards for the 'politician's effort are considerable, not the least of which is general acclaim for having improved educational opportunities for his con-

TABLE 1: COLLEGES BY MANAGEMENT²³

	1946-47	1955-56	1966-67
Government Colleges	9	17	22
Private Colleges	5	15	53
Total	14	32	75
Government Enrolments	3,700	10,000	18,000
Private Enrolments	1,500	5,000	22,600
Total	5,200	15,000	40,600

Note: In order to make the statistics for this and following Tables equivalent over time, all Bangalore colleges and enrolments are excluded. Bangalore colleges were a part of the University of Mysore until 1964 when Bangalore University was created.

TABLE 2: DISTRIBUTION OF COLLEGES BY CITIES AND TOWNS²⁴

	Cities	District Towns	Other Towns	Total
All colleges, 1946-47	10	3	1	14
Government colleges founded 1947-67	6	5	3	14
Private colleges founded 1947-67	11	13	26	50
Total	27	21	30	78

Note: The cities category includes Mysore, Mangalore and Kolar Gold Fields, all having more than 100,000 population according to the 1961 census. Government colleges include institutions run directly by the University and by the State and the National Governments. This Table also includes three colleges that had been discontinued by 1967 and which were not included in Table 1.

stituents. In addition the new institution is a source of a certain amount of patronage, of economic benefits for the loyal, of students and staff who may be willing workers in political campaigns, and of contacts with the high-powered politicians and bureaucrats who make up the senate and other ruling bodies of the University. And for the politician out of office, the college may simply provide gainful employment until his luck changes.

It should not be assumed that there is any neat separation between secular and caste based educational societies, or that Mysore's politicians have interested themselves only in secular activities. Societies started early in the Independence movement as part of the programme for 'national' schools have often acquired a reputation for being run in the interests of a single caste. Nor have secular politicians hesitated to become involved in the activities of an educational society that is openly caste based, if that society is important to their constituency.

While in some instances a political figure is the entrepreneur, in others the connection is less direct. One or two local men will be active in running the programme of the society, and the local MLA or minister will be called on from time to time to visit the institu-

tion, to serve on the board of management, or to help iron out difficulties with either the affiliating university or the Ministry of Education. Both the institution and the politician gain from the relationship, which need never be formalised.

IMPACT OF EDUCATION SOCIETIES

The impact of education societies on the University of Mysore can easily be seen in the statistics for the first 20 years of Independence. During this period most Government developmental funds were spent to improve the quality of existing colleges or to create specialised training institutions.²² Consequently private colleges have met most of the increased demand for higher education. As a result the University of Mysore, which until 1945 excluded private colleges altogether, had by 1967 been transformed into an affiliating university with the great majority of its colleges and students in the private sector. Further, of the 21 Government managed colleges operating in 1967, only four (and a centre for advanced degrees) remained under the direct control of the University. Table 1 illustrates this change.

Related to the growth in private management has been a geographical

decentralisation of the university system based on both local pride and the desire to keep children at home for sentimental and economic reasons. Earlier colleges, both Government and private, were located in urban areas or in district headquarters towns. Since Independence, however, there has been considerable growth in other small towns as shown in Table 2.

The effects of this decentralisation on the University have been several. From the point of view of the founders and their supporters, mofussil colleges have greatly improved local children's chances for higher education, and it can be argued that local participation in college affairs is worthwhile in itself. Nonetheless, the price paid for these benefits has been heavy. The new mofussil colleges lack the academic traditions, the experienced staff, the libraries and laboratories found in the older urban colleges; and the economic cost of improving these facilities in a small town is prohibitive for colleges that typically run under strength, yet are dependent on student fees. Most college managers I interviewed agreed with the Kothari Commission, that at least 500 students were required for a college to be economically viable, and that enrolments of 1,000 are optimal.²³ Yet of the 26 private colleges begun in non-district headquarters towns only two had an enrolment of 1,000 by 1967 and only seven others more than 500 students.²⁴ Now it is possible that the problems of the poorly equipped, under strength colleges in the mofussil areas are only temporary. Eventually these colleges could grow to minimum strength and over a period, staff and facilities could be improved until standards reach the levels prevailing in more urban areas. This is indeed possible for a particular college, but the University will continue to be plagued by new colleges, poorly attended, equipped and staffed, so long as founding a new college requires as little effort as at present. So many colleges have been founded in recent years that the consolidation process has been slowed and students and financial resources have been diverted to new institutions before the old could reach the minimum enrolment figure.

The reasons for the mushrooming of new colleges before the older colleges are filled are several. The limited philanthropy available in Mysore is more easily mobilised for the capital investment required to start a college than for the continuing expenses of an existing institution. Particularly effective

in fund raising has been the practice of naming new institutions after major donors. Also philanthropy tends to move toward local projects, so that each town has some potential donors, who normally would contribute to a local educational project in preference to projects at the district headquarters. Students also move toward the nearest institution and while the first college in a town lowers the cost of education so that more students can afford collegiate education, other students who could afford to go away to college will decide to remain at home.

Yet neither local demand for collegiate education or local philanthropy were sufficient in many of the new college towns to meet the minimum requirements for affiliation set by the University of Mysore. If the rules of affiliation had been strictly enforced, two requirements in particular would have delayed, if not prevented, the founding of many colleges during the period. Each college is supposed to deposit, prior to the granting of affiliation, an amount ranging from 50,000 to 200,000 rupees as surety against liabilities incurred by the college, and the college should have at its disposal buildings adequate for classroom and laboratory use.²⁷ The fixed deposit is seldom made in full and new colleges have been quite ingenious in finding temporary housing for their classes, until a building campaign can get under way. Rice warehouses, old Sanskrit patashalas, Government offices, wings of existing high schools, have all been utilised to house new colleges. In some cases the temporary arrangement has persisted for years, despite University criticism, but in no case has affiliation been withdrawn either for failure to deposit surety or failure to provide an adequate building.

The inability of the University to enforce these and other minimum requirements for affiliation is the direct result of the political importance of the local leaders who organise colleges.²⁸ These men are often well connected with the ruling party and with members of the representative bodies of the Universities. In the single case in recent years when the University did refuse affiliation, eventually the decision was reversed under heavy pressure from the State Government (the single important breach of University autonomy that I have been able to document).²⁹ Consequently, University administrators have seen little point in becoming involved in controversy with college founders and their supporters. In fact, the Uni-

versity administration has at times found the new, marginal colleges useful allies within the University to offset the influence of older, established education societies.

For policy makers at the State level, the political influence of organisers of private colleges presents a similar problem. In allocating subsidies to private colleges the State Government has dispensed uniformly to colleges old and new. When exceptions have been made, they have followed the personal intervention of high level politicians who were involved with particular education societies, rather than any qualitative judgments about existing colleges. A step in the direction of selectivity was, however, taken in 1967-68 when the State Government began to deny subsidies to colleges until they had been in operation for three years.³⁰

CENTRE FOR ADVANCED DEGREES

In many ways the University of Mysore has become the licensing board that it was designed to reform. Most teaching is now farmed out to affiliated colleges and only four undergraduate colleges remain under direct University control. For advanced degrees, however, the University still maintains a near monopoly over courses which expanded nearly eightfold between 1950 and 1967.³¹

Central to this programme is a centre for advanced studies, the Manasa Gangotri, created in 1960 to consolidate a small number of courses for the master's degree, which had been scattered among a number of colleges. The centre has become the University's show piece, and most University development funds since 1960 have gone to the centre for library, laboratories and classrooms considerably above the usual Indian standard. In addition teaching staff for the centre have been recruited at higher rates of pay than those prevailing at the colleges.³² By 1967 the centre included 23 departments. Only post-graduate courses in medicine and engineering were left with the affiliated colleges.³³ A key role in this development was played by the national University Grants Commission (UGC), which provided more than half of the development funds both for buildings and for higher salaries.³⁴

If the centre for advanced studies is the exception to the general trend towards decentralisation at the University of Mysore, there are signs that this

may not be politically possible much longer. Several new projects are being promoted which would decentralise advanced degree courses and perhaps fragment the University itself. The UGC has taken a strong stand against the creation of new Universities, but has recommended instead that existing universities establish post-graduate centres in towns which may be able to support a full fledged university in time.³⁵ If one of these centres thrives, then a complete university would be considered at a later date. The importance of UGC funds for university finances has given this recommendation some force, and the University opened its first sub-centre in Mangalore in 1968.³⁶ Master's degree courses were offered in four subjects initially and classes were begun in space made available in two local colleges. The UGC has pledged two million rupees to support the project. At least four groups which control important education societies in south Mysore view the Mangalore project as a step towards the creation of post-graduate centres and perhaps towards separate universities for their areas.³⁷

The arguments mustered to support these projects invariably revolve around the rush for admissions to existing post-graduate courses, the hardships involved for students who have to leave home to continue their education and the poor communications which connect existing universities with affiliated colleges in the far corners of the State.³⁸ The first two arguments are arguments in favour of improved educational opportunity similar to those which justified decentralisation at the undergraduate level. At present the State government seems inclined to accept the arguments for decentralised post-graduate courses, although it is much less likely that the resources will be found either within the State or in New Delhi to develop the new centres (or universities) as rapidly as the University of Mysore developed the Manasa Gangotri in the sixties.

CONCLUSION

The changes that have reshaped the institutional structure of the University of Mysore are indicative of profound changes in the political environment of that University — changes of major consequences for all academic institutions in independent India. For both the princely State of Mysore and for British India the last years of British rule brought increased political partici-

pation, not only in the Independence movement, but within the system as well. Naturally the university, as creature of the State Government, was affected, particularly in the squabbling over caste based privileges.

In general, caste controversies in Mysore were fought out within the existing colleges, but with the coming of Independence politicians came to power who had very different views of education than had the Maharaja's regime. The early Congress ministries were particularly eager to expand higher education to serve a broader clientele. One early Chief Minister, for example, was quoted as telling University of Mysore teachers that they "were charged with the task of educating a different set of people altogether", and noted that it was necessary to switch from class education to mass education.³⁹ With this point of view, it followed that private attempts to expand private education would be viewed much more favourably after 1947 than they had been during the Maharaja's time, and that groups and communities founding their own colleges would be able to find support in the State ministries. Thereafter, even minimal efforts to maintain standards for affiliation by the University were brushed aside by the State Government.

While this paper has concentrated on private efforts to expand the university, it should be noted that both the State and national Government were also involved in expanding selected fields of higher education as part of the effort to plan for the manpower needs of the country.⁴⁰ In addition to the support given to the University's graduate centre, the national government founded regional colleges of engineering and of education which became a part of the University and the State Government founded colleges of arts and science in all district headquarters towns, and helped expand medical and dental education in the University.

The effects of the subsequent inflation of higher education are both complex and controversial. There certainly has been no shortage of editorial comment in Bangalore newspapers on the deterioration of standards, on the lack of student discipline, etc — criticism which is fairly standard across India. Similarly, a series of commissions on education at the State and National level have also been highly critical in discussing Indian universities generally and the University of Mysore in particular.⁴¹ Certainly it can be said that

present-day performance at the University of Mysore contrasts sharply with the academic ideals held by its critics and by many of its own teaching staff. The difficulties of assimilating ever increasing numbers of high school graduates who come to the University with ever decreasing skills in the English language (the University's medium of instruction) has made teaching and learning more difficult. And so far the proposed changeover to Kannada as the medium of instruction has been quite sluggish.⁴² This situation is further aggravated by the geographic decentralisation of the affiliated colleges and the scanty resources available in many of these institutions.

On the other hand it must be said that the University of Mysore today provides access to higher education for a much larger percentage of the population than it did in 1947. It is still true that children of the wealthy, the educated and the politically powerful get admission to the better colleges more easily than do their less endowed fellows, and the low percentage of Harijans in the students body testifies to the fact that opportunity and even subsidies may not be enough to break old cultural patterns.⁴³ Yet despite the inequities that do exist, the University of Mysore has moved quite far towards equality, and in a democracy with modernising ambitions, there is a need for egalitarian symbols. At the same time there is a need for educated men to run the system. It is obvious that in the University of Mysore the trend is towards greater equality, but it remains to be seen whether minimal quality can be preserved to allow the University to serve its educational as well as its symbolic function.

NOTES

- 1 On the concern for Mysore's progressive image see Donald Gustafson's paper on Mysore in the panel on "Response and Reaction to External Change" at the 1969 meeting of the Association of Asian Scholars.
- 2 M Visvesvaraya, "Memoirs of My Working Life", M Visvesvaraya, Bombay, 1951, p 68.
- 3 *Ibid*, pp 72-75.
- 4 "Calcutta University Commission Report", Superintendent, Government Printing, Calcutta, 1919.
- 5 C R Reddy, "Report on Education in Mysore State", Mysore Government Press, Bangalore, 1949, p 149.
- 6 Complete enrolment figures for all University of Mysore colleges from 1923-48 are to be found in J B Mallaradhy, ed, "Statistical Abstract of Mysore (Including Supplement)
- 7 from 1923-24 to 1947-48", Mysore Government Press, Bangalore, 1951, p 41, and p 25 of the Supplement.
- 8 M N Srinivas, "Social Change in Modern India", University of California Press, Berkeley, 1966, pp 107-108.
- 9 Mysore Government Order No 1827-80-EAG 308, May 16, 1921, Annexure 3, "Report of the Committee Appointed to Consider Steps Necessary for the Adequate Representation of Backward Communities in the Public Service", p 8.
- 10 M N Srinivas, *op cit*, pp 100-110; and Myron Weiner, "Politics of Scarcity", University of Chicago Press, Chicago, 1962, pp 51-56.
- 11 M Visvesvaraya, *op cit*, p 87.
- 12 Mysore Government Order No 1827-80-EAG 308, *op cit*, pp 5-21.
- 13 For the most detailed analysis of University statistics by caste see University of Mysore, "Annual Report 1938-39", University of Mysore, Mysore, 1939, p 72. An account of caste based quarrels within Mysore University is found in "Profile of a Southern State—Mysore", *Economic Weekly*, July 21, 1956, pp 859-863.
- 14 J B Mallaradhy, *op cit*, pp 10, 34, 35.
- 15 Although no breakdown on caste groups by college is available, the predominance of Brahmin students in institutions managed by Brahmin societies as compared with Government institutions is documented by B G Halbar and T N Madan, "Caste and Educational Institutions in Mysore State", Karnataka University, Dharwar, 1966, pp 91-137.
- 16 University of Mysore, "Annual Report 1950-51", University of Mysore, Mysore, 1951, p 96.
- 17 For an indication of the amount of Government grants received by a single institution under the Maharaja, see National Education Society of Mysore, "Report for June 1945 to March 1951", National Education Society of Mysore, Bangalore, 1951, pp 20-21.
- 18 Mare Galanter, ed, "Legal Materials for the Study of Modern India", mimeographed, South Asia Area and Language Centre, University of Chicago, 1965, Part III, pp 30-40.
- 19 For a description of the Lingayat community see L K Ananthakrishna Iyer, "The Mysore Tribes and Castes", Mysore University, Mysore, 1931, Vol IV, pp 81-124; and William McCormack, "Lingayats as a Sect", *Journal of the Royal Anthropological Institute*, Part I, Vol 93, pp 58-71. For a brief life of Basava see R C Hiremath, "Sri Basavesvara: A Biography" in Government of Mysore, "Sri Basavesvara — A Commemoration Volume", Mysore Government Press, Bangalore, 1967, pp 3-32.
- 20 For an account of two Lingayat maths, including Sri Siddaganga Math, see H M Sadasivaiah, "A Comparative Study of Two Vira-

Capacity Utilisation, Investment Pattern and Income Growth

Hannan Ezekiel

I

IN his article "The Economy: Current Situation and Policy Problems" (March 20, 1971, pp 663-78), V V Bhatt focuses attention on what he calls the curious dilemma facing policy-makers in India today. He points out that "The investment rate cannot be stepped up with the shortage of resources and decline in external assistance; resources cannot materialise via fuller utilisation of productive capacity in the industrial sector without an appropriate rate of investment."

Bhatt has not explained in his article — even though an entire section of the article is devoted to the "Problem of Capacity Output in the Industrial Sector" — the exact nature of the dilemma presented by him. To understand the dilemma fully, it is necessary to keep in mind Bhatt's earlier statement in the same article: "The fact that prices are rising in spite of the continued investment recession is significant."

These two statements seem to suggest that capacity in the consumer goods sector is fully utilised, but that savings are not adequate to support demand for capital goods at a level at which capacity in this sector could be fully utilised. The dilemma then is that if investment is increased further to increase utilisation in the capital goods sector, the resulting increase in income does not generate enough savings to finance such investment or, what comes to the same thing, generates an increase in the demand for consumer goods which cannot be met, given the existing capacity in the consumer goods sector. This interpretation may or may not be acceptable to Bhatt, but it appears to be a reasonable description of the existing situation, is consistent with his exposition, and fits in well with his statement that, "In some fields, exports could serve the same purpose as investment..."

In the situation I have described earlier, exports of capital goods would in fact play the same role as investment since such exports would increase utilisation of capacity in the capital goods sector. At the same time, because they would make possible increased imports of consumer goods, they would not heighten inflationary pressures. How-

ever, against this background, it is clear that increased exports would not add to investment in the economy even if they increased utilisation of capacity in the capital goods sector. They would really contribute to increased consumption. Moreover, as Bhatt has recognised, the scope for expansion in the exports of capital goods is limited because investment in capital goods industries in the past was not made in the context of export expansion but of import substitution. Little attention was, therefore, paid to the competitiveness of the industries in which investment was made.

A fuller understanding of the dilemma posed in the above interpretation of Bhatt's statements is necessary in order to seek solutions to the problem in appropriate directions both from a short-term and a long-term point of view. Before attempting a more formal presentation of the dilemma, however, it should be pointed out that price rigidities, the interest inelasticity of savings, and other elements of this kind, prevent solutions of the problem through appropriate demand adjustments in the economy. It can be assumed in any case

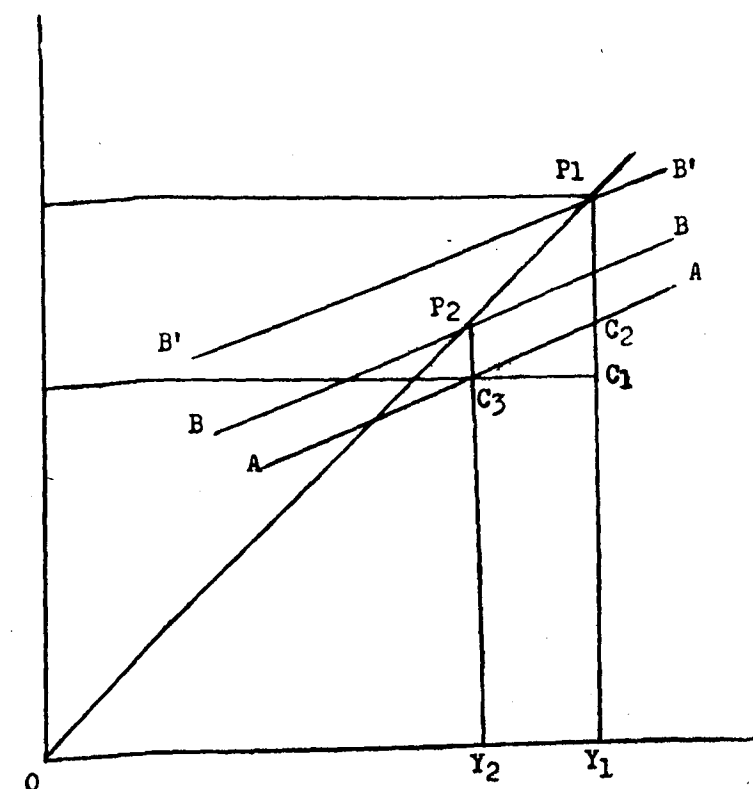
that fiscal and other policy instruments at the disposal of the authorities have already been used to the extent possible and cannot be expected to yield any further adjustments on the side of demand.

II

An attempt is made to present the nature of the existing situation in the Figures, using a Keynesian type framework as a basis but introducing clearly non-Keynesian concepts on the side of capacity and production. In Figure I, OY_1 on the x axis represents income corresponding to capacity production in both the capital goods and consumer goods sector of the economy. On the y axis, with the same scale, YC_1 and C_1P_1 represent the capacity outputs of consumer goods and capital goods respectively. The line AA represents the consumption function.

Now, at the income resulting from capacity production, consumption would be Y_1C_2 while the output of consumer goods is only Y_1C_1 so that prices tend to rise continuously. At the same time, saving and investment amounts to only

FIGURE I



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- saiva Monasteries", University of Mysore, Mysore, 1967, pp 132-142.
- 20 My interview with acting Principal M S Suryanarayana Sastry of National College, Bangalore, in Bangalore, December 9, 1967; and "National High School Jubilee Plans", *Deccan Herald*, Bangalore, December 11, 1967.
- 21 My interviews with V V Patil of the Mahila Vidyapeeth in Hubli, July 16, 1966; with Headmaster N Sastri of the National High School in Shimoga, May 10, 1968; and with Shivananda Sharma, founder of the Rashtraveya Shikshana Samiti Trust in Bangalore, May 4, 1968.
- 22 See my dissertation, "Planning, Local Interest and Higher Education in an Indian State", Political Science Department, MIT, 1969, especially Chapter VI.
- 23 University of Mysore, "Annual Reports" for the years 1946-47, 1955-56 and 1966-67.
- 24 See same sources as for Table I.
- 25 Government of India, "Report of the Education Commission 1964-66", p 651.
- 26 University of Mysore, "Annual Report 1966-67", University of Mysore, Mysore, 1967, pp 169-305.
- 27 Government of Mysore, "The Mysore University (Amendment) Act 1957", Mysore Government Press, Bangalore, 1957, p 3; and University of Mysore, "The Calendar 1962-63", University of Mysore, Mysore, 1962, p 103. It should be noted that the Kothari Commission recommended a 500,000 rupee minimum deposit, "Report of the Education Commission 1964-66", *op cit*, p 342.
- 28 For more information on the political connections of the men who organise colleges see my dissertation, *op cit*, especially Chapter V and Appendices B to I.
- 29 University of Mysore, "Annual Report 1960-61", p 11, cites refusal of affiliation to the Vidyalaya Law College of Tumkur. No further mention is made of the dispute in the reports, and the college was listed as affiliated in 1963.
- 30 Interview with T R Jayaraman, Government of Mysore Education Secretary, in Bangalore, July 4, 1968.
- 31 Ministry of Education, "Education in Universities in India", Government of India Press, New Delhi, 1954, pp 40-43 and University of Mysore, "Annual Report 1966-67", Appendices B and C.
- 32 For a dissenting view of the Manasa Gangotri see "Unacademic University", August 30, 1969, *Economic and Political Weekly*.
- 33 University of Mysore, "Annual Report 1966-67", Appendices B and C.
- 34 For details of national financial support for post-graduate education see my dissertation, *op cit*, Chapter VI.
- 35 The University Grants Commission's position on phased growth of post-graduate education follows a

- major recommendation of the Kothari Commission, "Report of the Education Commission 1964-66", *op cit*, p 651.
- 36 Interview with K L Shrimali, Vice-Chancellor, University of Mysore, July 9, 1968; and "Okay for P-G Centre", *Deccan Herald*, Bangalore, July 8, 1968.
- 37 Ambitions for local universities were discussed in interviews with S Kotrabasappa of the Bapuji Education Society, Davangere, January 12, 1968; and with R S Rangaswamy of the National Education Society, Shimoga, May 14, 1968. For a number of years T M A Pai of the Academy of General Education has advocated a private university to serve the Malnad area of western Mysore. See "Malnad Varsity Hopes Soar", *Indian Express*, Bangalore, October 28, 1968. Also a proposal for a university in Tumkur built around the Shri Siddaganga institutions was made in "Sree Siddaganga Kshetra", *Deccan Herald*, Bangalore, March 10, 1968.
- 38 Karnatak University, "A Case for a Post-Graduate Centre at Gulbarga", pp 2-3; and previously cited interview with K L Shrimali.
- 39 K Hanumanthaiya, "A New Order in Education", Mysore Government Press, Bangalore, 1956, p 66.

- 40 For a discussion of State and National Government policy in higher education from 1951-66, see my dissertation, *op cit*, especially chapters II and III.
- 41 The most important of the reports produced by this Commission are "The Report of the University Education Commission December 1948-August 1949", Vol I, Government of India Press, Simla, 1949; "The Report of the Education Commission 1964-66", *op cit*; "Educational Reform in Mysore", Mysore Government Press, Bangalore, 1953; and "Report of Dr C R Reddy on Education in Mysore State", Mysore Government Press, Bangalore, 1949.
- 42 During the academic year 1966-67 only 476 of the University's 40,668 students were enrolled in degree courses using Kannada as the medium of instruction. See University of Mysore, "Annual Report 1966-67", *op cit*, pp 27, 35.
- 43 Taken together, students with Harijan and tribal backgrounds total only 1,337 of the University's enrolment in 1966-67, just over three per cent of the total. University of Mysore, "Annual Report 1966-67", *op cit*, p 27. In comparison these two categories made up roughly ten per cent of the population of the princely State according to the 1941 Census.

C_2P_1 while the output of capital goods being C_1P_1 , large portion of it, C_1C_2 cannot be sold.

This situation cannot, therefore, be one of equilibrium. The output of capital goods falls below the level of capacity. Income and consumption both fall and there is also some fall in saving and investment. This continues until the level of consumption out of income falls to the level of capacity output of consumer goods. The output of capital goods is then equal to the volume of saving at a lower level and total income is much below the level of potential income represented by the total productive capacity in the country.

The new equilibrium situation is represented by an income of OY_2 , where the level of income is the result of capacity output of consumer goods $Y_2C_3 (= Y_1C_1)$ plus capital goods production of C_3P_2 only obtained from partial utilisation of capacity in the capital goods sector. The structure of demand (as between consumer goods and capital goods) thus corresponds to the structure of production, but substantial unutilised capacity exists in the capital goods sector of the economy.

In comparison with the disequilibrium situation where income results from full capacity production in both sectors, the equilibrium situation reflects capacity utilisation of the consumer goods sector but less than capacity utilisation of the capital goods sector. What is interesting, however, is that demand for capital goods in the equilibrium situation (which is equal to out-

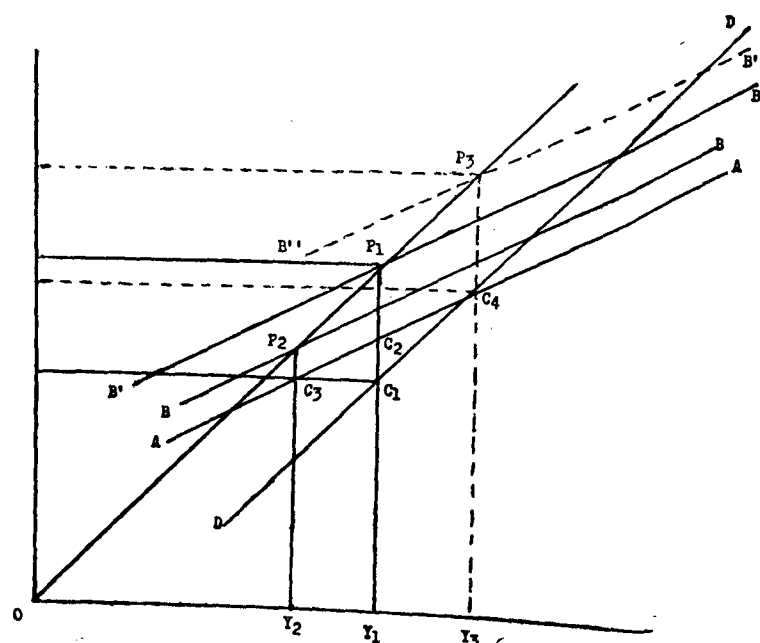
put, though output is less than capacity) is less than the demand for capital goods in the disequilibrium situation (where it would be less than output, but output would be at capacity).

This contrast could be best brought about by comparing the equilibrium situation with the given structure of capacity with a situation in which the same total capacity income could be produced with a structure of production that is in alignment with the structure of demand. In Figure 1 this latter situation would imply that capacity production of consumer goods and capital goods as well as the demand for consumer goods and capital goods respectively, would be Y_1C_2 and C_2P_1 . In this situation, while consumption Y_1C_2 would be higher than the Y_2C_3 that we obtained in the previous equilibrium situation, investment C_2P_1 would also be higher than the C_3P_2 that we obtained in the earlier equilibrium situation.*

These results have some interesting implications for development theory in terms of the pattern of investment that should be adopted by a developing country. Mahalanobis posed this question in terms of the distribution of investment between the capital goods and

* It can be seen that the basic problem arises from the position of the consumption function rather than from its slope. In other words, it arises from the average rather than the marginal propensity to consume, though of course the marginal propensity is relevant in determining the degree of disequilibrium.

FIGURE 2



the consumer goods sectors. He saw the choice of a higher proportion of investment in the capital goods sector as an instrument for bringing about an acceleration in the pace of development over time. This was the result of a high marginal rate of saving and investment. This results from the implicit assumption that creation of capacity for production of capital goods results in an equivalent amount of investment in the economy. In effect this assumption resolves into another, namely that various instruments of policy can be used to adjust the structure of demand to the structure of capacity, or in other words to push up the average saving ratio to the ratio of capital goods capacity that results from the pattern of investment. In a more formal way, the Mahalanobis assumption is reflected in two steps in his analysis.

First there is the relationship which underlies his system, namely that

$$\Delta I_t = \lambda_i \beta_i I_{t-1} \quad (1)$$

where ΔI_t = the increase in the output of capital goods

λ_i = the fraction of investment that is devoted to the capital goods sector

β_i = the output-capital ratio of the capital goods sector (at full capacity utilisation)

Second there is the solution of this equation

$$I_t = I_0 (1 + \lambda_i \beta_i)^t \quad (2)$$

The relationship indicated in equation (1) as well as the solution of that difference equation represented by equation (2) could not hold if the production of capital goods was not always at the full capacity created by earlier investment in this sector and if, further, this full capacity utilisation did not result in full investment in the capital goods sector.

Now the Mahalanobis model was supposed to justify a relatively high proportion of investment in the capital goods sector of the economy, i.e., a relatively high λ_i because it would raise the level of investment in the economy and thus build an acceleration into the process of economic development. Bhatt's conclusion about the present situation interpreted in the above terms indicates that the high λ_i may produce a level of capacity in the capital goods sector which is higher than the demand for capital goods that is obtained after all available efforts to promote a high

saving-ratio from the demand side have been made. It is evident that, in this situation, investment is not only lower than the capacity created in this capital goods sector but is actually lower than that which would have been obtained if a smaller capacity (equal to savings, i.e., investment demand) had been created in the capital goods sector in the first place. The sacrifice of consumption implied in the choice of a high λ_i thus fails to result to that extent in a high volume of investment but merely results in a lower total income.

III

The analysis of the existing situation raises same fundamental questions about national economic policy from a medium-term point of view. Since the difficulties to which attention has been drawn result from the fact that the structure of productive capacity differs from the structure of demand, future policy must be directed towards bringing these two structures closer to one another.

It has already been indicated that relatively little can be done to adjust the structure of domestic demand. As far as exports are concerned, the non-competitiveness of a substantial proportion of the capital goods industries in the country makes it difficult to do much in this direction. Nevertheless, it is true that with additional efforts now being made in this direction, some expansion of capital goods exports could certainly be brought about over a period of time. Besides new investments in the capital goods industries could be planned with greater attention to the competitiveness of these industries than has been devoted in the past. Here, the more important question to ask would be whether investment in such capital goods industries is really justified if it will yield not an increase in domestic investment, but only in consumption via trade. This is because investment in the consumer goods industries could in that case yield a larger increase in consumption without affecting investment adversely. It would thus appear that the burden of the adjustment of the structure of capacity and the structure of demand to one another must necessarily fall upon the investment pattern.

Figure 2, which builds further on Figure 1, indicates what should be intuitively obvious, namely that the most rapid adjustment of the structure of capacity to the structure of demand could be

brought about if the capacity for production of capital goods were kept unchanged and the entire new investment in the economy were directed for some time towards building up the capacity in the consumer goods sector. With the consumption function given by the line AA, the appropriate adjustment would result when the consumption goods sector capacity had been raised to Y_3C_4 , the point C_4 being given by the intersection of the AA line representing the consumption function and the line DD drawn through C_1 parallel to OP_1 representing the growth of capacity in the consumer goods sector when capacity in the capital goods sector is held constant over time.

If development takes place along these lines, an equilibrium situation will be reached with income at OY_3 . In this situation both capacity in the capital goods sector and demand for capital goods (or savings) will be equal to C_4P_3 . Similarly, both capacity in the consumer goods sector and demand for consumer goods will be Y_3C_4 . Equilibrium will, therefore, be obtained at full capacity output. Capacity in the capital goods sector will of course be lower than if some investment had been made in the capital goods sector over this period. However, it should be clear in the light of the discussion in section II above that investment in this equilibrium situation will nevertheless be higher for the reason that the smaller capacity of the capital goods sector will be fully utilised. Thereafter of course the pattern of investment can once again allow for investment in the capital goods sector, though in the light of this analysis it should clearly be kept within appropriate limits so that the structure of capacity does not get out of alignment with the structure of demand.

It is useful to consider what would happen if this kind of approach to investment policy were not adopted in the immediate future. To the extent that investment in the capital goods sector continued in the immediate future, the line drawn through C_1 to show the structure of capacity would not be parallel to OP_1 but would lean away from it. It would rotate clockwise around C_1 . The point of intersection between it and the line AA would therefore fall further to the right of C_4 depending on the extent of the clockwise turn given to that line. If this line became parallel to the consumption function, the two lines would never intersect. The structure of capa-

city would always remain out of alignment with the structure of demand and the economy would continue always to operate at less than full capacity in the capital goods sector, with investment always lower than would have been possible with a more rational policy.

To bring out these implications fully, one could take the capital goods oriented investment policy to its logical extreme and devote all the available investment resources to the capital goods sector. This would imply that the clockwise turning of the line passing through C_1 had made it coincide with C_3C_1 extended to the right. In that case, at each point of time in the future, the structure of capacity would get increasingly out of alignment with the structure of demand and the equilibrium situation would remain at the current level of income OY_2 at every point of time despite the increasing capacity in the economy. Income, consumption and investment would all remain constant.

Pharmaceutical Research

THE largest Indo-German venture in drugs and chemicals will in future spend large sums on basic research and development in the field of pharmaceuticals. The research centre, being set up by Hoechst Pharmaceuticals in Mulund, Bombay, is expected to function by mid-1971. Construction has already begun, and the sophisticated scientific appliances required for this project will soon arrive in Bombay from the parent firm, Farbwerke Hoechst of West Germany. It will take a particular interest in Indian medicinal herbs and undertake large-scale screening of plants collected from different parts of the country to find therapeutically active substances. Thus India is developing indigenous research and knowhow in a field where special experience is available and where it could ultimately become competitive in international markets.

Bombay and other places on the west coast will be able to provide interesting micro-organic specimens for this kind of work, though the discovery of a new drug involves the analysis of 5-7,000 substances, necessitating more than 30-40,000 biological tests. Only 30-40 of these tests yield successful results fit for further clinical tests before the final drugs can be commercially developed and distributed.

Measuring Rural Unemployment to Provide Guidelines to Policy-Makers

S V Sethuraman

The problem of rural unemployment has defied measurement. An investigator usually gets such a range of replies that, in the face of the complexity and apparent nebulousness of the situation, classification becomes difficult.

The purpose of this paper is, first, to review the approach to this question adopted by the Committee of Experts on Unemployment Estimates, and secondly, to sort out the several issues related to rural unemployment and suggest a theoretical framework for reducing the problem to manageable policy proportions.

Since estimates of unemployment are not needed for their own sake but only to provide the necessary guidelines to policy-makers, the paper proceeds on the arbitrarily chosen objective that we seek full employment of all labour services that are offered in the market and at a wage rate equal to the peak season wage rate. The framework for identifying the extent of unemployment is constructed on this basis.

However, additional knowledge — about shifts in the demand and supply functions of labour, and the levels of wage rates at different points in time, as well as the appropriate elasticities — is needed should we seek a satisfactory guideline for policy purposes. Estimates of these parameters, once they are obtained, will be highly useful for a considerable time period, since they are likely to be more stable than absolute numbers on unemployment.

Using a framework such as the one outlined here, it is possible to project the levels of unemployment in the long run by incorporating (i) the changes in agricultural technology and its diffusion, and their effect on intra-year shifts in demand for labour; (ii) the changes in the potential labour force and the rural-urban migration patterns; and (iii) any other changes that might effect the demand and supply situations of labour.

[The author wishes to thank Pravin Visaria for his valuable comments, particularly on the first part of the paper. The author alone is responsible for the views expressed in the paper.]

OUR efforts thus far to measure and interpret rural unemployment may be best compared with those of the legendary four blind men describing an elephant. This is so because the problem of rural unemployment is indeed complex and has many dimensions. This can be seen from the following: When an investigator asks an individual in the rural area about his employment situation, he gets several sorts of answers. The individual says he is unemployed throughout the day. He may say he has worked for three hours but is available for work. He may even report that he worked for eight hours and he is available for more work. He might report that he needs more work but is not willing to work outside his household enterprise or farm. And so on. When probed further about his employment situation in a given year, even more complex answers ensue. The individual may report that he is seeking a job during some part of the year; in another part of the year he may report that he is not working but not seeking any employment either; etc.

On top of this, there is still the question: Is the work that is reported genuine, productive employment? No wonder our efforts to measure rural unemployment have created more problems and confusions than solutions.

The purpose of this paper is twofold: first, to review the approach taken on this question by the 'Committee of Experts on Unemployment Estimates' and second, to sort out the several issues related to rural unemployment and suggest a suitable theoretical framework with a view to reducing the complexity of the problem and making it capable of solution.

The first section discusses the major conclusions of the Expert Committee and notes the deficiencies in their approach. The second section presents an analytical framework to sort out the several issues involved. In the third section we deal with the adequacy of the Committee's recommendations in helping the policy-makers to solve the problem of rural unemployment. The last section gives the summary and conclusions.

I Brief Review of the 'Report of the Committee of Experts on Unemployment Estimates'.

The report suggests that the uni-dimensional measure of unemployment, hitherto used by planners, be discontinued immediately. Instead, the Committee recommends the "estimation of different segments of labour force," taking into account such important characteristics as region (State), sex, age, rural-urban residence, status or class of worker, and educational attainment, for at least four seasons in a year. If the planners can predict the demand likely to be generated for similar subgroups of labour as a result of the proposed development plans, then the two can be matched to derive a comprehensive picture of increase/decrease in unemployment in the rural areas, say, at the end of each Plan period.

The Committee disagrees with the current procedure of classifying a person as employed or unemployed on the basis of his answer to the question:

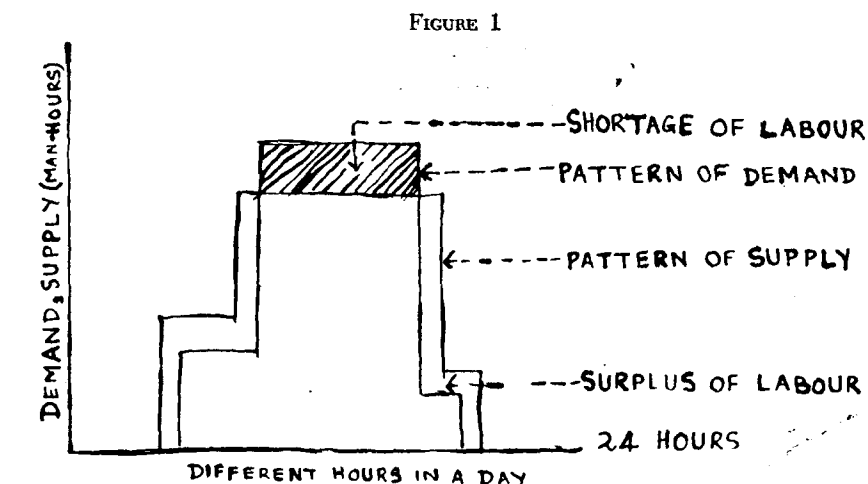
Has he worked for at least one day during the reference week. Instead it favours the identification of the employment and labour force status of the population on each day of the reference week; and this improved procedure is believed to indicate the extent of underutilisation of the available labour supply in the rural economy in the season concerned. The Committee is, however, quite candid in pointing out that, this procedure will not indicate the number of unemployed persons or the requirement of additional full-time jobs. To estimate the latter figure, the report adds, data on duration of unemployment etc, must be collected from individuals who report unemployment throughout the reference week.³

More specifically, the Committee appears to urge the collection of the following data for various homogeneous labour groups for at least four seasons: (i) hours worked; (ii) hours still available for work;⁴ (iii) days worked; (iv) days in labour force and (v) duration of unemployment if the individual reports unemployment throughout the reference week. Further, it urges collection of data relating to the potential labour force, such as additions to and withdrawals from the actual labour force. The first two items, according to the report, would indicate the level or rate of unemployment. Items (iii) and (iv) would indicate the rate of unemployment during the reference season. The last item (v), together with some supplementary questions, the report observes, will help us estimate the number of chronically unemployed.

It would, therefore, appear that the main concern of the Committee, on rural unemployment, was with the following:

- Generating estimates of additions to labour force and, given the demand likely to be generated, of additional unemployment (if supply exceeded demand) during each of the Five-Year Plans for each of the several homogeneous 'cells' of labour force;
- measuring the level or rate of unemployment; and
- measuring the shifts in the labour force over time.

Before we proceed to appraise the practical difficulties in enforcing these recommendations, a few pertinent comments on concept and methodology may be raised. The report claims that the data on unemployment, collected separately for each homogeneous 'cell', will throw light on problem groups/areas where policy measures are urgently needed from the social welfare point of view. The report also legitimately claims that the improvement effected in the estimates of unemploy-



ment to be a result of the seasonwise break-down of data (instead of the yearwise basis followed hitherto). It also renounces the naive dichotomy of labour force into employed and unemployed categories which is followed in the Western countries; instead it rightly places emphasis on the 'labour-time disposition' approach for individuals reporting at least some work during the reference week. The latter will presumably give an estimate of the degree of utilisation of the labour resources that are reported to be employed during the reference week.

What about those who are totally unemployed throughout the reference week? The Committee is of the view that such persons should be deemed 'really unemployed' (provided unemployment during the week was not a transitory phenomenon) and data on duration of unemployment during that season should be obtained from such individuals. Is it not true that a person reporting some employment during the reference week could be unemployed during the rest of the season? Thus, while the Committee was keen to avoid overestimation of the 'really unemployed', it missed showing concern about the possible underestimation of the 'really unemployed' owing to the inclusion of 'transitorily' employed persons.

This last point raises the general question: how representative are the data collected in a reference week, of the season as a whole? Since the reference week is staggered over the entire season (or year) concerned, it is argued that the survey results reflect the situation in an 'average' week in that particular season (or year).⁵ It is clear, however, that this 'average' week would be representative of the season only if the different weeks within the season are very similar in regard to the employment/unemployment situation. But if the level and/or rate of unemployment show considerable variations

even within a given season — which is very likely — then the arguments presented in the report in favour of a seasonwise break-down of data are equally valid here, and generalisations based on the 'average' week for the season as a whole will be misleading.

Assuming that the reference week is a good representative of the season, can we estimate the volume of unemployment, in man-hours or man-days, separately (A) for those who report some unemployment; and (B) for those who are totally unemployed? The answer, implicit in the report, is 'yes', since (i) data on 'days unemployed',⁶ and 'hours available for work' are collected for all those employed; and (ii) since duration of unemployment is collected for all those reporting total unemployment. However, the Committee prefers to measure the 'extent of under-utilisation of the available labour supply' (in the case of those who are employed) rather than the absolute quantum of unemployment, because an estimate of this (from the data collected) will not indicate the number of persons identifiable as 'unemployed throughout the season'. Before we discuss the validity and adequacy of the above recommendations of the Committee, it is desirable to look at the requirements of policy-makers on the basis of which they can formulate realistic and sound policies.

II

A Theoretical Framework

The distinguishing feature of the Indian rural economy is that demand for labour fluctuates constantly not only among different seasons but also among different days or weeks. This is largely due to the dependence of economic activity in the rural areas on climatic conditions. Since the economic activity in the rural areas, unlike in manufacturing, is by and large unorganised it is very likely that the pattern of de-

mand also varies over a given day. Empirical evidence shows that, similar variations in the supply of labour exist too. Thus we have a pattern of demand and a pattern of supply of labour over time. If the two patterns perfectly match, then it is obvious that there will be neither shortages nor surpluses in the supply of labour. To the extent the two do not match for a given day, as shown in Figure 1, there will be shortage during certain hours (peak demand) and surpluses during certain hours.

Let us assume that eight hours of work in a day represents 'full employment' for the individual concerned. If the peak demand stretches over eight hours, then it is clear from the above Figure that there are enough job opportunities for all labour (available in the market during these hours) for at least eight hours. Theoretically, there exists a certain wage rate which brings about the equality between supply and demand.⁷ In spite of this eight-hour peak, if there are surpluses in supply of labour at other hours, then such unemployment can be taken to indicate the demand for 'overtime' work. If the peak is less than eight hours long, then it is clear that less than 'full employment' or 'partial' employment prevails.⁸

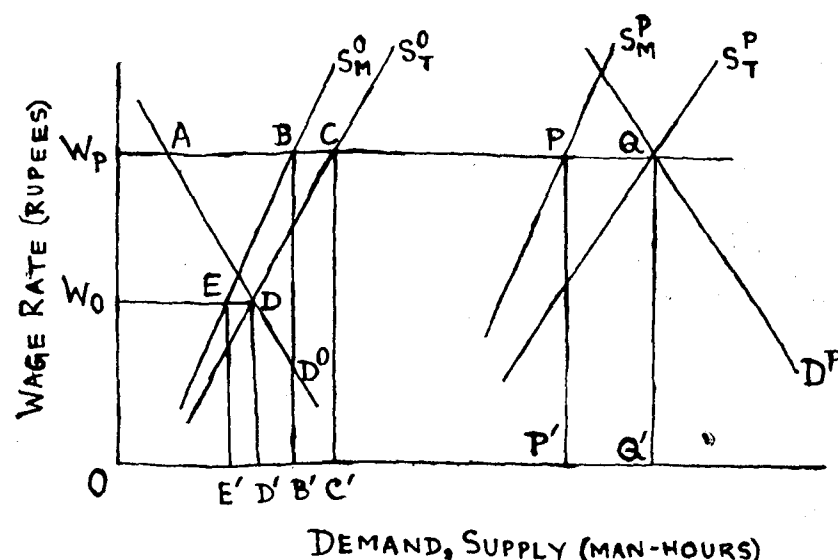
From the above discussion it is clear that the interviewer in the field may find individuals 'fully' employed and yet seeking overtime work; or he may find people totally or partially unemployed.

In other words, the unemployment or underemployment, measured in terms of hours 'available for work', on a given day represents at least some demand for overtime work. It is important to recognise this fact because the two types of unemployment will call for different types of remedies.

It is not difficult to understand the demand for overtime work by some individuals, since it is but one way of compensating the lack of work on other days or weeks. If they are provided employment on a year-round basis through public policy measures or otherwise, then it is very likely that such demand for overtime work will disappear.

This framework for a single day illustrates the problems in measuring unemployment. If we are aiming at estimating unemployment in man-hours during different weeks or seasons or a year, then it is convenient to use the conventional supply-demand diagrams. Before we proceed with the measurement of unemployment, it is useful to clarify some points and to make certain simplifying assumptions.

FIGURE 2



As in the case of a day, there is presumably a pattern of demand and a pattern of supply of labour over time (days or weeks or seasons in a year). The pattern of demand for labour is governed by the given technology of production in rural areas and other environmental factors. Given the pattern of demand for labour, there is no obvious reason why the supply would follow the same pattern and hence it is likely that shortages occur during a certain part of the year (peak season) and surpluses during the other parts of the year. It is empirically known that, 'non-marketable' labour such as women and young men, enter the labour force temporarily during the peak demand period. In other words, the 'non-marketable' labour essentially performs the role of eliminating the discrepancies in the patterns of demand and supply through adjustments on the supply side. In other words, if demand and supply of labour are postulated as functions of the wage rate among other factors, then the temporary entry of non-marketable labour into the labour-force causes 'shifts' in the supply of labour, as shown in Figure 2.

In Figure 2, we assume that the wage rate is flexible; and labour is homogeneous. We also assume that work is measured uniquely in terms of 'hours'. Finally, we assume that there are no new entrants into the potential labour force. The demand function shifts to the left from D^P in the peak to D^0 in the off-peak season. Correspondingly, the supply shifts too, but for different reasons — such as festivals, social occasions, etc. Note that there are two supply functions for each period. S_M represents the marketable labour, i.e. those who are willing to work outside the family farm or enter-

prise; and S_T represents both the marketable and non-marketable labour. Of course, the horizontal distance between S_T and S_M at any given wage rate represents the supply of non-marketable labour at the wage rate. Insofar as it responds to the wage rate also, the distance between S_M and S_T will also increase as the wage rate rises.

Before we proceed further, it would help to state the aim of policy-makers. The policy-maker is concerned with the unemployment of marketable labour, since the non-marketable labour, by definition, is unwilling to work outside the family enterprise even if job opportunities become available. It is reasonable to assume that the policy-makers, to begin with, would like to provide jobs for all the marketable labour who are offered in the market at any given time and at a wage rate that prevails during the peak season. This objective not only ensures full employment, but also "stabilises" the peak season wage rate.⁹ Now we may ask the question: how much demand for labour should be created in different periods of the year should this objective be fulfilled?

In order to answer this question, it is necessary to hold the wage rate constant at W_p (the peak season wage rate) and measure the excess supply of marketable labour at different points of time. For example, AB represents the volume of unemployment in man-hours during the off-peak season and not AC (Figure 2). It is, therefore, obvious that the volumes of unemployment thus measured critically depends on the relative shifts in the demand and supply functions over time. If we can predict the magnitude of the shifts in the two functions between different periods, then it is possible to measure the vo-

lume of unemployment during these periods. Before we discuss the ways to measure such shifts, it is useful to note some of the common misconceptions or confusions in the measurement of unemployment.

(i) It is sometimes interpreted that any level of employment, short of OQ, is less than full employment; yet, in the conventional sense, there may not be any unemployment because of the shifts in the functions and the wage rate adjustments. What such a shortfall does indicate, however, is the extent of underutilisation of human resources. When an interviewer inquires into this situation, he may find some labour "available for work but not seeking" without specifying at what wage rate they are available and when. Such labour may report that they are sometimes in the labour force and at other times not.

(ii) Sometimes OP' (equal to OQ' less non-marketable labour employed at peak season) is taken as a norm for full employment, and any shortfall in the level of employment of such labour from this norm is taken to represent the presence of unemployment. Here again, there may be no unemployment in the conventional sense.

(iii) Sometimes the shifts in the supply and demand functions are recognised but unemployment is measured not as the distance AB but as the distance D'C' (or E'B'). This error happens when the respondent has W_p in his mind and reports the hours available for work on that basis, even though the current market wage rate is well below W_p . Such labour may report as wanting to work without specifying what is the minimum acceptable rate.

III. Adequacy of the Committee's Recommendations

Having specified the requirements of policy-makers, do the recommendations of the Expert Committee meet these requirements? First, we note that season-wise collection of data on hours worked by the individuals will give us an estimate of total employment (such as OD', OQ' etc) at four points of time in a year. If the individual is probed further, it is possible to break-down the estimate into two: employment of marketable labour and employment of non-marketable labour. Presumably, the wage rates associated with each of the four levels of employment are different. It is clear that these estimates do not help us estimate the volume of unemployment in (marketable) labour such as AB

in Figure 2.

Does the estimate of 'hours available for work' or 'days available for work' provide us with a measure of unemployment? Since the total hours available for work (including hours employed) is a function of the wage rate, any estimate of 'hours available for work' will be a hotchpotch if the wage rate is not held constant at a particular level.¹⁰ Since the data refers to a particular day or week, presumably the investigator has in his mind the going wage rate.¹¹ It is not unlikely that the respondent has a different wage rate in his mind — may be the wage rate prevailing in the previous season or the peak season, etc. If he has the latter rate in mind, then we get an estimate of unemployment such as D'C' (or E'B'), which is totally different from AB that we seek. Thus, it is clear that we cannot obtain an estimate of the volume of unemployment from such data as are proposed by the Committee. We do not even get a measure of under-utilisation of employed labour because the ratio of D'C' to OC' (or E'B' to OB') is totally different from AC to W_pC (or AB to W_pB), the ratio of unemployed to total supply of labour at that wage rate. It may be that only an estimate such as AB will give us a measure of the volume of work (or demand for labour) to be created through policy measure. Measures of under-utilisation of labour, such as OE' to OP' (or OD' to OQ'), are irrelevant for policy purposes since they do not indicate the quantum of labour that can be attracted to work on any proposed public works programme. This is true because the shift in the supply curve from S_M^P to S_M^0 represents the effect of festivals, social functions, etc, on the supply of labour in the two seasons.

What then is the alternative to get an estimate of true unemployment. Should the peak season wage rate be maintained throughout the years? It is clear from the discussions above that the measure of unemployment, AB, depends on the extent of shift in the demand and supply functions from their respective positions in the peak season. By collecting data on OQ' and OD' (and hence D'Q') we are underestimating the downward shift in the demand from the peak season. To avoid this underestimation, it is necessary to make use of the wage data, W_0 and W_p as well as the elasticity of demand for labour, and to estimate the decrease in demand that would follow, should the wage rate be raised from its current level W_0 to W_p . Si-

milarly, OP' and OE' give us an overestimate (E'P') of the downward shift in the supply function. To correct this bias, it is necessary to estimate the increase in the supply of labour that would follow when the wage rate is raised from W_0 to W_p through policy measures. In summary, it is clear that we need additional knowledge on the elasticities of demand and supply of labour and the relative wage levels, should we seek an estimate of unemployment (such as AB in the Figure).

Before we conclude this section, it is pertinent to note that the employment observed in the peak season may be an overestimate of the potentially utilisable labour in the rural areas because we do know that at least some labour migrates to the rural area during the peak season to ease the demand for labour. Next, we note that an estimate of unemployment is not needed for its own sake but only to aid the policy-makers in determining the quantum of demand for labour that must be created should we seek the goal of full employment at a reasonable (such as the peak season) wage rate. From this point of view, it does not matter how the unemployment is distributed among different individuals; what is important is the total man-hours of work to be created. Finally, we note that the wage rate plays a crucial role in solving the problem of unemployment.

IV. Summary and Conclusions

The Expert Committee on Unemployment Estimates has suggested the collection of data on unemployment for several homogeneous groups of labour for various regions at different points in time. The Committee has recommended estimation of the extent of underutilisation of labour in the case of labour that is employed at the time of inquiry and a measure of open unemployment for others.

The present paper provides a simple framework with a view to sorting out the several confusing issues relating to the measurement of unemployment in rural areas. Since estimates of unemployment are not needed for their own sake but only to provide the necessary guidelines for policy-makers, the paper proceeds on the arbitrarily chosen objective that we seek full employment of all labour services that are offered in the market and at a wage rate equal to the peak season wage rate. With this objective in mind, the paper proceeds to identify the measure

of unemployment, at any given time, which would be sought by policy-makers.

Judged from the point of view of this requirement by policy-makers, the adequacy of the Committee's recommendations is discussed. It is shown that the recommendations, if implemented, will not help the policy-makers in their efforts to solve the problem of unemployment

in rural areas. Additional knowledge about shifts in the demand and supply functions of labour, and the levels of wage rates at different points in time, as well as the appropriate elasticities, is needed should we seek a satisfactory guideline for policy purposes. Estimates of these parameters, once they are obtained, will be highly useful for a considerable time period,

since they are likely to be more stable than the absolute numbers on unemployment. Using a framework such as the one outlined here, it is possible to project the levels of unemployment in the long run by incorporating (i) the changes in agricultural technology and its diffusion and their effect on intra-year shifts in demand for labour; (ii) the changes in the potential labour

force and the rural-urban migration patterns; and (iii) any other changes that might effect the demand and supply situations of labour.

Notes

- 1 Report of the Committee of Experts on Unemployment Estimates, Planning Commission, Government of India, New Delhi, 1970.
- 2 Presumably it should read "additions to different segments of labour force...", if the comparison is to be made with the demand for labour generated in each of the Five-Year Plans.
- 3 Report of the Committee of Experts, *op cit*, p 31, para 5.7.
- 4 Derived from the 'labour-time disposition' on each day of the reference week suggested in the Report, p 17, para 3.14.

5 The author is thankful to Pravin Visaria for pointing out this fact.

6 Since 'days in labour force' and 'days worked' are collected, the difference between the two, viz, 'days unemployed' is also available.

7 If the market is imperfect, then it is possible that some labour may be unemployed even during the peak hours, in the sense that such labour is unable to find work at the going wage rate, i.e., open unemployment.

8 It is helpful to distinguish between 'partial' and 'under' employment as follows. The former can be defined to indicate less than eight hours (or any other norm) of work, whereas the latter defined to indicate the degree of underutilisation of the individuals' skill, e.g., engineer employed as a clerk.

9 In principle, the wage rate is a policy variable. Its level is uniquely determined by the resources available for creating additional employment and the extent of unemployment that is likely to prevail at the wage rate thus chosen. For example, if the resources available for the purpose are very meagre, then one may have to choose a wage rate close to the subsistence wage rate.

10 That this criticism has already been made by Gunnar Myrdal and K N Raj is also noted by Sudhir Bhattacharyya in his article in Appendix I of the Report, p 37, para 20.

11 At the going wage rate, there may not be any unemployment (except in the frictional sense) insofar as the wage rate is flexible and all labour is equally efficient.

Centre-State Relations

Issue Awareness and Party Positions

B L Maheshwari

Centre-State relations have now gained great prominence as an issue in our political system and all political parties have found it necessary to express a position on it. Although, no clear polarisation has emerged on this issue it is possible to discern the contours of an emerging pattern which is likely to survive the results of the 1971 election.

The experience with political instability at the State level between 1967 and 1971 has alerted the political elites to the desirability of preserving stability at the Centre. On the other hand, there have also been new converts to the argument for more powers for the States.

But generally it seems to be agreed that the States should become stable power centres, more complementary to than competitive with the Central power.

I

POLITICAL parties are the main instruments of articulation and aggregation of interests in a political system. Some of their demands may have an ideological orientation but most of them concern power relationships in the system. Even when ideological differentiation among political parties is low, as is generally the case in India, the parties make an effort to highlight the unique aspects of their positions on critical issues.

The relationship between issues and political parties is thus close, intimate and pervasive. Distinctions among different political parties are sought to be articulated in terms of general and specific issues. The status of an issue at a given time in the evolution of political development in a society is dependent on the quantity (extent) and the quality (intensity) of attention paid by political parties as well as

pressure groups and the Press. For example, interaction of situational factors may trigger off an issue in such a way that all political parties feel obliged to pay attention and take a position on that issue. Similarly, when political parties pay attention to a particular issue, the position of that issue in the issue-hierarchy of the system is improved.

Party positions on specific issues are shaped by their general approach to various aspects of the social, economic and political realities. This is more appropriate in the case of those issues which have substantial ideological content, such as the ownership pattern in industry, the relations between different classes, and the images of the future society. However, more often, party positions on particular issues are determined by the experiences, perceptions and perspectives of the parties and their prominent leaders. It is thus natural that the positions of a

party on certain issues undergo definite changes even though they may be slow, indistinct and imperceptible at times. One comes across this phenomenon in the case of party positions on Centre-State relations during the 1967-71 period.

Since political parties are public agencies and the discussion on the major issues takes place in public forums, one has access to many sources for identification of party positions on specific issues. More prominent among these sources are the election manifestoes, statements by party leaders, party resolutions, parliamentary and legislative debates, roll-call votes in the legislatures, and record of actions either as government or as legislative and/or extra-constitutional opposition. Of all these sources, election manifestoes are more easily available and more reliable, not because they necessarily represent commitment of parties to the policies and programmes described in

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the manifesto but mainly because they represent the carefully considered views which the parties desire to project to the general public.

Thematic content analysis of election manifestoes thus can be used not only for comparing party positions on issues confronting the political system but also for understanding the evolution of the programme as well as the strength of a political party. Every election represents an important milestone in the life of a political party and it can be assumed that they like to put forward their most attractive face for public display on this occasion.

This paper attempts to describe the positions of all the national and the important regional parties on the critical issue of relations between two levels of government — Federal and State — in the Indian political system. The main focus here is on the party manifestoes released for the fourth general election in 1967 and for the Lok Sabha election in 1971. The paper examines the change in the status of Centre-State relations as an issue and analyses the relative positions of different political parties. Towards the end, a three-dimensional typology of political parties on this issue is constructed, mainly to improve our understanding of the political context of Centre-State relations.

I

The relations between the two levels of government in a political system, i.e., Centre and units, is a natural and recurring issue and it becomes more conspicuous and prominent in a federal system. The debates in the Indian Constituent Assembly amply suggest that the founding fathers were concerned about the various aspects of this relationship. In fact, many of the controversies now common were present, in embryonic form, in the Constituent Assembly debates. However, the decisions were taken on the basis of the experience of preceding decades, overriding concerns of national unity and the exigencies of the circumstances immediately following Partition and Independence.¹

In spite of this, it can be said that during the first two decades of Independence, the issue of Centre-State relations was relatively dormant and generally received low political awareness from the political elites and parties. The major reason for this development was the fact of the dominance of the Indian National Congress over both the Central and almost all the State Governments. The strong Centre

as represented in the Constitution was also supported by a strong national party organisation, centralised administration and resources. There were certainly conflicts among States and between specific States and the Centre but they were usually resolved within the party organisation. Overlapping of party and government at different levels tended to convert the inter-governmental conflicts into family disputes. Naturally, the need for resorting to the processes and remedies laid down in the Constitution was seldom felt. Thus, for the dominant party, the Centre-State relations were not an issue and the non-Congress opposition parties were too weak, disorganised and inexperienced to articulate this as an important issue.

This situation continued right through to 1967. Although by then, wide cracks were visible in the dominant position of the Congress party and most of the opposition parties were agreed on the platform of anti-Congressism, the party manifestoes issued at the time of the fourth general election did not project Centre-State relations as an important issue for the voter's attention. A detailed analysis of party manifestoes did not even mention party positions on Centre-State relations.²

An analysis of manifestoes of 17 national and regional parties for the fourth general election shows that only four of these parties made special mention of Centre-State relations.³ They were: Jan Sangh, CPI, CPM and DMK. The Congress party was not expected to present Centre-State relations as an election issue. Its manifesto, however, made a brief mention of "the relatively under-developed areas in the country". The non-Congress parties, on the other hand, blamed the Congress for all the mess in the country including regional imbalances, linguistic controversies, inter-State disputes on boundaries and river waters and other problems. Since Congress was in power at both levels of government, this anti-Congressism did not, *per se*, signify taking positions on the issue of Centre-State relations.

Of the four parties which sought to raise this issue to the level of national awareness, one favoured centralisation and the other three came out with demands for more power to the States. The Jan Sangh pledged to take positive steps to strengthen sentiments of national unity. One such step, specifically mentioned, was a constitutional amendment to turn India into a unitary state. The Jan Sangh also sought to further centralise administration by the creation

of six more all-India services. However, the party seemed to have recognised that some conflicts between different governments will be inevitable. Therefore, it sought to set up a high power commission to inquire into and arbitrate on all disputes between one State and another and between the States and the Centre. The decisions of this commission were to be made binding.

The arguments of the other three parties demanding more powers to the States were influenced partly by ideological orientation and partly by considerations of power. The Communist Party of India which demanded overthrow of Congress power and asked for "far-reaching, radical changes in our present economic and political structure" devoted a separate section to "Justice and More Powers for States" in its manifesto. It said:

The Communist Party of India stands for removal of all injustice and discrimination against States, for removal of all regional disparities. It demands wider power and authority, particularly in financial and economic matters, be given to the States of the Indian Union. The seventh schedule of the constitution must be revised and amended so as to enlarge powers of the State and abridge those of the Central government.⁴

The CPM directed its wrath against the Jan Sangh and Swatantra "reactionaries" as well as the "Dange revisionists" and made a frontal attack on the Congress. Among other things, it charged the Congress party with "disuniting" India. It said: "The Congress Government denies real autonomy to the States and Union Territories. By transferring more and more powers to the centre, the Government is negating the autonomy of constituent units and turning the federal structure of the Indian Union into a unitary state". The demand for more powers to the States was implied, although not specifically stated in the manifesto of the CPM.

The DMK had been pursuing anti-Centre policies, particularly made visible in its anti-Hindi campaign. However, by 1967, it had moved away from the brink of the secession demand. In its manifesto, the DMK emphasised the need for "the preservation of state rights without infringement by the centre" and insisted on uniform economic development in all the States. More specifically, it demanded that the Constitution be amended to vest the residuary powers in the States. The focus on more powers for the States was sharp and clear in the DMK manifesto in 1967 but it did not provide a detailed programme of action.

III

The four-year period between the fourth general election and the fifth Lok Sabha election in 1971 was qualitatively significant for both Centre-State relations and the experiences of the political parties. The 1967 election led to loss of Congress power in half the States, although at the Centre, the Congress maintained its pre-eminent position. Later, the era of defections in the State assemblies provided greater opportunities to the non-Congress parties to exercise governmental power at the State level, at least for brief periods, and also to experience the power of a hostile Central Government. We find that all the major non-Congress parties were able to gain experience of governing at the State level during this period when nine of the States came under their control for varying durations. Naturally, this experience helped to enhance and even modify these parties' perceptions of the problems involved.

Operation of the multi-party system at the two levels of government also put the provisions of federalism to test. When inter-party conflicts and inter-governmental conflicts came to be looked upon as two reflections of the same situation, two major consequences followed. First, the organisational machinery of the Congress party could not be used for managing Centre-State relations. The resultant transfer of the issue from party forums to public view, enhanced awareness about it and also made it more visible as an issue. Secondly, different political parties tended to use Centre-State relations for wider political purposes, giving rise to the politics of confrontation between the two levels of government. This also resulted in projecting these relations as an important issue deserving national attention.

The split in the Congress party in 1969 also reinforced this process. Two of the State Governments transferred their allegiance to the Congress(O). Many of its leaders already had adequate knowledge of the nature of Centre-State relations and the magnitude of Central power. Moreover, the subsequent alignment of political parties for the Lok Sabha election tended to divide the political parties into three groups i.e., (1) Congress(R) and allies, (2) the so-called 'grand alliance' of the Congress(O), Jan Sangh, Swatantra and SSP, and (3) the CPM with its emphasis on equi-distance from the two camps.

These groups represented political, but not ideological, polarisation. By no means, did they indicate agreed positions on the pattern of Centre-State relations. The points may, however, be noted here: Firstly, as contrasted with 1967,

in 1971, most of the political parties made specific mention of Centre-State relations in their manifestoes and even included demands for changes, thereby enhancing the issue awareness. Secondly, discussion on Centre-State relations brought forth arguments in favour of both centralisation (strong Central Government) and decentralisation (more power to the States). The opposition parties by now had gained sufficient experience of toppling operations, some of which were planned and directed by the Central Government. Therefore, most of them (though not all) favoured more powers for the States. However, the experience of instability of government in the States was so discomforting that a 'stable Centre' became much more than an attractive proposition.

IV

These trends are prominent in the election manifestoes issued by different political parties in 1971. An analysis of the manifestoes of eleven major political parties shows that all except two—Congress(R) and PSP—treated Centre-State relations as an issue.⁴ At the same time, party positions on this specific issue were not consistent with the polarisation as represented in the electoral alignments. For example, the two Congress parties, the Jan Sangh and Swatantra generally favoured a strong Centre. Among the parties advocating varying degrees of greater power to the States, the most virulent attack on Central dominance was made by the CPM and not the DMK. This is understandable because in spite of its historical legacy of anti-Centre orientation, the DMK in February 1971, was comfortably placed in the mainstream of political power whereas CPM's experience of the Centre's hostility to it, both in West Bengal and Kerala, was still fresh and bitter.

A brief description of the positions of important political parties follows, with a view to identify facets of the Centre-State relations issue and to group political parties according to degrees of issue-identity.

The Congress party led by Indira Gandhi emerged as the successor to the undivided party and continued to control the Central Government. It was therefore natural, that to it, the relations between the Centre and the States did not appear as an issue of any significance. Hence, like in the past, Centre-State relations did not get a mention in its manifesto. However, in the context of the threat from an alliance of four parties, the importance of "a strong and stable centre" was emphasised by Indira Gandhi during the campaign. Implicit in this

emphasis was the claim that only the Congress(R) could ensure such a stable and strong Centre. All other elements were to be treated as unimportant and unworthy of national debate.

The Congress(O) leaders also retained their traditional belief in 'a strong Centre' but since their attack was directed at the Prime Minister, they implied that the Central Government was not "objective and impartial in its dealings with States". The party demanded "an impartial machinery" for settling inter-State border disputes and sought "to establish the accountability of governors and to ensure impartiality in the exercise of their powers". Thus the Congress(O), while subscribing to the traditional position of the undivided Congress, articulated general dissatisfaction with at least two aspects of Centre-State relations and thereby presented these relations as a political issue.

The Swatantra party in 1971, in an unusual move, accepted the Congress(O) resolution of June 28, 1970 as its election manifesto. The party was in the front line in the defence of the Constitution and also subscribed to the demand for establishment of an Inter-State Council.

The Jan Sangh position in 1971 is a departure from its traditional advocacy of a unitary state for India. It did not follow the Swatantra line in defending the Constitution. In fact, the Sangh demanded "a commission on Constitution" to make recommendations for changes, if any, in the light of the experience of the last two decades. It recognised Centre-State relations as an important issue but the party was unwilling to be specific about its position. Therefore, the emphasis in its manifesto was on institutionalisation of Centre-State relations. It demanded appointment of an Inter-State Council under Article 263 and also suggested that inter-State boundary disputes as well as the demands for separate States should be passed on to a statutory commission. The demand for Statehood for Delhi was probably made because of local considerations but the experience of participating in several State governments during the interim period may have persuaded the Jan Sangh to accept the desirability of a federal set up in India and some degree of decentralisation in the political system.

Of the four important parties which demanded autonomy for the States, the Communist Party of India adopted the most moderate line in 1971. Although, its manifesto was one of the longest, only one small paragraph was devoted to Centre-State relations. The CPI

demanding a constitutional amendment "to provide for more powers to the States consistent with the basic unity of the country". This was an important departure from its 1967 position and reflected a change in its attitude to the dominant Congress party. The CPI also demanded that the post of governor should be abolished.

The SSP which in 1971 was a member of the anti-Indira alliance differed with its alliance partners on this issue. It demanded a new constituent assembly to frame a new Constitution with greater emphasis on decentralisation of administration. It sought a basic change in Centre-State relations with a view to eliminate the "abject dependence" of the States on the Centre for development funds. It advocated the principle of election for all key executive posts and demanded the abolition of the post of governor.

The DMK, which had come to power in Tamil Nadu in 1967, on the strength of its anti-Centre posture, retained the demand for States' autonomy as one of the principal planks of its platform but its experience of government and perception of the prevailing political situation had tended to soften the rigour of its autonomy demand. In 1971, the DMK chose to express its autonomy demand in general terms and also accepted the value of "the objective of a strong India". It also suggested that planning should originate from the States only and therefore each State should have a separate planning commission. It also demanded decentralisation of industrial licensing but did not express a position on the role of the governor.

The DMK position on Centre-State relations tends to reinforce the view that party positions on this issue were determined by each party's specific experiences. Thus, a DMK which ceased to be alienated from the political system after getting an opportunity of playing a national role as an ally of the dominant Congress, and which expected to continue playing this important role, did not have any compulsion to inflate its differences even on this issue.

On the other hand, the alienation of the CPM from the dominant party was so complete in 1971 that it devoted several pages to condemning the existing framework of Centre-State relations and the role of the Centre, particularly in two States where the CPM had very high stakes. The CPM perceived extreme concentration of both political and economic power in the Centre and sought to change it in favour of the States. It warned that "This monstrous concentration of power in the hands of the centre is

creating the danger of a bureaucratic police state, spelling abrogation of all democratic rights". The CPM also viewed the creation of the Industrial Security Force in Central establishments as "an open assault on the States' powers regarding maintenance of law and order". The CPM wanted fundamental change in the system of Centre-State relations and made these specific demands:

- Abolition of the posts of governors and of President's rule in the States;
- Revision of the allocation of powers and functions between the States and Centre with a view to making the States' power real;
- Most of the subjects in the Concurrent List of the Seventh Schedule to the Constitution to be transferred to the States;
- Greater resources to the States: 75 per cent share of all the taxes Centrally collected to go to the States, to begin with;
- Complete control by the State Governments over all its officials, including those who belong to all-India services.

Other parties' positions on this issue were general and limited to one or two aspects of critical importance to them. Thus, the Shiromani Akali Dal advocated more autonomy for the States, particularly in the fields of finance and legislation but its main concern was with the injustice done to various linguistic States, particularly Punjab. The BKD demanded a ban on re-employment of governors.

V

By 1971, Centre-State relations gained greater prominence as an issue in the political system and almost all the political parties were persuaded to express a position on it. Although, no clear polarisation has yet emerged, it is possible to discern the contours of an emerging consensus which is likely to survive the results of the 1971 election.

On the basis of their stated positions on this issue, the political parties can be classified into three groups on the stability-change dimension. First, and politically the most significant group, consists of the Congress(R) and several splinter groups, who do not advocate any change in the structure and pattern of Centre-State relations. *Status quo* or continuation of the tradition is perceived as being in the best interests by this group. The second group consists of those parties who accept the constitutional structure and the need for a strong Centre but who would like to see changes in the machinery and the style of Centre-State relations. Pro-

minent members of this group in 1971 are the Congress(O), the Swatantra party and the Jan Sangh. The third group represents radicalism on this issue. They demand restructuring of the entire framework of these relations and would like to see extreme departures from the tradition not only in the style of Centre-State relations but even in their basic structure. This group consists, in descending order of moderation, of CPI, SSP, DMK and CPM.

At a general level one can notice two, apparently conflicting, streams of thought. The experience with political instability at the State level between 1967-71 had alerted the political elites to the desirability of preserving stability at the Centre. Therefore the debate on Centre-State relations was conspicuous for its emphasis on a stable and strong Centre and the maintenance of the basic unity of the country. On the other hand, those who demanded more powers for the States grew in number due to the addition of new converts. It was agreed that the States should also become stable power centres, more complementary than competitive to the Central power.

Again, it is unrealistic to expect agreement on specific details of the issue but one finds greater support for operating a constitutional machinery for managing Centre-State conflicts. This was perceived to be necessary in the context of a multi-party system. The need for shifting Centre-State relations from personalised and politicised forums to a non-partisan institutional setting has been felt and is likely to be articulated again. It is possible that the landslide victory of the Congress(R) in the Lok Sabha elections may for sometime reinduce the pre-1967 slumber on Centre-State relations. However, Centre-State relations have achieved considerable issue-awareness in the political system and there is need to examine their institutional and operational aspects to evolve a more effective framework for the coming years.

Notes

- 1 B Shiva Rao, "The Framing of India's Constitution: A Study", Indian Institute of Public Administration, New Delhi, 1968, Chapter 21, pp 592-698.
- 2 C B Gena, "Party Manifestoes — A Review", *Political Science Review*, Special Number on Fourth General Elections in India, July-Sept 1967 to April-June 1968, pp 1-40.
- 3 R Chandidas *et al*, eds, "India Votes", Popular Prakashan, Bombay, 1968.
- 4 "Handbook of Election Manifestoes, 1971", a Supplement to *Commerce*, February 20, 1971.

FROM THE CHAIR

Problems and Prospects of Sugar Industry

by

S K Somaiya

President

Indian Sugar Mills Association

OVER the years no other industry on the food front has attracted as much public attention as sugar, leading to a very close and often overcautious administrative attention. A series of regulatory measures have thus emerged. But there have been frequent changes in policies, however, well-conceived adding to the uncertainties in the working of this seasonal industry.

Sugar has been the most rigidly controlled industry even in periods of decontrol or partial decontrol. No flexibility has been left to the industry so essential to meet ever changing situations.

BACKGROUND

In the mid-fifties when the industry was free from controls, North Indian factories showed remarkable progress and expansion. When controls were imposed in the North around 1958, and the South was left relatively free, the major growth impulse was witnessed in the latter area whereas the North stagnated. In fact, the control price structure was so rigid that the finance of most of the North Indian units suffered a severe set-back.

A fair price structure is essential for the vitality and growth of this or any other industry. In fact, Government accepted this premises, and rightly so, in the resolution adopting the 1959 Tariff Commission Report which, inter alia, stated that the cost of production derived from the schedule and the return on employed capital should be allowed so as to "provide sufficient funds for each unit to meet the commitment under bonus and gratuity, interest on borrowed capital and debentures, dividends on preference shares, managing agents' commission, and income tax and finally leave a residue to a large majority of units in all the regions to declare reasonable dividends."

Despite the well enunciated Government policy the industry was denied a fair return persistently over a period eroding substantially the financial base of many companies.

Further, in the past decontrol was followed in the wake of increased pro-

duction and satisfactory stock position, with the result that prices generally ruled around or below the fair levels resulting in losses. When however, prices tended to harden, even by 5 to 10 per cent above the fair price level, controls were hastily reimposed, denying the industry the opportunity to recoup losses.

INQUIRY COMMISSIONS

The cost schedules evolved by Tariff Commission and other expert bodies in the past left the industry with inadequate funds for servicing the capital, apart from rehabilitation and modernisation. In addition, 1969 Tariff Commission proceeded on an erroneous assumption and artificially froze the gross block of the industry at 1966-67 level for computing depreciation on "written down value method", ignoring completely the substantial investment which had taken place since at considerably higher costs. Consequently the depreciation provided for in the current schedule was in fact only about half of what it should have been, following well accepted accounting principles. The Tariff Commission, as a package deal also allowed Rs 2/- per quintal as rehabilitation allowance. However, the Government accepted the recommendation of the Tariff Commission only in respect of depreciation and ignored the one relating to rehabilitation allowance. Thus, industry suffered on both the counts. Moreover the implementation of the schedules too left much to be desired to the serious detriment of the industry.

ZONAL PRICING

The price structure thus evolved for many zones cannot possibly be economic as established by empirical evidence and as such majority of units have not been even able to cover their costs and have consequently found themselves in the red. To remedy the situation there should be a built-in element of cost which would make the price reasonable for a large majority of units.

CURRENT SCHEME

Government makes two price revisions during the year; one at the beginning of the season based on estimate of recovery and duration and the second after the crushing season based on actuals. Unlike previous years, in the 1969-70 season Government did not even announce the final prices taking into account the actual working results and the cost escalations. The entire production was released at the highly uneconomic provisional prices, announced earlier in the season.

A still more distressing situation came to prevail during the current season 1970-71 as the Government did not even determine the provisional rates based on the latest available estimates of sugar recovery for various zones and duration of the season which was expected to be shorter. Besides, the basic costs too had gone up due to various statutory provisions like the implementation of the Second Wage Board Award, higher rates of depreciation under the Income Tax Rules, increased cane freight charges etc.

In certain States, even the local levies had gone up. Debt servicing charges also registered a steep increase due to larger stocks that the industry had to carry for unduly long periods. Prices of consumable stocks and cost of packing too witnessed significant increase.

Government merely continued the provisional rates of the last season 1969-70 during the current season as well and factories were obliged to deliver sugar only on the basis of notional provisional rates regardless of actual costs.

LOWER FREE SUGAR REALISATIONS

On free sugar, realisations were even lower than levy sugar in most regions during the major part of last year. Discriminatory higher excise duty of 37.5 per cent on free sugar, as against 25 per cent on levy sugar was also a contributory factor as for the same selling price it meant lower realisations of at least Rs 15 per quintal on free sugar. Further, the distress was

aggravated due to marked disparities in the stock levels in different regions to the serious detriment of units in the high cost zones.

STOCKS AND CREDIT

The Industry was further faced with the problem of finance. Against its estimated peak stocks worth Rs 450 crores, the Industry secured an advance of only about Rs 260 crores leaving a resource gap of Rs 190 crores, with the result that during the months of peak stocks, cane payments could not be maintained despite best efforts. The position was further aggravated due to the imposition of stiffer margins by banks which were later relaxed.

Government spokesmen from time to time indicated that creation of 'Buffer Stocks' as a policy was accepted and details were being worked out. Later Government shelved the idea and the anticipated relief did not materialise.

While facts are so obvious, the industry is almost continuously subjected to uniformed criticism on various counts. The arrears of cane dues has often been cited as an instance, and the case of UP and Bihar is often mentioned. While this is a genuine problem, the position is more or less similar in other States as well. The Units managed by Government or those in the cooperative sector are even worst placed. This under-scores the point that a mere mode of management or ownership does not provide a solution.

Mention may also be made here of the impact of the controls on the general well-being of the Industry. Rigorous controls hitherto applied to North Indian factories have since been extended to other States as well. This has adversely affected the performance of the factories in the Southern States, particularly in Tamil Nadu. In this State, the factories had a disastrous season in 1969-70. Almost every unit incurred a loss.

In this context, the appointment of the Sugar Enquiry Commission which has probably the widest terms of reference ever drawn up for any Commission for the industry, under the distinguished Chairmanship of the Ex-Chief Justice of Calcutta High Court, Shri D N Sinha is indeed a welcome step. It is hoped that this Commission will deliberate in depth on the fundamental issues responsible for the present health of the Industry and put forth highly objective and pragmatic recommendations which could put the

industry on an enduring basis and thus impart the much needed vitality which it so badly needs.

SUGAR DECONTROL

Government's recent decision to decontrol sugar, apparently as an alternative to price increase came, somewhat, as a surprise to the industry because the sugar policy is announced at the beginning of the season. The industry however is not averse to decontrol. In fact with its abiding faith in the market mechanism it cannot but think in terms of freedom from controls.

Now that decontrol is a reality, the industry is anxious that it should not turn out to be a short term expediency, and that it would be pursued as a long term policy. For, any policy at best can prove efficacious over a period of time and only a long term stable policy can be in the ultimate interest of all concerned.

PRICE VARIATIONS

Price variations are a normal feature in a free economy. This should not be viewed critically. The efficacy of the policy of decontrol should not be judged on price variations of minor nature. Market forces should be permitted sufficient time to correct the imbalances.

As for the immediate situation, with sudden change in the pattern of distribution and the large stocks that we have, it is not unlikely that there may be some frequent price fluctuations, as markets will take some time to adjust to the new situation.

To impart the much needed stability to the country's sugar economy on a long term basis, it will be necessary for the Government to initiate necessary follow-up measures.

FOLLOW-UP MEASURES

(1) Monthly releases: This leverage could be effectively employed for maintaining prices at the desired level. The correct criteria for determining the monthly quantum of releases would be the actual off-take during the previous months, with suitable adjustments for festival demands and slack months.

(2) Bank Credit: After decontrol banks have imposed higher margins of 30 per cent and are valuing sugar at notional rates lower than the market prices. It is necessary that banks revert to the margin of 14 per cent which is the weighted average rate of levy and free sugar as was applicable

before decontrol and also value sugar at market rates.

(3) Excise Rebate: It is essential that suitable incentives are announced well in advance to compensate the factories fully for higher costs on working during the early and latter part of the season during 1971-72. During the current season, some factories are still working at very low recoveries thereby incurring considerable additional costs and they too should be fully compensated through announcement of suitable reliefs.

(4) Cane Freight: There have been sharp increases in freight rates during the last two years, 35 per cent and 6 per cent respectively. This would render crushing of rail cane uneconomic and thereby affect production. Necessary remedial measures are called for.

(5) Gur Prices: For ensuring a steady rising trend in sugar production, it is also necessary to stabilise gur prices at economic level. It is only by maintaining gur prices at an economic level through price support that it will be possible to avoid wide variations in the cane acreage which in turn would ensure a steadily rising trend in production of both gur and sugar.

(6) Cane Prices: With the decontrol of sugar suitable adjustments in the basis for fixation of minimum cane prices will become imperative to protect the interests of low recovery zones. Further for calculation of individual factories' cane prices, the average recovery for the entire season should be taken into account and the normal statistical method of rounding off should be followed.

(7) Reversal to specific Duty: With decontrol of sugar, Government may examine the feasibility of reverting to a specific rate of duty as a measure of simplification and stability and for avoiding any speculative tendency in this regard.

(8) Licensing of traders: In view of decontrol licensing of wholesale dealers has lost its original purpose and therefore should be done away with.

NEW CAPACITY

During the Fourth Plan period, Government have provided for a production target of 47 lakh tonnes and have licensed a capacity of 49.65 lakh tonnes. Government have further relaxed the licensing provisions under which no license would be required so long as the capital investment did not exceed Rs 1 crore. While such relaxations are generally welcome, it is feared that in the case of sugar, they may tend to distort

the planned growth and development of the industry as envisaged by the planners. Government have already excluded half a dozen industries like cotton textiles etc., from the aforesaid relaxation and sugar should also be included therein.

SUGAR EXPORTS

With an export of 3.18 lakh tonnes and a foreign exchange earning of over Rs 25 crores, 1970 was a fruitful year in the export field. During the current year too, it has been decided to export the full quantity available under the

ISA and the preferential arrangements. Thus the total exports estimated this year are about 4 lakh tonnes, with expected foreign exchange earnings of about Rs 38 crores.

SUGARCANE DEVELOPMENT

Sugarcane is the life-blood of the Sugar Industry. It is only by accelerating cane development work that lasting stability in the industry can be achieved. In the Northern region, the cane productivity is comparatively low and thus the development potential there is the largest, but the progress has been

rather slow. The main reason for this has been the lack of an effective organisation to channelise cane development activities. Cane development work in Maharashtra as also in the Southern region has made rapid strides because of the sugar factories' direct involvements in cane development. To improve matters, a certain percentage of the area in the factory zone should be earmarked for the purpose of cane development which should be available to such factories who want to undertake cane development work.

Coromandel Fertilisers Limited

Statement of the Chairman, Dr Bharat Ram

THE following is the Statement of the Chairman, Dr Bharat Ram, at the Ninth Annual General Meeting of the Shareholders of Coromandel Fertilisers Limited, held on June 9, 1971:

LADIES AND GENTLEMEN:

I have great pleasure in welcoming you to the Ninth Annual General Meeting of the Company.

The year has begun propitiously and augurs well for the country. The General Elections have happily given the Prime Minister the required strength to implement boldly her policy aimed at growth with social justice. The spectre of a weak Government at the Centre need no longer haunt us. I hope at all levels meaningful cooperation, born of informed reason and conviction, will be extended to her. Private enterprise will undoubtedly rise to the occasion and cooperate with Government in this common endeavour of removing poverty and raising living standards. We are fortunate that our business, our concern with the farmer, brings us into the very heart of the 'Green Revolution'. Your Company has the faith that the Green Revolution will remain green. I cannot resist the temptation of quoting Dr Norman E. Borlaug here who said that "Indian scientists have played a major role in launching the Green Revolution," and that the farmers here, millions of small farmers, as in other parts of the world, have shown a remarkable willingness to accept the new discoveries of science and adopt the new technology in agriculture.

The food situation has improved since we met last and it seems possible that the country will have built up sufficient buffer stocks. The remarkable performance in wheat has given us greater confidence. Nearer home in Rajendranagar, a band of dedicated rice-breeders have demonstrated that interdisciplinary efforts can bring hope into the world of rice. The introduction of 'Jaya' is promising and before long, we may witness a revolution in rice, followed hopefully by equally encouraging results in other cash crops.

PLANT

When we met last, I shared with you the hope that 1970 would see the Company move into a profit situation. This the Company has done, though in a modest measure. The Plant has operated well and at near design capacity, except for two unprecedented breakdowns which resulted in a significant loss of production. Many corrective steps have been taken to ensure that such breakdowns do not recur. There are still some areas over which we have little control and which cause us concern. The interruptions in power supply is one of these and your Management is working closely with the Andhra Pradesh State Electricity Board to ensure stability in power supply. Also the construction of a ten million gallon water storage reservoir has been taken on hand to reduce uncertainties in water supply.

I am glad to report that the Company's labour relations have been cordial and satisfactory. In-plant training facilities and induction of operational practices and procedures are a regular feature at the Plant. The Company also has a regular apprentice training scheme whereby 26 apprentices are given regular on the job training in various mechanical trades.

In August 1970, your Management entered into a three year agreement with the Employees' Association at the Plant agreeing to a wage revision taking into account the high cost of living and the wage structure prevalent in the industry.

MARKETING AND DISTRIBUTION

We are gratified to find our product being accepted in a wider area of the country. This has been a welcome feature in the context of the intensified marketing strategies which your Management has launched, to ensure that this basic input is available to the farmers at the right place and in right time. To cater to areas where there was a potential demand for your Company's fertiliser, Rallis India Limited, a company with a distinguished record and experience, were appointed as another major selling agent for your Company.

Your Company has continued its programmes in the areas of farm service, demonstration plots, soil testing and newsletters for farmer education and this effort will be further strengthened.

If our agricultural strategy is to succeed, it must rest on the adoption of an integrated package of practices. As nitrogen management is significant to

plant life, so is 'credit management' important from the farmer's viewpoint. We hope that the institutions concerned with credit will ensure that adequate credit is made available all along the line so that the farmer's purchasing power is strengthened and this vital input goes into the soil at the right time.

One major concern in this area, viz, movement of fertilisers from the Plant to various points has not been significantly relieved. You will recognise that the movement of fertiliser over a wide area depends upon the timely availability of railwagons and this has not been secured to us in any satisfactory measure. This state of affairs has seriously disrupted the even flow of fertilisers and we have taken steps to bring this to the notice of the concerned authorities. This led us to explore and establish more storage points all over the country. These limitations impose extra costs in the handling of our product. We hope that recognising the practice in other States who have abolished sales tax levy, the Andhra Pradesh Government will also abolish sales tax on fertiliser and thus help in reducing the cost of fertiliser to the farmers.

EXPANSION

Details of the Phase I Expansion programme have been given in the Directors' Report. Your Management is in active consultation with International Finance Corporation representatives of the World Bank for financing the foreign exchange cost of the project. Immediately on receipt of a favourable response the engineering and allied work will commence. Details of the Phase II expansion are under Government's scrutiny and a decision is awaited soon.

OTHER ACTIVITIES

Your Company continues its interest in educational activity. Apart from the scholarships we have endowed at the University level, we have instituted a fellowship for investigation and research in regard to application of fertiliser in dry areas and this project is being carried out in collaboration with the Indian Agricultural Research Institute. The Coromandel Lecture this year was delivered by the distinguished scientist, Dr Norman E Borlaug widely acclaimed as the apostle of the Wheat Revolution and who was awarded the Nobel Peace Prize in 1970. Also on this occasion, the Company announced the institu-

tion of the Norman E Borlaug award for outstanding contribution in the field of agriculture. The details will be worked out in close association with the Indian Agricultural Research Institute.

A distinguished scientist of international fame recently observed: "We now have the scientific tools and competence to achieve a major technological change in our agriculture. If we follow the path of science, old varieties in all crops can soon give place to new ones characterised by a greater capacity for yield per day and per unit of water. Most of the factors causing instability can be scientifically destroyed, pest control can be practised without polluting the atmosphere, dryland farming can be profitable. We have the means and the technical capability to launch such a mass movement of agricultural transformation and rural uplift."

We shall, in modest measure, provide the determination and passion to act.

DIRECTORS

Since the last meeting, the Company accepted with regret the resignations of Messrs J Z Hoffman, L L Powell, K C Madappa, C R Rao, Sushil Kumar and C S Dennison. On your behalf, I would like to thank these Directors for their services to the Company. I would particularly like to record the Company's deep appreciation of the services rendered by Mr C S Dennison who played a major role in formulating the concept of this Company and

later in its founding. One of the original Promoter Directors, Mr Dennison throughout his many years of association with the Company has always been in the vanguard of the forward thinkers and doers who are helping to solve the problems of those living a life of scarcity.

The Company had pleasure in welcoming Mr M N Kale and Mr N P Chakraborty, nominees of the IDBI and IFCI respectively and Mr Anil De and Mr R B Larner (Jr) who joined the Board during the year.

Your Company has had its share of problems and anxieties. However, the signs of growth, profitability and improved marketing and extension performance have been significant during the year under review, and this has been due to a very close and happy cooperation of workers and management. I congratulate them for their dedication and loyalty. To Mr J H Eckart, who will shortly leave us, a special measure of thanks is due. He came in at a critical time and under his stewardship the Company has moved to strength. He pressed into the service of the Company his broad vision, a sense of realism and an intimate knowledge of technical and human problems. We wish him success in his new assignment. May I also welcome Mr Larner who will take over from him as the new Managing Director of the Company.

Thank you, Ladies and Gentlemen.
Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Nuclear Ships

OPERATING experience, commissioning and maintenance of nuclear ships were among the topics discussed at the Symposium on Nuclear Ships which took place in Hamburg last month. More than 500 experts from 33 countries took part in the Symposium, which was organised jointly by the International Atomic Energy Agency, the Inter-governmental Maritime Consultative Organization, the West German Government and German associations concerned with the operation of nuclear ships.

Experts reported on operating experience of the West German ship, "Otto Hahn", third nuclear ship to be built; the others are the Soviet "Lenin" and the United States' "Savannah". In August 1968 a 38-megawatt pressurised water reactor was brought into operation on the "Otto Hahn". After some power tests the first trial voyage took

place in October 1968 and full power was reached only one day later. The "Otto Hahn", built as an ore carrier, so far has travelled 1,50,000 nautical miles. She was loaded during the voyages to full carrying capacity and proved to be, with all her installations, a very sea-worthy ship. No disadvantageous influence of sea motion on the behaviour of the propulsion plant could be observed, as checked by many exact measurements including in-core measurements.

But experts felt that international acceptance and economic operation of nuclear ships can be achieved only if a greater number of prototype or demonstration ships with nuclear propulsion are built, and technical development of this kind of propulsion is greater.

Syndicate Bank

Balance-Sheet as at 31st December, 1970

Corresponding figures for 1969		CAPITAL AND LIABILITIES		Rs. P.		Rs. P.	
Rs.	P.	Rs.	P.				
1,41,97,104.00				1. Capital:			
				Paid-up Capital (Wholly owned by the Central Government)		1,41,97,104.00	
1,55,54,161.85		1,42,00,000.00		2. Reserve Fund and Other Reserves:			
		13,54,161.85		Reserve Fund	1,56,00,000.00		
				Other Reserves	13,79,161.85	1,69,79,161.85	
		91,20,16,189.01		3. Deposits and Other Accounts:			
		29,68,54,320.59		Fixed Deposits	102,27,09,012.74		
144,72,22,406.27		23,83,51,896.67		Saving Bank Deposits	39,61,08,486.86		
				Current Accounts, Contingency Accounts, etc.	25,86,52,063.62	167,74,69,563.22	
				4. Borrowings from Other Banking Companies, Agents, etc.:			
		11,37,84,553.60		i) In India (Includes an amount of Rs. 38,43,714.26 borrowed from Industrial Development Bank of India and Rs. 11,48,000.00 from Agricultural Refinance Corporation as per contra).	6,63,61,819.66		
11,90,18,913.93		52,34,360.33		ii) Outside India	63,169.73	6,64,24,989.39	
				Particulars:			
		6,00,00,000.00		a) Secured against:			
		30,70,428.55		i) Central and State Government Securities	75,50,000.00		
				ii) Under the Refinance Scheme vide No. 5(1)(a) as per contra	49,91,714.26		
		5,59,48,485.38		iii) Under Bill Market Scheme vide Section 17(4)(c) of the Reserve Bank of India Act	5,36,50,000.00		
		11,90,18,913.93		b) Unsecured	2,33,275.13		
					6,64,24,989.39		
1,89,61,426.17				5. Bills Payable:		2,11,24,497.26	
		8,92,15,587.32		6. Bills for Collection Being Bills Receivable As Per Contra:			
10,19,81,599.71		1,27,66,012.39		a) Payable in India	11,25,30,955.06		
				b) Payable outside India	1,62,93,410.45	12,88,24,365.51	
		6,92,02,679.20		7. Other Liabilities:			
		10,25,580.30		i) Inter Branch Adjustments	10,34,50,135.15		
		71,623.80		ii) Rebate on Bills Discounted	8,81,923.49		
				iii) Security Deposits	87,917.44		
		2,26,450.30		iv) Amalgamated Bank's Liabilities for collection against Assets as per contra	2,08,175.14		
10,11,81,193.86		3,06,54,860.26		v) Others	3,62,81,128.37	14,09,09,279.59	
5,58,08,171.96				8. Acceptances, Endorsements and Other Obligations per Contra		7,31,64,486.65	

(Continued)

Syndicate Bank

Balance-Sheet as at 31st December, 1970

Corresponding figures for 1969				PROPERTY AND ASSETS			
Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.

Syndicate Bank
Profit and Loss Account for the Year Ended 31st December, 1970.

Corresponding figures for 1969 Rs. P.		EXPENDITURE		Corresponding figures for 1969 Rs. P.		INCOME		Rs. P.	
5,07,79,427.35		1. Interest paid on Deposits, Borrowings, etc.		9,07,75,317.40		1. Interest and Discount		11,89,25,496.72	
3,70,82,051.20		2. Salaries and Allowances, Provident Fund and Gratuity Contribution		6,40,69,699.70		2. Commission, Exchange and Brokerage		1,10,03,596.97	
36,408.18		3. Directors' and Local Committee Members' fees and allowances		4,69,54,188.48		3. Rents		6,80,075.98	
32,57,107.17		4. Rents, Taxes, Lighting, Insurance, etc.		20,288.35		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)		7,40,694.61	
28,013.50		5. Law Charges		43,38,425.30		5. Net profit on revaluation of Investments Gold and Silver, Land, Premises and Other assets (Not credited to Reserve or any particular Fund or Account)		—	
22,52,154.54		6. Postage, Telegrams and Stamps		33,832.69		6. Income from Non-Banking Assets and Profit from Sale of or dealing with such Assets		3,300.43	
1,24,450.00		7. Auditors' Fees		30,00,589.74		7. Other Receipts		38,58,588.22	
15,28,884.25		8. Depreciation on and Repairs to the Bank's Property		2,67,850.00					
27,10,279.41		9. Stationery, Printing, Advertisement, etc.		2,21,727.08					
3,150.10		10. Loss from sale of or dealing with Non-Banking Assets		29,08,363.24					
40,33,080.14		11. Other Expenditure		47,75,836.07					
28,89,407.70		12. Balance of Profit subject to Bonus		65,20,952.28					
		Notes: (1) Particulars of Remuneration relating to the Custodian:							
		Rs. P.							
		i) Salary	Rs. P.						
		57,000.00	45,000.00						
		ii) Allowances	4,375.00						
		iii) Bonus	—						
		iv) Employer's contribution to Provident fund	3,749.92						
		v) Monetary value of any other benefits or perquisites	1,950.00						
		63,617.13	55,074.92						
		(2) Corresponding figures for 1969 represent the consolidated figures for the two periods, i.e. from 1-1-1969 to 18-7-1969 and 19-7-1969 to 31-12-1969 viz.: before and after nationalisation. The balance of Profit for 1969 is after providing for Bonus to Staff under the head 'Salaries'.							
		(3) Stationery, Printing, Advertisement, etc., and other Expenditure include Rs. 6,04,221.75 towards Publicity Expenses							
10,47,24,413.54		Total	13,52,11,752.93		10,47,24,413.54	Total	13,52,11,752.39		
Place: MANIPAL						As per our Report of even date attached.			
Date: 28th May, 1971		H. N. RAO Chief Accountant	H. N. PAI General Manager	K. K. PAI Custodian		G. P. KAPADIA & CO. Chartered Accountants		VARMA & VARMA Chartered Accountants	
						M. B. MOHAMED B. K. KAPUR O. SWAMINATHA REDDY V. V. BHATT Directors			

Syndicate Bank
Report of the Auditors

To THE PRESIDENT OF INDIA:
We have audited the attached Balance Sheet of Syndicate Bank as at 31st December, 1970 and the attached Profit and Loss Account of the Bank for the year ended 31st December, 1970 in which are incorporated the returns of 141 Branches audited by us, 57 Branches audited by other auditors, and the unaudited returns in respect of 263 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 the 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, 1970;

ii) the Profit and Loss Account read with the notes thereon shows a true balance of Profit for the year ended on that date;

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.

Place: MANIPAL
Date: 28th May, 1971

G. P. KAPADIA & CO.
Chartered Accountants

VARMA & VARMA
Chartered Accountants

Syndicate Bank
SCHEDULE I

Corresponding figures for 1969 Rs. P.		PARTICULARS OF ADVANCES:		Rs. P.	
81,96,55,156 59		i) Debts considered good in respect of which the Bank is fully secured		95,73,79,519 25	
12,48,46,502 00		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)		11,97,18,648 65	
10,47,40,429 59		iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		15,11,25,236 49	
—		iv) Debts considered doubtful or bad not provided for		—	
104,92,42,088 18		Total		122,82,23,404 39	
26,46,553 00		v) Debts due by Directors or officers of the Bank or any of them either severally or jointly with any other persons		30,87,659 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		*6,74,266 09	
27,30,747 00		vii) Maximum total amount of advances including temporary advances made at any time during the year to the Directors or Managers or Officers of the Bank or any of them either severally or jointly with any other persons		32,21,917 00	
—		viii) Maximum total amount of advances including temporary advances granted during the year 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		*8,70,814 00	
10,74,490 65		ix) Due from Banking Companies		16,57,340 19	
		* VI & VIII are advances to Companies in which a Director of the Bank is interested as a nominee Director of a State Financial Corporation for which exemption under Section 53 of the Banking Regulation Act, 1949 has been obtained.			

Syndicate Bank

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST DECEMBER, 1970											
SCHEDULE II			SCHEDULE III			SCHEDULE IV					
Premises :			Furniture Fittings Etc. :			Non-Banking Assets :					
Rs.	P.	Corresponding figures for 1969	Rs.	P.	Corresponding figures for 1969	Rs.	P.	Corresponding figures for 1969			
Original cost on 31-12-1969			Original cost on 31-12-1969			Original cost on 31-12-1969					
Add: Additions during the year			Add: Additions during the year			Add: Additions during the year					
1,45,141	91	91,57,065	64	82,83,713	04	1,26,76,816	77	2,03,345	30		
3,25,321	23	12,78,620	44	44,22,304	87	53,85,818	38	1,821	06		
4,70,463	14	1,04,35,686	08	1,27,06,017	91	1,80,62,635	15	2,05,166	36		
3,13,397	50	67,538	44	29,201	14	Less: Sales Deductions during the year		48,274	66		
1,57,065	64	1,03,68,147	64	1,26,76,816	77	Less: Depreciation written off upto 31-12-1970		1,56,891	70		
7,54,592	68	20,02,482	29	37,50,401	77	Less: Depreciation written off upto 31-12-1970		28,078	84		
4,02,472	96	Total		83,65,665	35	Total		1,27,03,040	00		
				89,26,415	00			1,28,812	86		

Note: In enumerating the figures of original cost and Depreciation of the Assets as per Schedules II, III and IV above, the necessary adjustments have been made in presentation of the same as compared to Balance Sheet as at 31st December, 1969.

MANIPAL
28th May, 1971

H. N. RAO
Chief Accountant

H. N. PAI
General Manager

K. K. PAI
Custodian

V. V. BHATT
M. B. MOHAMED
B. K. KAPUR
O. SWAMINATHA REDDY
Directors

G. P. KAPADIA & CO. VERMA & VERMA
Chartered Accountants Chartered Accountants

Appropriation of Profits

The Directors report that, the usual and necessary provisions having been made, the net profit of the Bank for the year ended the 31st December, 1970 amounted to Rs. 65,20,952 28.

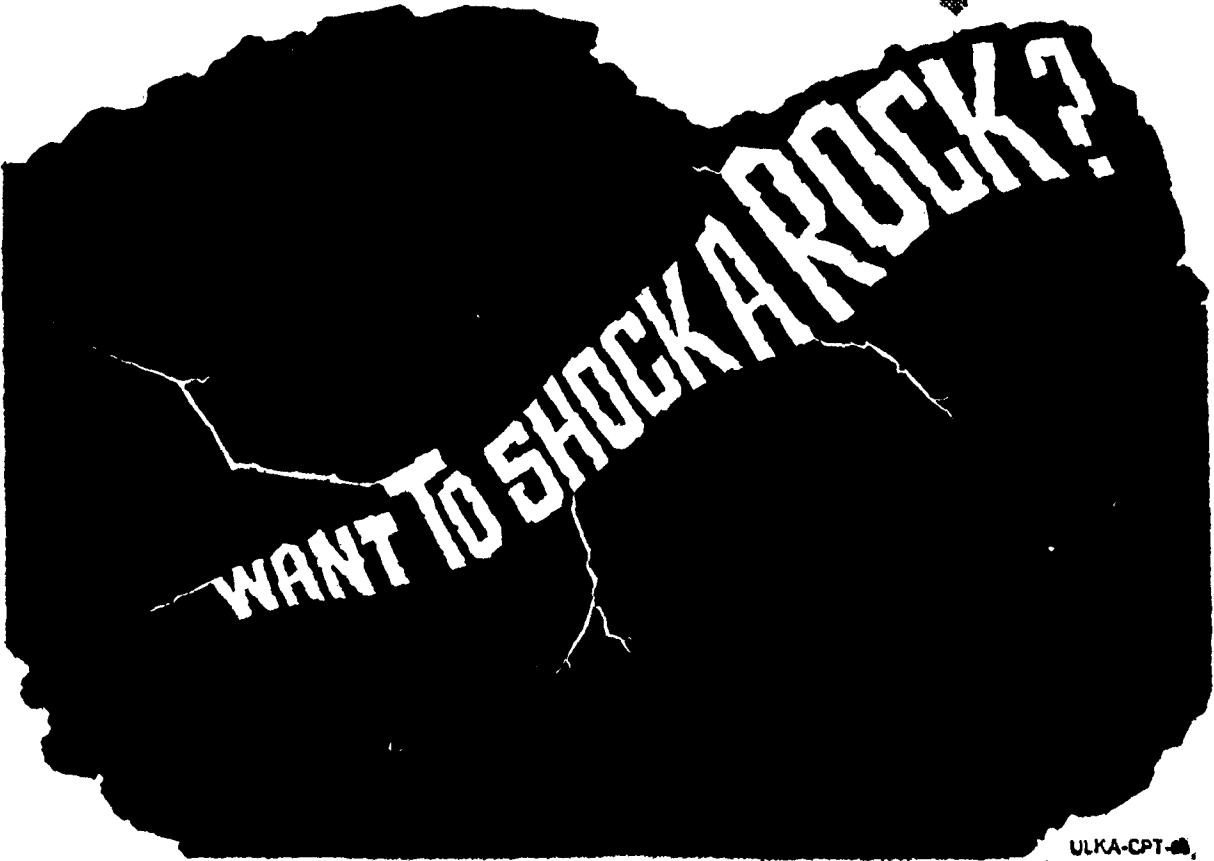
This sum, the Directors of the Bank have disposed of as follows :

Rs.	P.	Rs.	P.
Transferred to Reserve Fund	14,00,000	00	00
Bonus to Staff (Provision)	29,60,000	00	00
Balance to be transferred to Central Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970	21,60,952	28	28
Total	65,20,952	28	28

K. K. PAI
CUSTODIAN

M. B. MOHAMED
B. K. KAPUR
O. SWAMINATHA REDDY
DIRECTORS

V. V. BHATT
DIRECTORS



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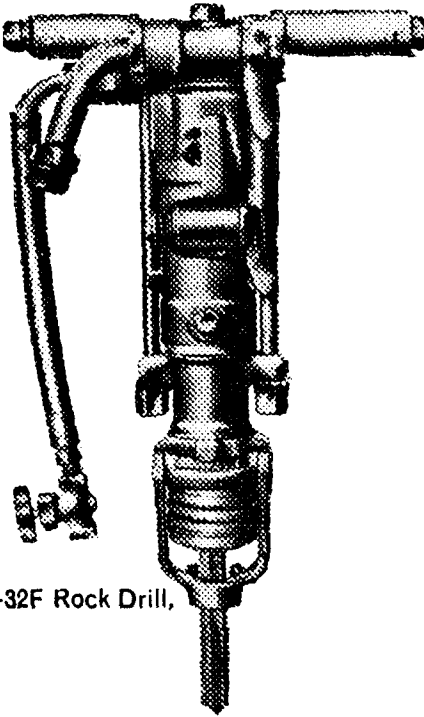
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FRANKFURT	5984	4189	6732	4713	5984	4189	6650	4655
PARIS	5984	4189	6732	4713	5984	4189	6650	4655
PRAGUE	5984	4189	6732	4713	5984	4189	6650	4655
GENEVA/ZURICH	5895	4127	6646	4653	5895	4127	6561	4593
ROME	5233	3664	6027	4219	5233	3664	5899	4130
MOSCOW Direct via DELHI	4986	3491	5633	3944	4938	3457	5652	3957
.. via MIDDLE EAST/EUROPE	7704	5393	8498	5949	7704	5393	8370	5859
LONDON	6070	4249	6821	4775	6070	4249	6736	4716
NEW YORK	9210	5603	9615	5963	9210	5603	9615	5963
KUALA LUMPUR	2915	2041	2207	1545	2736	1916	2339	1638
NANDI	8649	6055	8073	5652	8649	6055	7987	5591
PERTH	6133	4294	5561	3893	6133	4294	5471	3830
SINGAPORE	2915	2041	2385	1670	2915	2041	2339	1638
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EPW

ECONOMIC AND POLITICAL

WEEKLY

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Vol VI No 25

June 19, 1971

GATHERING CRISIS IN WEST BENGAL

BETTER USE OF SCIENTIFIC MANPOWER

INTER-SECTORAL TERMS OF TRADE

EMERGING SHORTAGES IN THE ECONOMY

PAKISTAN'S BOURGEOIS POLITICS

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now sad,
now glad.
woman
with her
many moods
inspired
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MAFATLAL GROUP



ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VI No 25 June 19, 1971

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ECONOMIC AND POLITICAL WEEKLY

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Togetherness by Treaty

THE wide-ranging dismissals of important ministers and officials in the Egyptian cabinet and ruling party last month were regarded in some quarters as signifying more than the consolidation of Sadat's power-base. As most of those dismissed, especially Aly Sabry and Samy Sharaf, were considered to be 'Leftists', these dismissals were seen as a calculated move to lessen Soviet influence in Egypt. Sabry's dismissal immediately before the American Secretary of State Rogers' arrival in Cairo was also thought to be significant. Now, however, it seems more plausible that Sadat was not as concerned about sweetening relations with the US as about removing "centres of power" potentially hostile to his own position.

The Soviet reaction was, on the surface, extremely unperturbed. But the arrival of Nikolai Podgorny, the Soviet President, in Cairo on May 25 showed that the Russians were far from unconcerned. The Podgorny mission probably arrived in a spirit of enquiry rather than admonition. It also had an ace up its sleeve in the form of the "treaty of friendship and co-operation", which was signed within 48 hours. But it is unlikely that Sadat and his close advisers had not even an inkling about such a treaty. In fact, it is believed that Sadat, during his 'secret' visit to Moscow last March, offered to sign a treaty with Moscow to get more arms aid. Earlier, Nasser — it is now, well known — had on two occasions offered to sign a treaty with the Soviet Union. The first occasion was after the Egyptian debacle in June 1967, and the second in January 1970 when he had asked for Soviet protection from Israeli air-raids deep into Egypt. The Russians had then politely declined to sign a formal treaty. They did not want to show the Afrasian world that they were developing a formal 'patron-client' relationship of a neo-colonial variety with Egypt. Secondly, they did not wish to be the cause of lowering Nasser's 'independent' stature — which it was in their interest to maintain. Thirdly, they did not want to be formally tied to the Egyptians when informal arrangements were good enough. Fourthly, they had no desire to openly provoke the US, which was then in a more belligerent mood than it is now.

Although these reasons have not been totally invalidated, Russian thinking has definitely altered course since last May. With their vast military and economic investment in Egypt and the recent upheavals within the Egyptian Government, they probably feel the need to institutionalise their relationship with Egypt, so as to have a greater knowledge of and influence on governmental changes within Egypt. The sharp and sudden dismissal of Sabry and the others seems to have taken the Russians totally by surprise. They do not intend to be so surprised again. The treaty, which is the first with a non-communist country since the end of World War II, is also a gentle reminder to Egypt and other third world countries that they cannot easily do without Soviet political, economic and military help. The Soviet President very succinctly made this point the day before the signing of the treaty when he said: "It has been proved that developing countries cannot stand up to the tyranny of imperialism and secure their economic and political independence without the assistance of the socialist countries and other progressive forces in the world."

This does not mean that any of the clauses in the Soviet-Egyptian treaty are a blatant intrusion into Egypt's internal affairs. The treaty mostly formalises existing arrangements. The most attractive part, for the Egyptians, is Article 8, which was highlighted by Sadat when he commended the treaty to the People's Assembly. The important part of this Article states, "co-operation will particularly include aid... [to] the personnel of the UAR armed forces... for strengthening its [UAR's] capability to remove the traces of aggression and for strengthening its capability to confront aggression in general". This does not mean that the Russians now have an open-ended commitment to back Egyptian military adventures against the Israelis. It does, however, mean further Russian involvement in the defence of Egypt against an Israeli attack.

Nor is the treaty an attempt at getting tough with the Americans. More likely, it is an indication to the United States that West Asian stability and peace can only come about if the Americans agree to co-operate with the Russians in coaxing both the Israelis and the Arabs towards agreement. This agreement would then be maintained under a duopoly of interest between the US and the USSR. It is an interesting speculation that the Russians might be trying to do a 'South Asia' in West Asia. It is, however, unlikely that the Americans will see eye-to-eye with the Russians in West Asia as they generally do in South Asia because the Russians, after all, are much more strongly and unilaterally entrenched in Egypt than they are as yet in India or Pakistan.

Another People, Another Place

THE brief debate on the influx of refugees from East Bengal in Lok Sabha on Wednesday yielded the admission from the Government that it was hoping that the pressure of world opinion would force the Pakistan Government to reach a political settlement in East Bengal. Further, New Delhi expects that this would happen soon enough to enable the refugees now in this country to be sent back within six months.

This incidental information tells a great deal about the purpose of Foreign Minister Swaran Singh's visit to the capitals of the major powers. Swaran Singh's primary task, it is now evident, is to assure the Governments of these countries that irrespective of whatever may be suggested by the hospitality extended to the so-called Provisional Government of Bangla Desh and such help as we have been giving, unofficially of course, to the freedom fighters in East Bengal, we would be wholly behind any efforts to bring about a political settlement. The basis of the settlement would be what the Pakistan Government and those on the East Bengal side agree upon and are able to give effect to, given the developments of the last few months. Beyond that we are not interested in stipulating any conditions. What we would be interested in is, of course, the return of the refugees.

The pressures for a political settlement in East Bengal are becoming increasingly stronger, as was to be expected. The big powers who are in a position to influence the actions of the Pakistan Government, the Government of Yahya Khan itself, the Awami League (the statements of the Provisional Government notwithstanding) and India are all moving, willingly or otherwise, in this direction. Indeed, the major hurdle to a settlement is likely to be, not the reluctance of either the Pakistan Government or the Awami League, but the very genuine doubts about the Awami League's ability to any longer carry with it those who are doing the actual fighting against the Pakistani army in East Bengal. Both the actual control and the moral authority of the Provisional Government (which in effect functions from Calcutta) over the freedom fighters across the border have so diminished as to be almost non-existent already.

This is one major factor which might upset the Government of India's calendar for refugee repatriation. There are others besides. One of these should

be better known to the Government than to the people of this country from whom the communal composition of the refugees has been kept hidden, for very good reasons. Referring to the refugees the Prime Minister is reported to have repeated at a meeting of financial journalists in New Delhi on Thursday: "I am just going to send them back. I am determined to send them back." Should she not have been perhaps less emphatic, knowing as she does that the proportion of Hindus among the refugees is not the 60 and 70 per cent that are frequently mentioned; nor even 80 or 90 per cent, but more? The communal factor, and what that implies for the willingness and ability of whatever political authority takes over in East Bengal after a political settlement to take the refugees back and for the Government of India's ability to forcibly send them back, cannot be just wished away.

On the whole, there are good reasons for the Government not making too exact commitments about sending back the refugees. It should instead concentrate on the task of ensuring that, given the limitations of our own organisational and financial resources and the imitations of the international assistance that can be secured, we are in fact doing the best we can for the refugees while they are in this country. Can we be sure of this today? The enormity of the task of providing the conditions of even bare existence to six million destitute people is beyond question. And yet is there, outside the areas affected by the physical presence of the refugees, sufficient awareness of the problem, much less readiness to help? Can we honestly maintain that we are doing everything we can when the Chief Minister of one State threatens to resign unless the refugees are removed from his State while other Chief Ministers less openly refuse to accept the refugees into their States? And as a correspondent points out elsewhere in this issue, has construction of a single luxury apartment anywhere in the country suffered even a day's delay because materials have been diverted to providing shelter to the homeless refugees? Can we, again, claim that everything has been done to feed the refugees when wheat lies rotting in the market places of Punjab, Haryana and other States? Ironically, even as we self-righteously flaunt the burden thrust on us by the influx of refugees, two events, minor in themselves but of some symbolic significance, which have received attention are the insanely ostentatious wedding parties thrown by two leading lights of the ruling party in Maharashtra and Andhra Pradesh.

The Bengali father watching his cholera-stricken son die in his arms is remote equally from Bombay and Hyderabad and Moscow and Washington.

Planning Commission

Back to Fundamentals

A Correspondent writes:

THE panel headed by P L Tandon to report on the organisation of the Planning Commission has suggested that the Commission should have "a new concept". The panel's other recommendations are that there should be greater induction of professional expertise into the Commission, with possibilities of transfer of personnel (to academic institutions or State-level planning organisations); that the Commission should not duplicate the ministerial divisions without specialising functionally at the top but should be reorganised in four broad groups of tasks: planning and evaluation, resource mobilisation, systems and information, and liaison; and that the Planning Commission needs to keep a perspective of development.

These are things worth saying — even if they have been said before. The Planning Commission had tended to become an administrative arm of the Government, and had increasingly tended to take an administrative, rather than a planning, view of the development process. It is time it was put back in the place where it was intended to be — defining options and laying down the strategy for development.

Organisation is only one part of this task; and there is always the danger that when those who recommend changes are not there to implement their recommendations, the changes recommended are not implemented at all or are implemented in form only. (The panel refers to the "need to institutionalise a new idea rather than let it wither away after the man who brought it has left"; would not this apply to the panels' recommendations also?)

There was also the need to define the Planning Commission's tasks more fully. It is wise that the long-term perspective is proposed to be kept firmly in view: development can hardly be compartmentalised into five-year periods. The perspective view will reveal the broader options within which plans for immediate development are to be formulated and implemented. P C Mahalanobis showed that India's

planning had to be based on iron and steel and aluminium; in the next phase, coal, bagasse and engineering would form the basis of long-term advance; in addition, employment had to be a major objective of planning.

There is also the more immediate problem of efficiency, which needs to be externalised to the operating agencies. For example, the present functioning of railways is a hindrance to development; and the working of the public sector units has been the most effective bar to expansion of social ownership of means of production. The Planning Commission can more usefully look into the organisational aspects of the functioning of these agencies and create a climate for changes in administrative functioning.

As time passes evaluation becomes a more important element in the planners' work. Such evaluation has to go beyond looking at percentages of fulfilment of targets to the factors responsible for failure. Each new plan has to be based more on this experience rather than on a geometric exponential theorem, such as system-builders tend to set up.

National Income

Cost of Standing Still

THE latest national income data, for 1969-70, show how limited the economic recovery has been, despite successive good harvests. National income increased from Rs 28,678 crores in 1968-69 to Rs 31,174 crores in 1969-70, or by 9 per cent in money terms. Allowing for the price rise, however, the real rise in national income between the two years was only 5.3 per cent. And, allowing for the population rise, the growth of per capita income in real terms was only 2.9 per cent (from Rs 329.9 to Rs 339.4, in 1960-61 prices). Since the per capita income had touched Rs 335.8 in 1964-65, the last five years may be said to have seen an improvement in individual well-being.

Sectoral data confirm this trend. The share in national income of the primary sector (agriculture, forestry, fishing and mining) has marginally declined, from 47.9 per cent in 1964-65 to 45 per cent in 1969-70. But the main gainer has not been the secondary sector (manufacturing, construction, electricity, gas and water supply) which remained constant at around 21 per cent, but the tertiary sector (transport and communications, trade, banking and insurance, public administration

and defence, and other services) whose share increased from 30.8 per cent in 1964-65 to 33.4 per cent in 1969-70.

What are the lessons of this experience? It is now becoming evident that those who expected agriculture to trigger off growth (and a market for industrial products) had misunderstood the economic forces which govern growth. Agriculture cannot be the 'triggering' mechanism; it can merely provide a stability condition in which growth may be stimulated in other sectors. The rate of growth outside agriculture had been almost twice that in agriculture, in the past. Given today's growth rate (5-6 per cent) in agriculture, India could easily make a run for a 10-12 per cent growth in areas other than agriculture. We have wasted four years doing nothing, despite the fact that the preconditions for such growth have existed since 1967-68. Unfortunately, this year's budgetary exercise shows that, even now, the Government has not learnt the lesson.

Gujarat

Divide and Rule

Our Correspondent writes:

THE imposition of President's rule has not helped to stabilise the political climate in Gujarat. In fact, its immediate effect has been to unleash forces of disintegration in both the Congress parties — which are the only parties that now matter in the State, Swatantra having reconciled itself to playing second fiddle to either the one or the other of the two. Before the imposition of President's rule, the two Congress parties were under some compulsion to keep up the facade of unity within their respective ranks. Now the infighting for power in both parties is being carried out in the open. The emphasis has shifted from inter-party to intra-party struggle for power. Nor has President's rule ended the flood of defections; the bait offered to defectors now is assurance of tickets in the coming Vidhan Sabha elections.

The tussle in Congress(O) is centred round the efforts of some of its leaders to establish a separate identity from that of the party which was routed in the Lok Sabha elections. Of these leaders, one group, consisting of Jaidip-sinh of Baria, Khambholja and Premji-bhai Thacker, has been urging merger with Congress(R). Their stand was

reported to have received the covert support of Hitendra Desai. These leaders had hoped that Hitendra would support them openly at the last Congress(R) session. But as had happened at the time of the Gujarat Congress(O)'s opposition to the 'grand alliance' strategy, Hitendra inspired his followers to challenge Morarji Desai's leadership but himself backed out when the time came to force the issue. As a result of being let down by Hitendra, the 'pro-integration' group has had to quit the party and is now reduced to petitioning Congress(R) leaders for admission to Congress(R).

The other group of Congress(O) leaders, which was also reported to enjoy the support of Hitendra, wants to overhaul the party leadership by freeing it from the grip of Morarji Desai and to give the party a regional colour by adopting a radical programme centred on local problems and different from that of Congress(O). However, this group has not so far succeeded in dislodging Morarji, once again mainly because Hitendra Desai has refused to act. Understandably, Morarji is bitterly fighting these challenges to his leadership in Gujarat, since once he loses his hold on Gujarat he will fade out of national politics. However, the death of Thakorebhai Desai will considerably affect Morarji's position in Gujarat; the only strongman he can now rely on is Vajubhai Shah.

The feuds in Congress(R) have nothing to do with issues; they are entirely related to personalities. Chimanbhai Patel had staked a strong claim to leadership of the party. But within just a month Indira Gandhi and U S Dixit, who had earlier seemed to support him, have squashed his claims. Chimanbhai did not evidently realise that he had been allowed to supersede Ghia only for his expertise in manoeuvring defections by hook or crook and that once the Hitendra ministry had been toppled the high command would have no further use for him. He has no foothold in the organisational wing which remains under the control of the Ghia-Adani group. Chimanbhai tried to play Ghia against Adani, first by favouring the former as the GPCC President and then, when Ghai refused the bait, by suggesting that he should be made the chairman of the election committee. But Ghia refused to play into Chimanbhai's hands by rejecting even this proposal.

Her role in the faction fight in the Gujarat Congress(R) throws some

interesting light on Indira Gandhi's political tactics. In Gujarat, as in UP, she has been trying to play one leader against the other. First she played Chimanbhai against Ghia and later Adani, Ghia and the others against Chimanbhai. The GPCC has thus become riddled with factions with the result that it is becoming increasingly

dependent on the party's Central leadership which, in today's circumstances, means the Prime Minister herself. Evidently, by this divide and rule policy she hopes to nip in the bud the regional centres of power which, if allowed to grow, might assail her authority just as they did her father's.

BUSINESS

Poly-Conversion!

WHEN the Dutt Committee first recommended that the financial institutions should seek a share in the profits of industrial companies they assist with development capital by converting a portion of their long-term loans into equity, there was a furore about what was dubbed as an attempt at partial nationalisation of companies in the private sector by the back-door. Much heat was generated in the controversy, but then came Indira Gandhi and the Lok Sabha elections and the alleged threat posed by the conversion option somehow receded from the focus of public attention.

Why is it that conversion no longer seems to hold the terrors it was earlier suspected of? This reason is clear from the manner in which the conversion option has been used by institutional lenders in the case of Gujarat Polyamides.

The company has a Rs 1100-lakh nylon fibre project with a licensed capacity of 5 tonnes a day. The outlay is to be financed with Rs 440 lakhs of share capital, foreign exchange loans of Rs 376.90 lakhs and rupee loans from IDBI, IFC, LIC and UTI amounting to Rs 277.50 lakhs (including Rs 100 lakhs of debenture capital from LIC and UTI) and Rs 5.60 lakhs from banks. Thus, long-term rupee loans from the financial institutions cover about 25 per cent of the project outlay.

The institutions in extending their assistance have reserved the right to convert "loans into equity shares of the company in proportion of their loans, for the amount of Rs 60 lakhs". How was this figure of Rs 60 lakhs arrived at? What conversion of this order amounts to is that even if the financial institutions exercise their options fully, their share in the company's share capital, raised as a result of conversion from Rs 4.40 crores to Rs 5 crores, would be 12 per cent.

If preference capital of Rs 1.10 crores is excluded from this calculation, the ordinary share capital would rise from Rs 3.30 crores to Rs 3.90 crores, and the share of the long-term lenders would be 18 per cent.

It should be noted that the lenders would be earning interest on their loans till March 1977 and exercising their conversion option around that time. Presumably, the conversion would be made at face value. Taking these factors into account, the conversion ratio may not appear to be very small. But at the same time, the term-lenders' share will pose no threat to the controlling interest of Gujarat Polyamides. In retrospect, all the shouting over conversion appears not to have been wasted.

Yet consider the generous share allocation made to the company's supplier and collaborator, Italtiscosa of Milan. The cif cost of plant and machinery to be supplied by them is Rs 430 lakhs, though the total foreign exchange cost would appear to be higher at Rs 450 lakhs, which is the value of the import licence issued to the company. The rupee cost of these imports would be Rs 574 lakhs, including import duty, etc. The point to note is that the foreign exchange cost, even when assumed at Rs 450 lakhs, is covered to the extent of Rs 312.50 lakhs by loans from US AID and Kreditanstalt (through IFCI and ICICI). This leaves a balance of Rs 138 lakhs (or Rs 118 lakhs taking the cif cost of plant and machinery supplied) for which Italtiscosa has offered suppliers' credit of Rs 64.40 lakhs and is to take ordinary share capital of Gujarat Polyamides of the face value of Rs 67.50 lakhs.

Gujarat Polyamides states that the payment in the shape of share capital works out to 15 per cent of the cif

ECONOMIC AND POLITICAL WEEKLY

cost of plant and machinery. What is being paid actually in shares is over 50 per cent of what the company owes the suppliers. Here the interest saving to the company on equity issued till dividend payment commences should be taken into account. Even so, the equity to Italtiscosa would appear to be on the high side.

This is not to say that Italtiscosa is being overpaid, but to point out that despite industrialisation, India has little option when it comes to machinery imports. If India wants to import nylon plants, it must pay the price. In Gujarat Polyamides the value of Indian machinery and installations is just Rs 230.50 lakhs, or just over one-half of the cost of imported plant and machinery. When a country chooses to remain in the bicycle age and fancies nylon garments, it naturally lays itself open to extortion — by ICI, Dupont and now Italtiscosa.

Incidentally, what happened to the Government's strategy of avoiding repetitive import of technology through the formation of a knowhow pool?

Central Loans

Polishing the Gilt

SUBSCRIPTION to the new Central loans, offered as part of the Government's borrowing programme for the current year, will exceed the notified amount of Rs 375 crores. Three loans are being offered at a redemption yield that is a quarter of one per cent higher than that offered on the two loans put out last year. Their maturity pattern takes care of the variety of institutional requirements: for the banks there is the 4.75 per cent, 1978; for the provident funds and the LIC the long-dated 5.75 per cent, 2001; and for others the medium-dated 5.25 per cent, 1986. All three loans are being offered at par for subscription in cash or in the maturing Rs 332-crore, 4.50 per cent, 1971, loan.

The expectation of favourable response — the closure of the subscription lists within hours of their opening on July 1 is not ruled out — is based on the assumption that the bulk of the maturing loan is held by the Reserve Bank which will no doubt put in a heavy conversion application. On this assumption, there would be a balance of a mere Rs 43-odd crores for cash subscription, which the LIC alone is capable of taking up. A situation of unsatisfied demand, however marginal, for the loans thus ap-

ECONOMIC AND POLITICAL WEEKLY

pears to be on the cards, though whether such grooming of the market will ensure sufficient demand when these loans are re-issued later this year to complete the Government's borrowing programme for 1971-72 remains a moot question.

The 1971-72 Budget visualises gross market borrowing of Rs 500 crores and net borrowing of Rs 168 crores. The July 1 floatation will ensure a minimum net borrowing of Rs 43 crores, though this might go as high as Rs 80.5 crores in the event of excess subscription. (The Government has the right to retain excess subscription to the extent of 10 per cent of the notified amount of the loans.) This would leave the Government the task of raising the balance of Rs 87.5 crores, entirely through cash subscription. It might appear that the residual task would hardly be a difficult one since banks' deposits and the LIC's premium income are buoyant. But these institutions have to subscribe to not only State Government loans but to a host of high-yielding semi-government bond issues as well.

The performance of the Central loans issued during 1970-71 should be noted in this context. The 1970-71 Budget had proposed gross borrowing of Rs 455 crores and net borrowing of Rs 161.70 crores. Actually, the Government floated loans for a total notified amount of Rs 428 crores and attracted conversion to the tune of Rs 202 crores against maturities amounting to Rs 291 crores, thus netting Rs 136 crores. It should be noted that conversion, though large, was sizeably short of maturities.

The Government also resorted to conversion of Rs 75 crores of *ad hoc*s into dated securities: Rs 20 crores of this into the 5.50 per cent, 2000, loan and Rs 25 crores into the 4.50 per cent, 1977, loan, both of which had attracted less public subscription than expected.

Clearly, what skewed the market borrowing programme of the Government last year was the sizeable encashment of maturing loans by holders other than the Reserve Bank. This is the same as saying that the loans issued last year were not considered attractive. The problem this year, to the extent the holdings of the maturing loan are with the public, is to get a higher ratio of conversion. That is why, three convenient maturities have been offered and the redemption yield on all three — short, medium and long — has been raised by a uniform 0.25 per cent.

Synthetics and Chemicals Battle for Management

HAVING succeeded in ousting Kilachands from the selling agency of Synthetics and Chemicals, Firestone has now taken the battle to the management front. In the election of directors at the coming annual general meeting, it has set up, or is supporting, candidates who would change the balance of power in the board of directors of the company.

To out-manoeuvre Firestone, about a month ago Kilachands co-opted on the board three directors, Pratap Bhogilal, Pravinchandra Gandhi and J H Doshi. Firestone alleges that these directors have voted with Kilachands on every issue and that the management of Synthetics has effectively remained with Kilachands. Now that these directors are coming up for election, Firestone has decided to take the issue of management to the shareholders.

It is unfortunate, but not surprising, that the "independent" directors have done nothing to inspire confidence in their independence or impartiality. When two groups are at loggerheads, independent directors can hold the balance and wield management in the interest of the shareholding public. However, as the earlier instance of Synthetics' selling agency showed, these independent directors, being mainly fellow-industrialists, are too concerned with their class interests to take a fair view of business management. Perhaps they themselves have too many skeletons in the cupboards — selling agencies, for example — for them to take a public-spirited view of business practices.

Yet the issues now raised have broader implications. A company has numerous dealings with its business promoters, as Synthetics is likely to have with Firestone. A salaried management — and a board dependent upon Firestone votes for re-election — would hardly be able to take an independent position where Firestone's interests are involved. For example, in purchasing knowhow, importing materials or negotiating export contracts, a little fiddling with prices can compensate adequately for ostensible loss of royalty or dividends. Moreover, without Kilachands, Synthetics would become a foreign-controlled company without adequate safeguards for Indian interests; a well-defined Indian presence is certainly necessary and an amorphous,

even if substantial, general Indian shareholding and a subservient salaried management can be no substitute for it.

Firestone, however, is playing its cards skilfully. It is the "in" thing today to support professional management (witness, for instance, the Chinai-Kapadia professions on the subject, which Kilachands can be expected to emulate). And recognising the other "in" thing in the Indian context, Firestone is supporting an LIC candidate for election to the board. And finally, after a year-long silence since the last proxy battle, it is even hinted that Firestone India will go public! The next move lies with the Kilachands.

Coromandel Fertiliser

Despite the Overall Gap

INITIALLY scheduled to start production in 1967, Coromandel Fertiliser has in 1970-71 managed to produce a profit of "modest measure". After early technical troubles, its plant in Visakhapatnam is now producing, according to chairman Bharat Ram, to near design capacity. Meanwhile, the foreign loan for its Phase I expansion is being negotiated and the Phase II expansion scheme is awaiting Government approval.

All this is preparatory, no doubt, to meeting Andhra Pradesh's large anticipated demand for fertilisers at over four times Coromandel's present installed capacity. But, already, Coromandel is having to make definite marketing efforts and to move its product to farther markets — even stocking it there because wagons are not promptly available and road transport would be highly expensive for an end-use product of bulk like ammonium phosphate which constitutes the plant's major output.

The point is that, despite the overall shortage of fertilisers in the country, not only has consumption failed to rise at the expected rate but also the local/State demand for the fertilisers of particular plants has probably not risen quite as anticipated. This is not surprising. A large part of the increased demand was to come via the breakthrough in high-yielding varieties; rice as the major crop in the country was to contribute significantly to the increase — and rice is by far the major crop of Andhra. In fact, however, the high-yielding rice varieties have simply not been accepted on any significant

scale. Among other reasons for this, such as coarseness of the HYV grain which makes the consequent price differential unacceptable to the farmer, rice remains primarily a kharif, and monsoon, crop when water control is difficult; its introduction into the rabi season is hampered by limitations of irrigation facilities.

However, the new 'Jaya' variety, as Bharat Ram points out, holds out promise of being accepted on a commercial scale. Also, 'Pankaj' and 'Jagannath' are two seeds officially marked out for large-scale introduction in Andhra Pradesh. It may be that, once these are introduced with greater success, local/State demand for Coromandel's fertiliser will improve. Planning for that may nevertheless be necessary from now, both to help the acceptance of the new varieties through extension and soil-testing services and to establish a distribution network in the State. This, according to Bharat Ram, the company has already started to do consciously, by providing direct services, employing selling agents, and instituting a fellowship for research in fertiliser application in dry areas.

Alloy Steels

Brightened Prospects

IN his annual statement to the shareholders of Mahindra Ugine Steel, Harish Mahindra examines the outlook for alloy steel in the coming years. This outlook, if one accepts the demand estimates of the National Council of Applied Economic Research (as Mahindra does), now looks far better than was originally thought possible. On the basis of the end-use method, NCAER estimates the demand for alloy and special steels at 434,000 tonnes in 1975 and 817,000 tonnes in 1980 (against the estimates, of 400,000 tonnes in 1973-74 and 590,000 tonnes in 1978-79, made by the Technical Wing of the Steel Ministry, which themselves are revisions of earlier estimates, of 300,000 tonnes and 430,000 tonnes, respectively, made in 1968).

Given this situation, Harish Mahindra argues for a planned — or, rather, ordered — expansion of capacity. It is not difficult to argue convincingly that expansion of existing units is cheaper than setting up new units. Mahindra also warns against the indiscriminate setting up of electric furnaces for steel production (the mini steel plants) on the ground that, whatever their viabi-

lity in today's short-run shortage situation, their ability to compete with large integrated steel plants in normal times is doubtful. Harish Mahindra is also concerned about scrap supplies, if such plants are encouraged. However, he refers to his own application for expansion to 60,000 tonnes, which he expects to get approved soon.

Mahindra is naturally concerned about withdrawal of the development rebate. He tries to make a reasoned case for the continuance of the rebate. He agrees that the rebate would be related to "plan priorities" and calculated with reference to "larger output, lower cost, and higher profits, instead of conferring a bounty on investment *per se*".

Private Foreign Investment

Getting into Trouble?

A Correspondent writes:

ONE would not normally expect foreign private interests, especially in banking, to understand (let alone sympathise) with the expansion of the public sector or with nationalisation of banking by the Governments of the developing countries. Even the most progressive and *avant garde* among them are likely to dismiss such actions as political ones to be tolerated rather than welcomed in the national interest of the so-called "host" countries.

The National and Grindlays Bank deserves credit for breaking with this tradition. In a survey of the private overseas investment, published earlier this year, National and Grindlays notes the trend towards majority ownership of banks in many developing countries and the role that the overseas banks may be expected to play in the changed context. The reasons for partial or total nationalisation, it suggests, are not necessarily political; "they also take into account the fact that governments of many countries have established their own commercial banks which have proved more than capable of carrying out many of those functions for which the expatriate banks were long solely responsible. The latter have in fact not only welcomed but actively contributed to this development, as for example through the seconding of personnel." This may be an example of exaggerated self-righteousness in the face of a new situation; nevertheless it is noteworthy that National and Grindlays should say this.

National and Grindlays also seems to have participated in an institutional innovation in some countries whereby the nationalised overseas banks have been allowed to retain minority participation, and also control over international aspects of the banks' business. Thus in Kenya, 78 out of 81 of the Grindlays' existing branches have been transferred to a new bank, the Kenya Commercial Bank, in which the Government-owned National Bank of Kenya holds a 60 per cent interest and National and Grindlays Bank 40 per cent. Simultaneously a new international bank has been formed to take over the other three branches, which had specialised in international banking. The National and Grindlays has control over the latter with a 60 per cent holding (the rest 40 per cent being owned by the National Bank of Kenya). A similar arrangement has been worked out with the Ugandan Government.

The National and Grindlays review of recent trends in private overseas investment and its role in development aid is, however, muddled. It is true that much of the increase in flow of resources to the developing countries in recent years has been accounted for by private flows of all kinds. This, however, is a cause for alarm rather than a confirmation of the "vital" role that such flows can play in development. The reason is simply that private transfers, especially when they are short-term banking or commercial credits, are much more expensive for the developing countries than official aid, and (barring a few cases such as India) debt problems of the developing countries have been largely due to an excessive reliance on such credits. 1969, the latest year for which data are available, seems to have been especially bad in this regard; short-term export credits reached a level of over two billion dollars compared with \$579 million in 1968 or the previous peak of \$1.1 billion in 1966. This is bound to get a number of poor countries in trouble and running to their commercial creditors or foreign governments for mercy.

Incidentally, contrary to the impression given by the survey, it is simply not true that the Pearson Commission gave unqualified support to foreign private investment or that its analysis of this issue has been universally acclaimed. In fact, two members of the Commission, W Arthur Lewis and Edward Boyle, did not agree with the analysis of the Commission on foreign private investment, and said so in a dissenting footnote.

Delhi Doldrums

Romesh Thapar

A "SEMINAR" is held in the five-star Ashoka Hotel to discuss the problems of steel and heavy engineering. Public sector executives are thrown against "experts" from the private sector. The "intellectual" covering is provided by the Hyderabad Staff College. The Minister makes weighty comments on "communication" between managers and workers. The private sector experts "assess" the capacity of the public sector executives. The public sector boys are amused by this expensive exercise, obviously part of the Rs 66 lakh PR budget of Hindustan Steel. A series of "recommendations" are agreed upon. We've all said the same things over and over again for the past ten years. When will we ever learn...and move on.

The AIR and Delhi Television are convinced that if we have to read newspaper correspondents and hear about the pedantic activities of politicians, we should also have them with us in our homes. From the activities of the Ministry of Information and Broadcasting, it appears that there is no one worthy of attention except newspapermen and politicians—and cheap, at Rs 100 per programme. They go through the old routine day after day. Even the news broadcasts cannot escape them, particularly the MPs. As for the people of this country, people at work and at play, we seldom hear them. And, so it has been in this captive area for as long as one can remember. To get out of studios—that's a revolutionary task over here.

Planning Minister Subramaniam wants to be different in his new-found ministry. He's been calling "gatherings" of scientists and technicians. The idea is to locate new ideas, but the sponsors keep talking and talking because they have as yet to learn the difficult art of listening. The format, or perspective, has yet to be worked out. No lead is given by anyone, least of all the leadership. Old clichés are to be dressed up in a new garb when this country is waiting desperately for a growth model which visibly makes an impact on the life of the mass of the people. Let's have the talk later. The unanswered question remains: when will the Planning Commission be commissioned and who will it serve, the ministry or the GOI? And who was responsible for the confusion over its status and power?

If it is alleged that the Chairman of Hindustan Steel spends more time touring the world and politicking in Delhi than in guiding his "empire" from Ranchi, what will Parliament say about the new Education Minister who is unable to attend to his ministry because of his involvement in extra-curricular activities? This ministry, generally agreed to be the biggest mess in GOI, is now moaning and groaning about its leaderless State. This leaderless quality is reflected in so many of its affiliated institutions where directors—and even deputy directors—have not been appointed. Maybe, we will end up possessing a

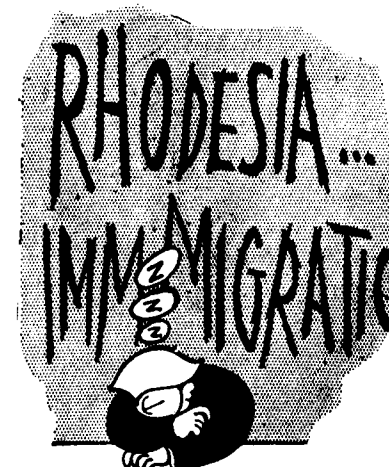
University Grants Commission without a Chairman and universities without a University Grants Commission.

Delhi became aware of the chaos at the airports when supplies rushed from all parts of the world for the evacuees from Bangla Desh got bogged down in an administrative tangle at Dum Dum. The chaos has been mounting with leaps and bounds since it was decided to run the Indian Airlines by a system of hunches, without telephone and telex support. Now, with Air India taking to the Jumbo, the chaos will increase. We shall probably stir when Jumbos by the dozen begin landing. Then our mediaeval health and customs formalities will go down like a pack of cards.

It is a gentle community, Delhi's power elite. It cannot even solve problems of direct concern to it. I refer to the housing of government servants. Over 500 official residences are under basically illegal occupation, and no one does anything about it. Government servants cool their heels in temporary accommodation while their predecessors hold on to their bungalows for as long as they can manipulate. Commercial rent liabilities are a farce, made so by MPs who are no longer MPs. Indeed, political manipulation embraces the blackmail on a house allotment. A large number of bungalows are illegally allotted to MPs. And the encroachments continue. Chaos is man-made, particularly in the Capital.

Delhi doldrums, and there is no end to it...

June 14





This is only an announcement and not a prospectus.

GUJARAT POLYAMIDES LIMITED

Registered Office: Indumati Mahal, Baroda

Incorporated on 12th May 1964, under the Companies Act, 1956.

Announcement regarding the issue of 12,86,300 'B' equity shares of Rs. 10/- each and 1,10,000—9.5% cumulative redeemable preference shares of Rs. 100/- each.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Office of the Brokers, Underwriters and Bankers to the issue mentioned hereinafter.

Applicants are advised in their own interest not to make multiple applications but to submit only one application each for the number of shares required. Multiple applications are liable to be rejected.

The Subscription list will open at the commencement of Banking Hours on 28th June, 1971, and will close at the close of Banking Hours on 8th July, 1971, or earlier, at the discretion of the Board of Directors of the Company, but not before the close of Banking Hours on 1st July, 1971.

PROPOSED ACTIVITIES:

The Company was incorporated on 12th May 1964, with the several objects more fully set forth in its Memorandum of Association and in particular to carry on the business of spinners, weavers, manufacturers and processors of and dealers in Nylon, Man-Made Synthetic Fibres, Staple Fibres, cotton, silk, artificial silk, rayon, wool and any other fibrous material and cloth and fabrics of all kinds and to purchase and sell raw materials, chemicals, polyamides, polyesters, derivatives, intermediates and bye-products of any of the foregoing. The company proposes to set up a plant to manufacture Nylon-6 Yarn at Udhna, Surat.

An Industrial Licence No. L/23/5/N-192/60 dated 16th February, 1960 was granted by the Central Government for establishing the Industrial undertaking which was amended from time to time and now the licence is revalidated up to 30th June 1972, vide letter No. 10(36)/66-Ch.1 dated 29th March 1971, issued by the Central Government. The plant to be set up will have an installed capacity to produce 5 tons of Nylon-6 yarn per day.

The Company has also received necessary Import Licence for a total amount of Rs. 450 lakhs for import of plant and machinery for this project.

FOREIGN COLLABORATION:

The Company has entered into a collaboration agreement with M/s. Italtiscosa Eastern Trading S.p.A. Milano, Italy. The Plant and Machinery to be supplied by them will be of the manufacture of their associates M/s. Snia Viscosa, Milano who have installed such plants in some of the industrially advanced countries.

LOCATION OF THE FACTORY:

The factory will be located at Udhna, District : Surat, on the land obtained from The Baroda Rayon Corporation Ltd.

BOARD OF DIRECTORS:

- H. H. Fatehsinbrao P. Gaekwad**, Chairman
Laxmi Vilas Palace, Baroda.
Industrialist. Member of Parliament.
Chairman of The Baroda Rayon Corporation Ltd.
Director of Automobile Products of India Ltd.
- Shri Jaykrishna Harivallabhdas**, Director
Shahi Bang, Ahmedabad-4.
Industrialist. Chairman of Shri Ambica Mills Ltd.,
Director of The Baroda Rayon Corporation Ltd.,
Bayer (India) Ltd.,
Gujarat State Fertilizers Co. Ltd.,
Indian Organic Chemicals Ltd.,
Nilon Synthetic Fibres & Chemicals Ltd. and others.
- Shri J. M. Ghorpade**, Director
Indumati Mahal, Baroda.
Industrialist. Director of Gaekwad Chinai & Co. Pvt.Ltd.,
Automobile Products of India Ltd., Gaekwad Investment Corporation Pvt. Ltd. and others.
- Shri Sangramsinh P. Gaekwad**, Director
Laxmi Vilas Palace, Baroda.

Industrialist, Jt. Managing Director of The Baroda Rayon Corporation Ltd., Director of Gaekwad Chinai & Co. Pvt. Ltd., and K. K. Nag Pvt. Ltd.

- Avv. Luigi Santa Maria**, Special Director
Via Montebello 18, Milan, Italy.
Industrialist. President : Snia Viscosa S.p.A., Milan, Italy.
- Dr. Cesare Rossi**, Special Director
Mistry Manor, 62A, Nepean Sea Road, Bombay-6
Industrialist. Director of Italtiscosa Eastern Trading S.p.A., South India Viscose Ltd.,
Ceat Tyres of India Ltd.,
Permanent Magnets Ltd. and others.
- Shri Vinay Kodardas Shah**, Proposed Managing Director
'Pionika' 59-B, Walkeshwar Road, Bombay-6.
Managing Director of the Baroda Rayon Corporation Ltd.,
Director of Gaekwad Chinai & Co. Pvt. Ltd.,
Graham Firth Steel Products (India) Ltd. and others.
- Shri N. K. Dravid**, ICS (Retd.), Director
'Ashley House', Colaba, Bombay-5.
Company Executive
- Shri Parbhulal Bhikhabhai Shah**, Director.
'Rupam' Near Gita Bang Society, Post Anand Nagar,
Ahmedabad-7. Merchant. Governing Director of
P. Parbhulal & Co. Pvt. Ltd., and Director of
Allied Services Pvt. Ltd.
- Shri Balakrishna Bhikhabhai Shah**, Director
51, Sheman, Narayan Dabholkar Road, Bombay-6.
Merchant, Director of P. Parbhulal & Co. Pvt. Ltd.,
Allied Services Pvt. Ltd. and others.

SHARE CAPITAL:

A. AUTHORISED :

(a) 1,33,870 'A' Equity Shares of Rs. 100/- each	Rs. 1,33,87,000
(b) 61,61,300 'B' Equity Shares of Rs. 10/- each	Rs. 6,16,13,000
and	Rs. 7,50,00,000
(c) 2,50,000 Preference Shares of Rs. 100/- each	Rs. 2,50,00,000
	Rs. 10,00,00,000

B. ISSUED, SUBSCRIBED AND PAID UP :

80 'A' Equity Shares of Rs. 100/-each fully paid up in cash, subscribed by the subscribers to the Memorandum and Articles of Association of the Company and their Associates.	Rs. 8,000
22,000 'A' Equity Shares of Rs. 100/- each fully paid up in cash, subscribed by The Baroda Rayon Corporation Ltd.	Rs. 22.00.000

ECONOMIC AND POLITICAL WEEKLY

67,180 'A' Equity Shares of Rs. 100/- each subscribed by The Baroda Rayon Corporation Ltd. and allotted, on which Rs. 75/- per share are paid up in cash.

Rs. 50,38,500

20,706 'A' Equity Shares of Rs. 100/- each, subscribed by H. H. Fatehsinbrao P. Gaekwad and Shri S. P. Gaekwad, their nominees and members of their family and allotted, on which Rs. 50/- per share are paid up in cash.

Rs. 10,35,300

Rs. 82,81,800

C. PRESENT ISSUE :

(i) 23,904 'A' Equity Shares of Rs. 100/- each	Rs. 23,90,400
(ii) 19,61,300 'B' Equity Shares of Rs. 10/- each	Rs. 1,96,13,000
1,10,000 — 9.5% (free of Company's tax, but subject to deduction of taxes at source at the prescribed rate) Redeemable Cumulative Preference Shares of Rs. 100/-each	Rs. 1,10,00,000
	Rs. 3,30,03,400

OUT OF THE PRESENT ISSUE :

(1) 23,904 'A' Equity Shares of Rs. 100/- each have been kept reserved for subscription in cash at par by the shareholders of the Baroda Rayon Corporation Ltd. in the ratio of one Share for every 20 Shares held by them in The Baroda Rayon Corporation Ltd.	Rs. 23,90,400
(2) 6,75,000 'B' Equity Shares of Rs. 10/- each have been kept reserved for allotment as fully paid up shares at par to the Collaborators, Messrs, Italtiscosa Eastern Trading S.p.A. Milano, Italy, and/or their nominees against 15% of the C.I.F. cost of the plant and machinery to be supplied by them in terms of the Collaboration Agreement dated 11th January 1971.	Rs. 67,50,000
	Rs. 91,40,400

At the instance of the Stock Exchange, 'A' Equity Share of Rs. 100/- each is proposed to be subdivided into 10 Equity Shares of Rs. 10/- each, and thereupon there will be only one category of Equity Shares of Rs. 10/- each.

NOW OFFERED FOR SUBSCRIPTION TO THE PUBLIC FOR CASH AT PAR IN TERMS OF THE PROSPECTUS:
(1) 12,86,300 'B' Equity Shares of Rs. 10/- each Rs. 1,28,63,000

(2) 1,10,000—9.5% (Free of Company's tax but subject to the deduction of taxes at source at the prescribed rate) Redeemable Cumulative Preference Shares of Rs. 100/- each.	Rs. 1,10,00,000
	Rs. 2,38,63,000

TERMS OF PAYMENT:

	Equity Shares	Preference Shares
1) On application	Rs. 5/- per share	Rs. 50/- per Share
2) On allotment	Nil	Nil

The Balance of Rs. 5/- per Equity Share and Rs. 50/- per Preference Share will be payable in such call or calls and at

June 19, 1971

such time or times as may be determined by the Directors, which will be at any time after three months from the date of allotment of shares offered to the public. The calls on the Equity and Preference Shares will be made simultaneously and proportionately.

COST OF PROJECT AND SOURCES OF FINANCE:

The total cost of the project is estimated at Rs. 1100 lakhs and will be financed from the issue of Equity and Preference Share capital as indicated above and from foreign exchange loan of Rs. 312.50 lakhs, from Italian deferred payment credit Rs. 70 lakhs and long term rupee loan/debentures aggregating Rs. 277.50 lakhs by the five financial institutions, namely The Industrial Credit and Investment Corporation of India Ltd., Industrial Development Bank of India Ltd., Industrial Finance Corporation of India, Life Insurance Corporation of India and Unit Trust of India.

UNDERWRITERS:

Out of the public issue of 'B' Equity Shares and Preference Shares, 'B' Equity Shares of Rs. 42,81,000/- and the entire issue of Pref. Shares of Rs. 1,10,00,000 are underwritten as follows:

Name and address of the Underwriters	Equity Shares Rs.	Preference Shares Rs.
1. Industrial Development Bank of India, New India Centre, Cooperage Bombay-1.	10,81,000	33,00,000
2. Life Insurance Corporation of India, Central Office, 'Yogakshema' Madame Cama Road, Bombay-20.	8,00,000	30,00,000
3. The Industrial Credit & Investment Corporation of India Ltd., ICICI House, 163, Backbay Reclamation, Bombay-20.	8,00,000	17,00,000
4. Industrial Finance Corporation of India, Burmah-Shell House (Annexe II) Connaught Circus, New Delhi-1.	8,00,000	15,00,000
5. Unit Trust of India, 45 Vicer Nariman Road, Bombay-1.	8,00,000	10,00,000
6. Indian Guarantee and General Insurance Co. Ltd., Gresham Assurance Bldg., Sir P. M. Road, Bombay-1.	—	5,00,000
Total Rs.	42,81,000	1,10,00,000

The balance of the Equity Shares of Rs. 85,82,000 which are not underwritten thereof, will be taken up by The Baroda Rayon Corporation Ltd., if the said shares or such portion thereof will not be subscribed by the public.

SOLICITORS:

- Messrs. Mulla & Mulla & Craigie Blunt & Caroe, 51 Mahatma Gandhi Road, Bombay-1.
- Messrs. Motichand & Devidas, 31, Nanabhoy Lane, Bombay-1.
- Messrs. Ambubhai & Diwanji, Lentin Chambers, Dalal Street, Bombay-1.

AUDITORS:

- Messrs. C. C. Chokshi & Co., Bank of Baroda Bldg., Gandhi Road, Ahmedabad-1.
- Messrs. Lakhia Desai & Co., Model Talkies Building, Gandhi Road, Ahmedabad-1.

BROKERS TO THE ISSUE:

Bombay :

- Messrs. Dhiraajlal Maganlal Purshottamdas, Stock Exchange, Bombay-1.

2. Messrs. Mahadevia Brothers,
Dalal Street, Bombay 1.
3. Messrs. Chandulal Chunilal,
Stock Exchange Old Building, Dalal Street, Bombay-1.
4. Messrs. Harkisondas Lukhmidas,
Stock Exchange Building, 5th Floor, Apollo Street,
Bombay-1.
5. Messrs. K. B. Vakil & Sons,
94 Stock Exchange New Bldg., Apollo Street, Bombay-1.
6. Messrs. Karamchand Chunilal,
Stock Exchange New Building, Apollo Street, Bombay-1.
7. Messrs. Chimanlal J. Dalal & Co.,
107 Stock Exchange, Bombay-1.
8. Messrs. Navalchand T. Shah & Co.,
Union Bldg. Dalal Street, Bombay-1.

Ahmedabad :

Messrs. Chinubhai Chimanlal Dalal,
Manek Chowk, Ahmedabad-1.

Delhi :

1. Messrs. Harbans Singh Mehta & Co.,
33 Regal Building, Parliament Street, New Delhi.
2. Messrs. H. P. Mehta & Co.,
Connaught House, Connaught Place, New Delhi.
3. Mr. Indra Chand Jain,
1 Curzon Road, New Delhi-1.

Madras :

1. Messrs. Kothari & Sons,
Oriental Building, Armenian Street, Madras-1.
2. Messrs. Chitra & Co.,
P.B. No. 1557, 322/323 Linghi Chetty Street, Madras-1.

Calcutta :

1. Messrs. G. M. Pyne,
Allahabad Bank Building, 14 Indian Stock Exchange Place,
Calcutta-1.
2. Messrs. Chunilal T. Mehta,
8, Lyons Range, Calcutta.

Indore :

Mr. Purshottam Mody,
19 Bada Sarupa, Indore.

Hyderabad :

Messrs. Laxmi Narayan Rath,
Hashmat Gunj, Sultan Bazar, Hyderabad.

Bangalore :

Mr. M. Nanjappaiah Jahgirdar,
205 Cavalry Road, Bangalore.

BANKERS TO THE COMPANY AND TO THE ISSUE:

1. Punjab National Bank,
P.N.B. House, Sir P. M. Road, Bombay-1.
and their main offices at Ahmedabad, Bangalore, Baroda,
Calcutta, Hyderabad, Indore, Madras, New Delhi and Surat.
2. Bank of Baroda,
10/12 Apollo Street, Bombay-1.
and their main offices at Bangalore, Ahmedabad, Baroda,
Calcutta, Hyderabad, Indore, Madras, New Delhi and
Surat.

APPLICATION FOR THE SHARES:

APPLICATIONS FOR 'B' EQUITY SHARES MUST BE FOR A MINIMUM OF FIFTY SHARES AND/OR MULTIPLES OF FIFTY SHARES AND IN CASE OF PREFERENCE SHARES APPLICATIONS MUST BE FOR A MINIMUM OF FIVE SHARES AND/OR MULTIPLES OF FIVE SHARES.

MARKETS**Dearth of Information Systems**

Nishtar

MARKETWISE, there is very little to report on cotton this week. Spinner inquiry has been selective and turn-over has continued to be restricted. Prices have moved within a narrow range and the tone has been distinctly steady. For quite some time now, cotton prices have been moving irregularly in a range half-way between the January-end highs and the subsequent lows recorded in the last week of April.

The 1970-71 crop, estimated around 53 lakh bales, is the smallest in many years. Despite timely release of import quotas, foreign cotton has been moving in at a slow pace. The industry has been crying hoarse about the shortage of cotton; undoubtedly, the overall supply position is far from comfortable. But oddly enough, reports from a number of upcountry centres suggest piling up of unsold stocks. This is intriguing and is sought to be explained in terms of the credit curbs.

It is suggested that mills are unable to effect large purchases and quite a few mills are reported to have failed to fulfil their outstanding purchase contracts due to paucity of funds. The trade, too, is in no position to accommodate mills; bank credit is scarce and credit from outside sources is very costly. The cloth and yarn trade also have been complaining about credit restraints.

This explanation for the accumulation of cotton stocks does not convince fully. One would have expected unwanted accumulation of stocks to bring about a substantial decline in prices; but cotton prices, though well below the fantastic levels reached in January, are still on the high side. Maybe stocks have piled on because the quality of cotton has not been of a high order. Perhaps a more plausible explanation is that the trade is reluctant to accept losses on cotton pur-

chased a higher prices and it is holding on to it in the hope that better prices may be realised near the fag-end of the season.

The outgoing chairman of the Indian Cotton Mills' Federation, R R Ruia, has pleaded for establishing an official crop forecasting agency. There is at present no dependable agency for getting a timely and reliable estimate of the cotton crop and one has to rely on two or three well known cotton firms for crop intelligence; but then information varies widely and far too frequently, with inevitable repercussions on prices. The need for an appropriate agency for realistically evaluating the crop prospects can scarcely be overemphasised. This will help avoid wide fluctuations in prices and also help to plan timely imports. But one wonders why the Indian Cotton Mills' Federation has not cared to devise a satisfactory system of crop information of its own. It should not be difficult for the regional associations to keep the Federation adequately informed about the progress of the crop in their respective areas. The task is not difficult. What is need-

ed is the will to do the job well. This is not to suggest that New Delhi should not improve upon its present thoroughly unsatisfactory crop information.

Firmer with the Dry Spell

THE somewhat prolonged dry spell after the early initial rains seems to have imparted a slightly steadier tendency to the oilseeds market. Bulls have reappeared on the scene and the futures market has turned livelier. Speculative interest has centred on linseed which have been marked up on ideas of a smaller crop of about 3.5 lakh tonnes against the previous season's harvest of 4.15 lakh tonnes. Linseed futures have moved up by about Rs 5 a quintal over the week. With fresh export business in castor oil at a standstill, castor futures have firmed up mainly in sympathy with linseed; the September contract has moved up about Rs 2 per quintal.

Activity in the spot market has, however, continued to be on a restricted scale, and price movements in oils have been guided largely by the day-to-day imbalance between demand and supply. Prices have been more or less sticky around the previous week's levels. Spot offerings have been on a reduced scale but buyers have experienced little difficulty in meeting their requirements.

Export activity has been virtually confined to groundnut extractions, with Japan and East Germany mentioned as the main buyers. Groundnut extractions were traded for export at around Rs 520 per tonne f.o.b.; in November last, groundnut extractions had fetched a much higher price of about Rs 700. Since then, freight has risen sharply, by about 10 dollars a tonne, whereas overseas prices have declined by about £8 a tonne. Little wonder that groundnut extraction manufacturers/exporters are having a tough time. It is interesting to note that undecorticated cottonseed extractions 27 per cent O and A are currently quoted around Rs 560 per tonne while groundnut expellers with a substantially larger protein content (54 per cent O and A) are quoted about Rs 10 to Rs 15 cheaper. Normally groundnut expellers command a large premium over cottonseed cake.

Still Off-Colour

THE stock market continues to be off-colour. Caution flags have not been

lowered, but the post-budget drift has been halted. The market did not lose any fresh ground last week. However, with operators preferring to mark time, the volume of business has shrunk further and interest has become selective. The price pattern over the week-end makes mixed showing and, excepting a few counters, net changes either way have been confined within narrow limits. Confidence has not returned, but sentiment seems to have improved a little, in that, not only have offerings tended to dry up but there are indications of re-emergence of fresh support for select cash shares.

Considering that the corporate news has been rather thin and not-so-inspiring and that there has been little else to cheer the market, its overall performance has not been unencouraging. The unpopular levies on maida and coarse cloth have been withdrawn. But welcome as they are, they are not of much consequence for the market. The stock market is not satisfied with Chavan's defence of his various budget proposals, but it feels all the same that fears about the adverse impact of budgetary imposts are exaggerated. The budget does not contain any positive measures to promote savings and stimulate investment, but there is little reason to fear that the additional tax burden will curb expansionary impulses in the economy.

The larger flow of industrial licen-

ces and the increased assistance to industry by the financial institutions indicate a pick-up in industrial activity. While the economy seems to be poised for a real breakthrough, the pace of growth will depend to no small extent on the size and nature of external assistance and the performance of public sector undertakings. The outcome of the Paris meeting of the Aid India Consortium is awaited with keen interest. As for the public sector, its overall performance continues to be unsatisfactory. Since too much of public money has gone down the drain of public enterprises, the management strategy calls for an urgent reappraisal. Running an industry is not the same thing as heading a government department.

While the stock market seems to have recovered from the psychological setback caused by the unhelpful budget, it is getting increasingly worried over the possible economic and political repercussions of the unending influx of refugees from East Pakistan. Thanks to the official ban on forward trading, big speculators are unable to exploit fully the changes in the mood of the market. Since selling is not popular with investors, especially with institutional investors, the scope for a decline in equity prices is limited. How soon adequate support for sustaining an upward trend would be forthcoming is difficult to say.

COMPANIES**Bracing the Many Fronts**

Hansavivek

NATIONAL ORGANIC CHEMICAL INDUSTRIES' plants are at present running at about 70 per cent of rated capacity, against 60 per cent in 1970. With the existing equipment, capacity utilisation can be increased to 80-85 per cent. Further, the company can hope to achieve full capacity by installing some balancing equipment. Sales in the first 5 months of the current year were Rs 12 crores against Rs 7.82 crores in the corresponding period last year. Arvind N Mafatlal, chairman, told shareholders at the 10th annual general meeting recently that the company would be able to wipe out the balance deficit this year and that the arrears of development rebate aggregating Rs 11.64 crores

would be provided for during the period of eligibility. The benefit of a tax holiday for two years would be lost, and the company would have to pay tax at a higher rate as it would no longer enjoy the 'priority' status. The hike in the price of naphtha and the hike in excise duty on certain items would mean an additional burden of Rs one crore in a full year. The management would have to consider to what extent this increase in cost could be passed on to customers.

NOCIL's production in the first quarter of 1970 was limited, first, because of the biennial shutdown of all plants for 4-6 weeks and, secondly, on account of some mechanical problems. Thereafter, the company experienced

all-round improvement in production of all plants within the complex. Manufacturing costs were adversely affected by rise in fuel duty, increase in the cost of drums, and the additional levies which raised the cost of naphtha (the main raw material) by about 30 per cent. The increases in naphtha and fuel costs resulted from the implementation of the recommendations of the Oil Prices Inquiry Committee by the Central Government. Considering the operational difficulties encountered by the company, Shell International Chemical waived its right to the balance of the product loan liability under the product loan arrangement and Bataafse Internationale Chemie Maatschappij N.V. agreed not to charge, for two years from July last, the operating service charge leviable under the agreement. This gesture on the part of collaborators resulted in a benefit of Rs 66 lakhs to the company in 1970. The 1970 accounts revealed considerable increases in sales and earnings. The year's net profit brought down the accumulated deficit to Rs 2.81 crores. NOCIL has repaid instalments of its long-term loans from Shell Petroleum and the Indian financing institutions up to the end of 1970, except the first instalment payable to IDBI, IFC, and ICICI, of Rs 88 lakhs. As agreed with these institutions, this amount will now be payable in 1973 and 1974.

The improved sales in 1970 were achieved largely by the concerted effort in market development of the potential outlets for various products manufactured by the company. In particular, there was substantial increase in sales of PVC resins and compounds to cable and shoe manufacturers and of solvents to the paint and pharmaceutical industries. The company has also taken keen interest in developing small-scale industries. The technical service laboratory caters to the problems of medium- and small-scale industries, and provides training facilities to customers. This laboratory was expanded and relocated during 1970 on larger premises. With the general consensus of the employees, and in co-ordination with the Plant Employees Union, a detailed scheme of job-evaluation and merit-appraisal for non-supervisory employees was introduced last year involving rationalisation of job contents, job groupings, salaries, periodic merit appraisals, etc. A detailed job-evaluation and merit-appraisal scheme for the supervisory and managerial personnel is also being introduced.

MADRAS ALUMINIUM expects to

get loans totalling Rs 2.5 crores from IDBI, ICICI, LIC and UTI to implement its scheme for expansion of capacity for the manufacture of primary aluminium metal from 12,500 tonnes to 25,000 tonnes per annum. One of the conditions for the sanction of loans by financial institutions is the vesting in their favour of the option to convert Rs 30 lakhs into equity share capital of the company at Rs 120 per share of the fully paid-up value of Rs 100 each, during 1974 and 1975. IDBI has also agreed to issue a guarantee on behalf of the company to Mediobanca of Italy for a Lire loan equivalent to Rs 1.71 crores (inclusive of interest and credit insurance charges).

During 1970, MALCO produced 30,983 tonnes of alumina, against 30,011 tonnes in the previous year. Production of aluminum amounted to 13,154 tonnes, showing a marginal decrease of 84 tonnes over the year, because of non-availability of carbon lining materials in time, consequent to the delays in the issuance of import licences. The company had in fact expected to produce about 1,000 tonnes more; but, during a major part of the year, a number of furnaces remained idle for want of carbon lining materials. Demand for the product continued to

be good, and the company was able to achieve higher turnover by selling its metal as well as intermediary products. The company supplied properzi rods to Indian fabricators for converting them into ACSR conductors for eventual export. This supply accounted for a foreign exchange equivalent to about Rs 30 lakhs. Under the Tax Credit (Excise Duty on Excess Clearance) Scheme, the company received over Rs 22 lakhs. This scheme has ceased from April 1970.

The directors complain that the supply position of some of the raw materials continues to be 'critical' due to limited indigenous production owing to shortage in the world market and due to delays in obtaining import licences in time. Prices of all raw materials, such as caustic soda, cryolite, aluminium fluoride, etc, as well as labour costs, have gone up. Rise in prices apart, they point out that iron and steel materials, essential for construction, are scarce. Even with available import licences, the company is not able to procure its requirements from abroad, they add. Nevertheless, they expect that, in view of the anticipated trend of increasing demand for aluminium and with the expected increased production, the company can maintain the progress.

The Week's Companies

(Rs in lakhs)

	NOCIL		Madras Aluminium	
	Latest Year 31-12-70	Last Year 31-12-69	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	1200	1200	599	598
Reserves	—	—	223	128
Borrowings	4142	4352	664	821
of which Term borrowings	2807	3312	653	794
Gross fixed assets	4814	4729	1732	1689
Net fixed assets	3917	4162	1107	1178
Investments	180	160	9	9
Current liabilities	241	302	144	134
Current assets	1168	1018	513	494
Stocks	344	425	317	258
Book debts	424	276	189	208
Net sales	2189	1492	669	608
Other income	144	41	75	51
Raw material costs	739	510	199	178
Wages	153	131	36	28
Interest	309	300	54	56
Gross profit (+)/loss (-)	524	197	276	230
Depreciation provision	333	330	113	111
Tax provision	—	—	—	—
Net profit (+)/loss (-)	191*	— 133	163	119
Development rebate provision	—	—	96	—
Transfer to reserves	—	—	—	—
Dividend	—	—	—	52
Amount	—	—	E-54	E-54
Rate (per cent)	—	—	P-14	P-14
Cover (times)	—	—	E-12	E-12
Ratios (per cent)	—	—	P-9.3	P-9.3
Gross profit/sales	23.93	22.12	41.26	37.83
Net profit/capital employed	3.58	—	10.97	7.69
Inventories/sales	15.71	28.48	47.23	42.43
Wages/sales	6.98	8.78	5.38	4.61

* Adjusted against carried forward loss.

FROM OUR CORRESPONDENTS

NEW DELHI

Very Little Has Changed

THE manner of working of the Government is becoming more and more puzzling. The expectation that once political stability was achieved things would begin to move smoothly, is becoming more and more difficult to take seriously. The hangover of working methods developed during the period of political instability persists. An important characteristic of these methods is to keep things hanging till in-fighting breaks out at various levels. In this context, the position of the Planning Commission is very revealing. Planning Minister C Subramaniam has started functioning as the Deputy Chairman of the Planning Commission but his appointment to the office has still not been officially notified. A Secretary to the Deputy Chairman has, however, been duly appointed and is 'in position'. Yojana Bhavan has informally announced the appointment of two new Members of the Commission and they are being associated with such work as is going on. One of the new Members has even started attending office. But no formal announcement or notification of their appointment has yet been made by the Government. The file on the appointments is stated to be in the Prime Minister's Secretariat which appears to have elevated the habit of keeping matters pending to the level of high policy.

DISCIPLINARY PROCEEDINGS

This does not apply only to the appointments in the Planning Commission. The Heavy Engineering Corporation is without a chairman; it has been under the charge of an acting chairman for nearly a year. The Oil and Natural Gas Commission is in a similar situation. Obviously, this state of affairs is not conducive to the efficient working of these bodies; it also creates problems in personal relations between responsible officials. The institution of disciplinary proceedings against certain officials, particularly after they have been shifted away from their postings or after they have retired, is another notable recent development. The cases of the former Secretary of the Petroleum Ministry and the former Chairman of the Oil and Natural Gas Commission are typical.

Coming to the work of the Planning

Commission, C Subramaniam is trying to give the impression that he has initiated an elaborate process of revamping the Plan and the Commission. The team of consultants appointed by him has reported on the internal reorganisation of the Commission. Subramaniam has also invited leaders of different political parties, as well as groups of scientists, technocrats, academics and others for talks with him in Yojana Bhavan. But what this whole exercise of discussions and consultations, which is receiving due publicity in the Press, is expected to achieve is not clear.

NOT THE BASIS

In the absence of any set agenda or any precise ideas or proposals which are intended to be discussed, the talk at the meetings with political parties adds up to no more than a reiteration by the parties of their well known and already stated positions. In the case of scientists and others, the meetings become social get-togethers. When invitations to these meetings were sent out, it was indicated that some papers would be sent to the participants. These papers turned out to be ruling party's election manifesto, the President's Address to the inaugural session of the new Parliament and the texts of two public speeches, one of the Prime Minister and the other of the Planning Minister. Obviously, these could not be the basis for any worthwhile discussions on the Plan and its much-talked-of revision.

★

The new Steel Minister, Mohan Kumaramangalam, appears to have stirred up a hornets' nest. The decision to license six 'mini' steel plants, some of them in the private sector, may be unexceptionable in itself, but it has become the starting point for wide-ranging questioning of the working of the Steel Ministry. This may prove to be of value as this is one Ministry which requires a shake-up.

The real issue involved in the licensing of the mini plants is certainly not that of violation of the Industrial Policy Resolution. What needs to be clearly understood is that these plants are no answer to the problem of steel shortage, whatever the Steel Minister may claim. The problem of steel shortage, at pre-

sent or in the future, can only be tackled by efficient working of the established large integrated steel plants, mainly those in the public sector. And here there can be no escaping the poor performance of Hindustan Steel and the misgivings this inevitably gives rise to about the future of the steel programme. In this regard, however, no satisfactory assurance has been forthcoming, either from the Steel Ministry or the HSL management.

The persistent losses of HSL and the low utilisation of the rated capacities of its plants—64 per cent last year and unlikely to be any better this year—cannot be brushed aside lightly, as the Minister has sought to do. There are no hints as to what is proposed to be done to set matters right. Aside from labour trouble, the stock explanations are lack of parts and components, the poor quality of refractories and difficulties of raw material availability. These latter at least are definitely the direct responsibility of the management, even if it is accepted that, in the case of labour trouble, another party, the trade union leadership, is also involved.

HIGHLY EXAGGERATED

It is certainly odd that the HSL management should let maintenance of the plants go by default when it has the largest—probably larger than required—repair and maintenance facilities at its disposal in the plants, the cost of which may have gone into inflating the capital cost of the plants. The management has obviously failed to properly utilise these facilities to advantage. Again, the complaints about the quality of refractories would appear to be highly exaggerated. How is it that the private sector plants are able to make do with Indian-made refractories and get satisfactory results while the HSL finds supplies from Indian sources to be below par and hence wants imported materials? Or is there more to this finding fault with refractories made in India and preference for imported supplies than meets the eye? At the very least, the management has been guilty of failing to provide the right specifications and to exercise proper inspection of supplies of refractories from Indian sources.

Shortages of raw materials and bottlenecks in their movement do pose difficult problems. That these problems are being experienced with respect to not only coking coal (the use of which needs

to be economised, considering that its reserves are hardly plentiful) but also iron ore is significant. Last year, it appears, the steel plants of the HSL could not secure all their requirements of iron ore from their established sources and had to try to get ore to the tune of about one million tonnes on emergency basis from other sources. What this shows is the absence of advance planning by the management for supplies of raw materials. If supplies of essential raw materials become erratic, this is bound to affect the overall efficiency of plant operations. And this is precisely what

has been happening to the HSL. Yet the management has not been held squarely accountable and responsible; instead it has been allowed to put forward schemes to enlarge its area of operations and to extend its influence to the construction of the new plants. If it is made clear to the HSL management that its primary function is to operate the plants under its charge at optimum efficiency and not to hanker after control over Bokaro or the plants to be constructed in the South and that its performance will be judged on this basis, it will do a lot of good.

WEST BENGAL

The Gathering Crisis

THE interweaving of East Bengal's tragedy with West Bengal's politicking is producing a macabre pattern in this State. While millions of uprooted Bengalis from the east are passing their days in untold misery—quite often in marshy fields under the open sky, lashed by gusty winds and monsoon showers, without food and even wholesome water, and dying in their thousands from attacks of virulent types of cholera—the two major political parties in the west, CPI(M) and Congress(R), jointly claiming the loyalty of over 60 per cent of West Bengal's population, have little time to attend to these matters.

FIGHTING FOR SURVIVAL

CPI(M) is fighting for its very survival, hunted as it is by various criminal gangs, often in league with sections of Congress(R) and openly hand-in-glove with the police. Congress(R), in addition to its preoccupation with curbing the Communists(Marxist), is in the throes of bitter infighting. Most of the other parties too are closely following in the footsteps of Congress(R)—either in its anti-CPI(M) exercises as is the case with the CPI(ML) and CPI, or in its intra-party manoeuvres as is the case with Bangla Congress which has managed to split its five MLA contingent into two rival groups of two and three.

Engaged as the two major parties of West Bengal are in battles for survival and supremacy—quite often openly in league with the criminal underworld—there has been little more than nominal effort to mobilise the immense initial sympathy and solidarity of the people of West Bengal for their unfortunate brethren from the east. In

the absence of any serious campaign to marshal the spontaneous emotions into inspired solidarity actions, the accumulation of the social and economic strains which the influx of millions of destitutes from across the border have inevitably produced for the people of the border regions, the patent hazards to public health arising from the outbreaks of the epidemics, and the mass deaths, are all causing tensions and antipathy to raise their heads. If unchecked by a united intervention of the popular leadership of the two Bengals, things may soon take a very ugly turn indeed.

RELIEF OPERATIONS HAMPERED

The bureaucracy in West Bengal was never noted for either efficiency or honesty. There being little popular supervision and even less cabinet check (because of the cabinet's preoccupation with internal bickerings), bungling and corruption are seriously hampering relief operations that are even otherwise extremely meagre because of paucity of resources. Airlifted foreign gifts of food, medicines, and roofing material, have been allowed to pile up at the Dum Dum airport while thousands of men, women and children are shivering in the rains and going hungry and sick in the adjacent open fields. There are reports that tarpaulins for tents purchased by the government agencies are leaky and the money paid for sinking tubewells is not matched by the tubewells actually sunk.

If the political turmoils in West Bengal have been impeding the relief operations for the Bangla Desh refugees, the developments across the West Bengal borders to the east have been no less an influence on the

happenings in this State. The stepped-up ruthlessness against CPI(M) and a section of the Naxalites in recent weeks, is clearly inspired by the added urgency felt by the upholders of the *status quo* for insulating this State from the impact of the unsettling events in Bangla Desh.

NEW MODUS OPERANDI

The massacre of the Naxalite prisoners in the Dum Dum Central Jail, increasing cases of 'shot while trying to escape from police custody', the impunity with which criminal gangs are allowed to terrorise certain pockets of CPI(M)'s influence, the open co-ordination between gang attacks and police violence in certain zones—these are some of the clear indications of a new *modus operandi*, which emerge from reports even in the conservative Press in Calcutta. The non-party Leftist periodicals, including one which carries the name of the veteran journalist, Padmasree Vivekananda Mukherji, as the chief of its editorial board, are of course quite outspoken in exposing the collusion between the police and the criminal gangs. Stories of systematic murders in the areas adjacent to the Ichhapore Gun and Shell factory with the local thana's apparent connivance, the simultaneous operations of private gangs and armed police in the Bejoygarh area of the Jadavpore police station, the strange inaction of the police during the hour-long bombing raid on the former CPI(M) mayor's residence at Regent Park in the Tollygaunge area, and other such events, have been reported in the leading Calcutta dailies. Even the murder of Ajit Biswas, the second Forward Bloc candidate in Calcutta's Shampukur constituency to have been killed, is attributed by the FB leaders to the wilful neglect of the police to protect him. A section of the Press has reported that Biswas had been apprehending mischief from the local strong-arm group which demanded a very high price for its help in the coming election. The Chief Minister has promised to hold a high-level inquiry into the allegation.

The more than 300 murders that have taken place in the two months since the installation of the Democratic Coalition government, despite the almost total stoppage of clashes among the Left parties, do not fully depict the dimensions of violence in the State. Literally thousands have become refugees in the sense that they have had to change their area of residence. Many more are having to

restrict their movements; they have to avoid visits to certain areas even in broad daylight.

And, despite thousands of arrests, unrestricted use of third degree methods, and outright shootings, resorted to by the police, the sway of the underworld over the civic life of Calcutta and its environs does not show any signs of abating.

A striking feature of the State's political situation, however, is that the combination of Mafia and Gestapo methods against CPI(M) notwithstanding, the Party has been able to hold its own against the formidable combination ranging from Congress(R) to CPI and Naxalites. The successful general strike in Calcutta and in its southern suburbs on June 1, in protest against police and private violence, in the face of opposition from the Congresses, CPI, SUC, etc, and despite the imposing mobilisation of the army, CRP, etc, together with the victory in two out of the three Assembly elections which had been countermanded earlier have amply demonstrated the astounding mass support for CPI(M).

SOUTH

Drawn Battle in Andhra

Mohit Sen

THE NGOs of Andhra went back to work after being on strike for over fifty days. Brahmananda Reddi may feel that he has been successful in forcing them back to work without conceding any of their major demands. He and his wooden-headed bureaucratic advisers might be of the view that since for the period of the strike wages were not paid and only advances have been given which would be recovered in twelve equal instalments, the employees have been browbeaten. Nothing, however, could be further from the truth.

In reality the battle has been a drawn one and the employees were not able to win their major demands because the issue involved is really an all-India one and it can be fully settled only on an all-India basis. It is, surely, an absolute anomaly that with more or less the same background and doing more or less the same job and certainly facing identical problems of livelihood, the State Government employees should not get the same pay, the same DA and the same interim relief as their counterparts in the Central services. In these days of the rising threshold of expect-

In sharp contrast to the morale-boosting performances of the CPI(M), the major parties in the ruling Democratic Coalition are in the doldrums. Different groups in Congress(R) fighting for vantage positions in the party and in the Government are heading for a showdown. In his bid to gate-crash into the cabinet, Ajoy Mukherji's erstwhile chief lieutenant, Sushil Dhara, has already split Bangla Congress and run away with two of the party's five MLAs. He has been bargaining for a cabinet post by holding the threat of withdrawing the support of his group of three to the coalition.

The gravity of the situation for the establishment can be gauged from the following excerpt of an editorial in *The Statesman*, the most astute watchdog for the *status quo* interests in these parts of the country. "The Centre", it said, "has no alternative, but to take note, and consider the case for President's rule. Both the record of the present coalition and the gathering crisis suggest no other course if the State is to escape disaster via political ineptitude."

tations and a powerful thrust towards equality how can this particularly irksome kind of inequality be tolerated? At the same time, it is true that many of the State Governments are finding it genuinely difficult to meet their commitments to development as well as to their employees. The Kerala Government faced this problem some months ago. And earlier the second United Front Ministry in West Bengal was in a similar quandary. As was pointed out at the time by Achutha Menon, a national policy has to be adopted on this question and the Central Government has to work out some kind of scheme which would enable the State Governments to give their employees the same kind of deal as the Centre without crippling themselves financially.

But this is not the only reason that the battle can be called a drawn one. There are other and weightier reasons. Right through the fifty days not on a single day could the Government claim an attendance of more than about 22 per cent or thereabouts. That in itself is remarkable enough. Even more remarkable is the fact that the employees throughout Andhra Pradesh stood

united despite the divisive sentiments that had been deliberately fanned during the separate Telengana movement and that had persisted right through the elections to the Lok Sabha. Indeed Brahmananda Reddi, acting through M T Raju, the landlord-Chief Secretary, metamorphosed into a Congress MP, had deliberately encouraged this divisiveness in the ranks of the employees which later boomeranged against him. There were certainly tensions between the employees, especially between some of the leaders. But the outstanding feature of the strike was the sustained unity of the employees. This augurs well for the future.

Nor was the unity confined to the eschewing of regional separatist passion. Equally important and often overlooked is the fact that the government employees are not only white-collar pen pushers; they are also made up of teachers, of peons, of workshop workers, medical employees and so on. Through such struggles and the establishment of joint councils of action the unity of the workers of brain and hand gets forged and the modern working class of India gets battered into shape, taking on significant form. It was not easy to achieve such unity. Difficulties arose from the side of the leaders of some sections of the white-collar employees who displayed all the prejudices of the petty bourgeois who is becoming a wage-worker. But now the tradition and the almost normal course of things is such united action and joint organs of struggle. Even at the last moment Brahmananda Reddi tried to split this unity but without success.

An interesting point emerges here and that is the attitude of the general public to the NGOs and their colleagues. There is no doubt that the attitude is not a uniformly sympathetic one. Certainly the general public was far closer to the striking employees than to the Government. They also realised the justice of a lot of their demands—indeed, in one form or another many of them would be making the same demands or similar demands. And considering the very large number of the employees, lakhs of families were involved interconnecting with practically the whole of society. Nevertheless, there was also an undercurrent of feeling which was unsympathetic. Quite a number of NGOs, the hospital employees and the rest behaved in a manner scarcely likely to endear them to the general public. It is not only a question of petty corruption but of an approach to the public, of a bureaucratisation of attitude at all levels of

the administration. It is a question of an attitude to work in a society where the working man has to prepare himself for the role of hegemony. One comes across here, therefore, what has been rather appropriately termed a contradiction among the people — a contradiction which the Government would utilise to the full in the future as it has done in the past.

Not Fit to Print!

(From a Special Correspondent)

"ISLAMABAD, London and even Calcutta are a world away from frontier crossing points such as Barasat, Krishnagar and Sabrum. In circumstances such as exist in Bengal, invariably courageous journalists are the first to know what really is happening", writes Louis Heren in the *Times* (June 7, 1971) in defence of Peter Hazelhurst, the controlled but sustained fury of whose dispatches from India's eastern borders has embarrassed more than one Government. Heren might as well have bracketed Delhi, Bombay and Madras with Islamabad and London to expose the indifference with which this god-fearing land, no less than the rest of the civilised world, is treating the destitute millions on its soil.

While five million homeless Bengalis spend their days and nights in "mud, slush and ankle-deep water", not less than half of them in fields and jungles with nothing but the monsoon sky over their heads, facing death from exposure, hunger or cholera, life in the villages and towns inside the country (except those in the 50-mile belt along the border) goes on as placidly as ever. Medicines and medical equipment, food and corrugated sheets flow in, doctors and nurses dash by air from the far corners of the earth — but not of India, at least not to any extent to merit mention. Doctors and officials in the border towns are presumably doing all that they can, but construction of no luxury apartment anywhere in the country seems to have suffered even a day's delay because materials have been diverted to providing shelter to the homeless. In no city has ostentatious eating been even slightly checked to save some morsels for the hungry. On the contrary, Calcutta's food rations were raised cynically in the hope of winning three Assembly seats.

One of the States has flatly refused to allow even a single refugee to enter

It is to the extent that this contradiction among the people is properly handled that unity of the democratic classes would be forged. It is in this sphere that one would find the maximum possibilities for that politicalisation of the working man about which so many talk so much. And if this is properly done the battles would not be drawn in the future.

its sacred territory while the people of another called a 'hartal' to protest against the unholy influx. True, the call-attention rituals are gone through in Parliament now and then, but nothing more than an "everything-possible-is-being-done" assurance is needed to take the load off the conscience of the Honourable Members. Cries for international help would perhaps have carried some conviction if a semblance of a national effort had begun at home. One wonders whether, instead of their jaunts abroad, our gallant Ministers should not have started with visits to State capitals inside the country.

To be sure, by now Londoners have a better idea than most Indians of the enormity of the disaster that has overtaken the refugees from Bangla Desh. They had their Hazelhursts to see things for themselves, though six thousand miles away, and shake their conscience with their powerful pen. For over a week beginning from June 2-3, the London newspapers devoted the best part of their front pages and editorial columns to dispatches from Bongaon and other border towns, while, to their Indian counterparts tales of political intrigue in New Delhi and elsewhere appeared more momentous. It needs to be said that no Indian newspaper, none of the all-India ones at any rate, conveyed even a fraction of the anguish reflected in the pages of the foreign press in the last ten days over the fate of the millions who have been forced out of their homes in Bangla Desh. One looks in vain in the Indian papers for photographs such as those used by the *Times* to bring home to its readers the agony of a refugee father about to cast into the river the body of his little daughter killed by cholera, or for lines such as these on the *Times*' front page: "Most of the huge communal tents erected on sites near Calcutta and in border areas, were awash and

a heavy downpour continued throughout the night. Millions of Bengalis without blankets or mattresses were lying in mud and several inches of water in the dark. Thousands of refugees swarmed out of the flooded camps and spent the night trekking to nearby towns."

A few Indian journalists are, of course, there reporting from the spot. But their dispatches receive front page honour not in their own country but outside.

Indeed, the reporting on refugees in the Indian press is getting curiousest and curiousest. News from Bangla Desh dominated the front pages here as long as there were sensations to sell. The suffering of millions living in open fields and jungles with the pitiless monsoon and death staring them in the face is, of course, no news. We newspaper-reading Indians, long used to human misery, can have no appetite for such stuff. The threat of cholera all over the eastern region did find a place in our papers, in most cases somewhere on an inside page. Accusations of insufficient help from the rich countries too were not missing. But strangely enough, in less than two days, between June 11 and June 13, everything suddenly turned out to be fine — supplies of medicines and medical supplies more than adequate, cholera under control, and the overall situation firmly in the administration's grip. And only a day before, on June 10, the Health Secretary of the Government of India was complaining bitterly of the tardy response to India's appeal for help.

What is happening to the millions huddling under the trees in open fields, nobody knows. No wonder that people here and abroad remain largely unaware that India faces the biggest challenge and the gravest crisis since Independence, that the task of caring for 6 million (the figure to date) destitutes is beyond the capability of any State Government and, more importantly, that in the death of these souls, however poor and unwanted, lie the seeds of death of many others in the coming months and years. Considerations of *real politik* do not perhaps permit governments to air such thoughts in public. But need they stand in the way of newspapers forcing attention on human suffering?

Perhaps it is stupid to bemoan all this. The picture of a tribal child feeding at his mother's breast makes a more pleasant Sunday edition for the dailies than that of a dying child clinging to his dead mother's breast.

PAKISTAN

Web of Bourgeois Politics

Aswini K Ray

THE bourgeois world has been paying lip sympathy to the people of East Bengal where thousands of people have been killed in the civil war. The liberal conscience of a section of the bourgeoisie becomes uneasy when human lives are being lost by the thousand, even when such 'human tragedies' are the inevitable results of the contradictions of the capitalist system. As long as the victims of the tragedies do not threaten the system, which itself has caused their suffering, the capitalist world uses its sympathies to underline the 'human' side of the system. At the present phase of the struggle of the people of East Bengal there is no threat to the capitalist system, as in Indo-China or elsewhere. This allows international capitalism to shed crocodile tears for the victims of its own oppression. But in the foreseeable future such a threat to the system exists in East Bengal; that explains the uneasiness of the world bourgeoisie.

The origins of the present crisis in Pakistan lie in the logic of the history of Partition. The national independence movement against British colonial rule in India was an all-class movement led by the Indian bourgeoisie working in close collaboration with the feudal order. The demand for partition of the subcontinent into Hindu-predominant India and Muslim-predominant Pakistan was the inevitable consequence of having such a leadership. In this sense, the partition of India, occurring simultaneously with Independence, solved no basic problems for the masses of people in either India or Pakistan; the Hindu and Muslim bourgeois-feudal combines, in both parts, carved up their own spheres of class rule after Partition.

The inevitable consequence of such a division was apparent from the very beginning; the emerging regional bourgeoisies in different parts of India and Pakistan came to challenge the authority of the national bourgeoisie and the monopoly bourgeoisie of the two countries, respectively, working in close collaboration with international capitalism. The relative strength of the Indian bourgeoisie and its stronger links with international capitalism, have enabled it to suppress all separatist forces and keep the country united; the relatively weak Pakistani bourgeoisie-

has found it increasingly difficult to withstand the separatist pulls of its regional bourgeoisie and of the feudal order. The present crisis in Pakistan is the first serious open clash between the interests of the East Pakistan bourgeoisie and the national bourgeoisie of Pakistan.

From the very outset, the odds against the Pakistani bourgeoisie were very heavy: East and West Pakistan were separated from each other by about two thousand kilometres of Indian territory; the two parts spoke different languages, belonged to different cultures and had different socio-economic conditions; religion, which was the only uniting factor between the two parts of Pakistan, was played up during the demands for partition and also every time there were demands for regional autonomy. But even the impact of religion as a factor in politics has been very different in the two parts of Pakistan. In East Bengal, which has been exposed to the capitalistic system from almost the beginning of the 19th century, the impact of religion as a factor in politics has been relatively less important than in West Pakistan where the influence of the feudal lords and Muslim religious leaders still continues to be a major factor in politics.

ECONOMIC CONTENT

Another factor working for unity between the two wings of Pakistan, which were linguistically, culturally, geographically, and socio-economically divided, was the threat, sometimes real but largely imaginary, of domination by neighbouring 'Hindu India', where in any case, bourgeois politics had kept playing up religious, caste and linguistic loyalties so as to keep the working class divided against itself. But despite the relative weakness of religion as a factor in the politics of Bengal even before Partition, the Bengali Muslim demands for partition were as strong—if not more—than those in some other parts of the country. The reasons for this are obvious. In undivided Bengal, the Muslims, though numerically the larger community, belonged to the oppressed classes, either as landless peasants, fishermen, sailors or factory workers. The bulk of the landlords, moneylenders and capi-

talists in undivided Bengal were Hindus. In this context, Bengali Muslim demands for partition had a greater economic content and a more populist base than those of Muslims in other parts of undivided India. In fact, the East Pakistan Communist Party till it was banned in 1954, drew the bulk of its cadre from the toiling class of people. This itself was a danger signal for the Muslim bourgeoisie of Pakistan which emerged after Partition.

As already said, at the time of the creation of Pakistan, neither wing of the country had a native bourgeoisie with local roots; in West Pakistan capitalism had not taken hold in any big way, and in East Pakistan, Hindus controlled most of the capital. This fact itself was a blessing in disguise for the Muslim bourgeoisie which migrated to Pakistan from the capitalistically more advanced parts of undivided India. Almost all of this group migrated to West Pakistan, as much due to cultural affinity with that part of Pakistan as due to the absence in the West of populist politics with a potential for the organised growth of a communist movement. Since in any case, undivided Bengal had almost no Muslim capitalists, Muslim migrants to East Bengal consisted largely of the professional classes like lawyers, doctors and a large section of lower grade civil servants with an eye on quick promotion in the vacuum created by large-scale Hindu migration to West Bengal.

So, soon after its creation, the two wings of Pakistan presented two divergent socio-economic conditions; East Bengal, with a larger population, had a smaller territory and a completely shattered economy. The oppression of the feudal system in the rural areas of this part still remained, but its feudal lords were weak since most of them, being Hindus, either migrated to India or could not remain as powerful as before. Even that part of the economy of East Bengal which was tied to the capitalist system, like jute and cotton plantations, suffered heavily as most of the processing and manufacturing industries of undivided Bengal were located in what became the Indian part of Bengal. East Bengali jute and cotton growers suffered heavily due to the lack of manufacturing potential in that area. Even small traders in fish and vegetables suffered heavily due to the loss of the huge and organised market of Calcutta. There was not enough local capital in East Bengal to replace the sudden vacuum. The leadership of East Bengal passed into the hands of the petty bourgeoisie and the profes-

sional classes.

In West Pakistan, the situation was entirely different. The feudal system, in this wing, remained largely unaffected by Partition. The existing Muslim feudal lords in the area became more powerful due to the almost *en masse* migration of the Hindu landlords to India. Enterprising Muslim capitalists migrated into this area for reasons already stated. They found the entrepreneurial and capital vacuum of East Pakistan easy enough to exploit. The leadership of Pakistan's capitalist development passed on to West Pakistan despite the numerical superiority of the East Bengalis and its wealth in terms of labour and raw material. Inevitably, East Bengal became a colony of the West Pakistani bourgeoisie which began the usual colonial plunder by transfer of capital and exploitation of the market, labour and raw material of East Bengal to lay the sub-structure of West Pakistan's capitalist development. The inevitable contradictions within the capitalist system sharpened with time as is borne out by a few facts and figures.

According to a survey by a Pakistani economist, "the total regional income of West Pakistan which was slightly lower than that of East Pakistan at the time of independence is now at least 25 per cent higher". East Bengal leaders have claimed that annually about Rs 1,000 million are transferred from East to West Pakistan, and that between 1952 and 1968 when East Pakistan had a very high export surplus, Rs 2,000 million was transferred from East to West Pakistan only on account of this export surplus. Between 1950-60, of all imports to East Pakistan, 40 per cent were re-exported to West Pakistan. Until 1968, East Pakistan was Pakistan's major foreign exchange earner, but since then West Pakistan has forged ahead as the country's major exporter.

In 1947 West Pakistan had very little manufacturing industry, but by 1957 almost 70 per cent of Pakistan's manufacturing industry was located in the West. Between 1951 and 1969, capital issues sanctioned for large-scale industries amounted to Rs 8,160 million for West Pakistan and only Rs 2,910 million for East Pakistan.

Between 1965 and 1970 the national income of West Pakistan rose by 34.8 per cent while in the East it rose by 22.1 per cent. During the same period the annual growth rate of West Pakistan, at 6 per cent, was 50 per cent higher than the East Pakistan growth rate of 4 per cent. Agricultural pro-

duction in West Pakistan has increased annually by 5.5 per cent which is almost double the rate of population growth, while in East Pakistan, the rate growth of agricultural production at 3 per cent only equals the rate of population increase. In 1955, the per capita income of the West was 25 per cent higher than that of the East; by 1965, the disparity had gone up to 40 per cent. The present per capita income of West Pakistan is 481 and that of the East is 309.

These figures are indicative of the exasperations of the East Pakistani bourgeoisie whose growth has been hampered by the policies of the national bourgeoisie of Pakistan which, in any case, gets the major benefits from the instruments of state policy like government loans, tax holidays, export bonuses and import licences. As much as 70 per cent of the development funds are spent in West Pakistan, as also 80 per cent of the budget. The armed forces cost Pakistan 60 per cent of its budget. Most of this money comes to West Pakistan.

The frustrations of the East Pakistani bourgeoisie are self-evident. Even the petty bourgeoisie found the policies of the Pakistani bourgeoisie to be hampering its growth, notably the Pakistan Government's ban on trade with India, especially West Bengal. Starved of trade with West Bengal, the East Pakistan petty bourgeoisie was forced to be dependent on West Pakistan with

very little bargaining capacity on prices or quality of goods. Even small traders in fish, vegetables and other daily necessities suffered due to the cutting off of trade with the hungry and well-organised market of Calcutta. The professional classes and the intelligentsia also resented the cultural embargo against West Bengal—a policy scrupulously maintained by the national bourgeoisie of Pakistan.

The common man felt betrayed—as he is bound to be in such a situation. The politically conscious masses of East Bengal realised that, contrary to their hopes, independence and partition made little difference to their material well-being. Their sacrifices in the struggle for partition only resulted in the replacement of the Hindu landlords and moneylenders by their weak Muslim counterparts. A section of the disillusioned peasants and workers organised themselves under different communist groups. In 1954, the Communist Party of East Pakistan was banned. Later they organised themselves in Maulana Bhashani's National Awami Party (NAP). The policies of the West Pakistani bourgeoisie have thus come into conflict with all classes of people in East Pakistan.

Having established its economic supremacy, the West Pakistan bourgeois-feudal combine was able to impose its political power by keeping the East Pakistanis as far away from the seats of power as possible. The capital

of Pakistan was established in West Pakistan; less than 10 per cent of armed forces recruits were from Bengal and almost none were allowed to rise to higher ranks; only 15 per cent of civil service recruits were from Bengal, of which again very few were promoted to the higher posts. Literacy is higher in East Pakistan, though fewer new universities or higher research institutes have been opened in the East than in the West. For a long time, till the East Bengalis launched a massive mass movement, the state language of Pakistan was Urdu, so as to keep Bengalis at a permanent disadvantage in obtaining government jobs. No national election, based on the principle of universal adult franchise was held in the country till 1970. As is now well known, the popularly elected majority party was not allowed to assume power. In the past, constitutions which would have given equality of representation to the two wings were not allowed to be framed, popularly elected governments in East Bengal were dismissed, movements for regional parity or autonomy in East Bengal were ruthlessly suppressed as being communist or Indian-inspired.

MARGINAL CONCESSIONS

As already indicated, all classes of people in East Bengal have joined hands against the policies of the West Pakistani bourgeoisie, but the leadership of the movement has remained with the regional bourgeoisie, petty bourgeoisie and the professional classes. In past struggles, the East Bengalis obtained only marginal concessions. In the most recent phase, the interests of the two bourgeoisies became irreconcilable. The so-called civil war has followed.

The present phase of the struggle began in 1969, when, after a violent mass movement in East Bengal, Field-Marshal Ayub Khan was removed from power but only to be replaced by the present ruler—General Yahya Khan—who promised transfer of power to civil authority and restoration of representative institutions. The first-ever national election, based on the principle of universal adult franchise, was held in 1970. The Awami League contested the election on the basis of a 6-point minimum programme for regional autonomy of East Bengal. This remains the irreducible minimum common demand of all classes of people in East Bengal. A section of the communists, particularly those in Bhashani's NAP have supported Rahman, obviously for tactical reasons.

In West Pakistan where feudal and theocratic groups are still a political force, Bhutto's so-called People's Party, representing the interests of the national bourgeoisie of Pakistan, has emerged as the leader of West Pakistan. By all norms of bourgeois parliamentary ethics Mujibur Rahman should have been the leader of the first popularly-elected Pakistan National Assembly, with only the limited mandate of framing the constitution for the country. But at this first real threat of the passing of authority to the East Bengal bourgeoisies, the West Pakistan feudal-bourgeoisie clique and the army became alarmed and tried to crush ruthlessly the freedom fighters of Bangla Desh.

As stated in the beginning, the crisis in Pakistan has been a tremendous embarrassment to the bourgeois worlds. The West Pakistani bourgeoisie, having accepted bourgeois parliamentary democracy, has refused to abide by the rules of the game; it has also in the process hindered the capitalist development of East Pakistan. While paying lip sympathy to the freedom fighters of East Bengal, the US and British Governments have announced their decision "not to interfere in the internal affairs of a friendly country". For them, it is difficult to take sides in the internal affairs of the bourgeois world. But their nervousness is equally evident: the leadership of East Pakistan's freedom movement, if later discredited, may pass on to less trustworthy classes than the one represented by Rahman! Then, of course, as in Indo-China or Cuba, it would no longer be the internal affair of Pakistan!

The fears of the bourgeois world are shared by the Indian bourgeoisie which has a much greater stake in the events in neighbouring East Bengal. The establishment of bourgeois democracy in East Bengal may enable the Indian bourgeoisie to deal with the communists on the Indian side of Bengal, who are now a real threat in the area. Conversely, a discredited bourgeois leadership may make communism more respectable in West Bengal and seriously affect the credibility of the sort of leadership that is now being foisted upon West Bengal as a foil against communism. The Indian bourgeoisie is naturally not averse to replaying its original role in the economy of East Bengal by replacing the 'usurpers', i.e. the West Pakistani bourgeoisie.

The Soviet Government on its part has performed its socialist duties by sending appeals to General Yahya to exercise "human considerations" in

East Pakistan. The Chinese Government perhaps finds the ambitions of the strong Indian bourgeoisie a greater threat to its own 'area of influence' than the Pakistani military dictatorship wielding state power on behalf of a weak bourgeoisie divided against itself.

MARXIST HERITAGE

For the Marxists of the world, who have allowed their Marxism-Leninism to be decided for them by Podgorny or Chou, the question of taking sides in the civil war in Pakistan poses no problem. But for those who still refer to the heritage of the Marxist-Leninist movement as a guide to action there are some cues which might help them to take a position on the bourgeois-led all-class liberation movement in Bangla Desh.

At the Second Comintern Congress in 1920 the colonial problem was the subject of prolonged debate between Lenin and M N Roy, in which Roy had forcefully argued against the communist tactic of supporting what he called, "the nationalist aspirations of the native bourgeoisie in Asia". Lenin opposed this view by underlining the subjectively progressive role of the national bourgeoisie in the national liberation movements in Asia. The relevant part of the adopted resolution read: "With regard to those states and nationalities where a backward, mainly feudal, patriarchal or patriarchal-agrarian regime prevails . . . all communist parties must give active support to the revolutionary movement of liberation, the form and support to be determined by a study of existing conditions, carried on by the party wherever there is such".

The objective conditions referred to in the Comintern resolution of 1920 are not basically different in East Pakistan in 1971. The East Pakistani communists have failed to provide leadership to the movement, for which, the blame must be equally shared by other socialist countries. But having failed to provide leadership to this all-class movement, rather than become isolated, the Pakistani communists have given the movement their active support. For the Marxists of the world, the form of support to the bourgeois-led all-class national liberation movement of Bangla Desh will largely depend upon individual assessments of strategy and tactics, except, of course, for those who opt to be guided by world power-politics rather than the experience of the movement embodied in all that constitutes the heritage of Marxism-Leninism.

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Brave New Words

Nireekshak

NO discussion of the problems of the Press ever gets very far without a reference to the Press Commission. This is not surprising since the Commission's was the first, and till now also the only, attempt to study the problems of the Press in depth. Besides, some of the Commission's recommendations are yet to be implemented! In the Rajya Sabha, early this month, reference was made to one or two of the recommendations that await implementation; the Government's answer was that the issues concerned — principally of converting the Press Trust of India into a statutory corporation and of regulating or ending monopoly in the Press — are under its consideration.

Monopoly in the Press is not an issue on which the Press Commission had made any specific recommendations — except to say that the tendency to monopoly existed and should be watched. This watching brief was subsequently entrusted to the Press Council. But with the Press Council bogged down in a controversy about its own constitution it has proved a non-starter on all other issues. When the Government talks of taking steps to end monopoly in the Press, it is probably relying on the meaning of the term as applied to industry generally. There is certainly scope for action, but the problems of concentration of ownership in the Press are not qualitatively the same as those in industry generally; and they are probably more complicated, too. The point is that, despite periodic references to the problem of monopoly in the Press no serious attempt has been made by anyone to make a systematic study of it.

When, about a year ago, the appointment of a second Press Commission was mooted — among others by the then Minister of State for Information, Inder Gujral — it may have represented some vague new thinking on the need for further study of the problems of the Press, including that of monopoly. But the suggestion never got off the ground, and even journalists have ceased talking about it. Gujral had also talked loudly, perhaps too loudly, about reorganisation of the news agencies. His successor, Nandini Satpathy, now says that a proposal for the diffusion of ownership of newspapers is being studied by the Department of Company Affairs and "we are going to

do something about it". The only discernible difference between the pronouncements of the two ministers is that they are separated by a parliamentary election. Also, probably the reason for the issue being raked up at this stage is that the Indian Federation of Working Journalists (IFWJ) have reiterated, at their 15th annual conference last April at Gandhinagar, some proposals for diffusion which it had frequently voiced before.

The IFWJ asked for conversion of all the news agencies into statutory corporations and for making it possible for journalists to become shareholders as well as directors of the newspapers in which they are employed. This is good as far as it goes, but it falls far short of the bill which, even two ministers of the Government (the Minister for Law who inaugurated the annual conference and the Minister of State for Company Law who inaugurated a seminar on monopoly in the Press organised in conjunction with the conference) presented the journalists with at Gandhinagar. While H R Gokhale commanded Canutelike that "the Press in India should forthwith cease to be a mouthpiece of the few and really reflect the cross currents of public opinion in the country", his colleague, Raghunatha Reddy, went even further, saying that the "first steps to smashing of the monopoly hold of big business in all walks of life should start with the newspaper industry". Whether the Government also carries with it a mandate for this, as Raghunatha Reddy insists it does, or not, everyone is anxious to see what 'first steps' the Department of Company Affairs will eventually decide to take.

Meanwhile, it would do no harm if the Prime Minister, who holds the portfolio of Information, gave some thought to the question of appointing a second Press Commission, if only to help the Government discharge its mandate in full. A second Commission may also help to bring facts up-to-date and to end reliance on the hoary, and obviously outdated, report of the first Commission. "The question is", as the *National Herald* pointed out immediately after the IFWJ meeting, "whether the Government will, at least after the massive mandate they have received, have the guts to place the foundations of freedom of the Press, in which

everyone is interested, on a sound and democratic basis, within the terms of the Constitution as it is or after amending it if necessary". It may be possible for the Government to demonstrate its 'guts' without the help of a second Press Commission, but its record is not such as to inspire confidence.

It must be said that, notwithstanding the periodical attacks on the Press by spokesmen of Government, journalists are far ahead of the Government in their thinking on Press freedom and their determination to ensure it. The IFWJ has broken new ground at its 15th session, first by organising the only seminar on Press monopoly so far held in this country and, secondly, by defining and giving to itself, i.e., to working journalists, a set of social objectives worth striving for, as distinguished from purely professional objectives. Called the 'Ahmedabad Declaration' this document "declares that the objectives of the profession of journalism are closely related to the wider social objectives to which the nation is pledged" and which are incorporated in the Directive Principles of the Constitution. The Press has, therefore, to function "as an integral part of a just social order", and this requires working journalists to "pledge themselves to maintain an integrated social outlook, keep in mind the larger interests of the people and work always with a sense of responsibility." With this end in view, the Declaration further stated, "working journalists shall reflect faithfully the urges and aspirations of the people, especially the underprivileged sections of society, who are fighting against vested interests, and shall report with understanding and sympathy their struggle for a better life."

Not very soul-stirring, perhaps, and not calculated even to restrain a journalist subscribing to it from being a champion of the existing economic and social order; but there has been nothing like it before. And a certain sting was to come at the end of the declaration. "Working journalists", the declaration affirmed in conclusion, "shall work for a complete reorganisation of the newspaper industry, so that the Press is brought closer to the people and made a fit instrument of social change to which Parliament and the people are committed". Brave words these, yet the object is clearly not one which working journalists can attain by themselves or without the support of others — particularly the Government. Will the Government be equal to the task?

Emerging Shortages

K Ramachandran

AS a result of the industrial recession and the consequent surpluses in the supply of goods, the level of investment in industry has been low during the past four years. Industrial capacity has remained stagnant and the capacity under implementation is not large. At the same time, as the recession has gradually lifted, demand has been rising. Gradually a position of balance between supply and demand has been reached in the case of many goods.

It is evident that shortages are being, or would be, keenly felt in several sectors of the economy — in some items, like steel, partly because of growing demand which has not been met by output from capacity already established, in some others, like paper and newsprint, because of various other constraints like lack of adequate expansion of capacity.

Evidence of the shortages in many sectors is the sizeable proportion of imports of certain goods. As the Fourth Plan states, "in 1968-69, 60 per cent of finished fertilisers, 64 per cent of crude oil, 65 per cent of alloy and special steel and 7 per cent of mild steel and 74 per cent of copper and 79 per cent of newsprint were met by imports. Imports of machinery and components amounted to Rs 516 crores and represented about 30 per cent of the machinery requirements". Though 1969-70 witnessed some drastic pruning of imports, particularly of fertilisers and machinery and components, imports of other items mentioned above generally showed a rise. According to the Fourth Plan, the projected growth of income and investment over the next decade "will increase the requirements of mild and alloy steel at the rate of 10 per cent per annum, machinery and equipment more than 10 per cent and petroleum products 9 per cent". The dominance of these products in the economy and the fact that the considerable expansion planned in those fields in the Fourth Plan is unlikely to come about (leading to further imports) indicate again that shortages will continue in some sectors. If prospective export opportunities are also taken into account, these shortages would be accentuated and domestic production in all these sectors will have to increase faster than the expected growth of internal demand. A review of the industrial sector indi-

cates that shortage will be felt not only in certain crucial basic industries like power, steel and alloy steels, fertilisers and non-ferrous metals like aluminium and copper but also in tractors, paper and newsprint, printing machinery, telecommunication cables as well as in electronics items. Shortages of raw materials for fertilisers like naphtha and some associated petroleum products are also expected to emerge in the longer run.

Power

Though considerable capacity has been set up in the country for electrical equipment manufacture, their future operations are dependent to a large extent on the level of power generation and distribution activities. Power generation schemes in the last two five-year Plans have fallen behind schedule and in the last two years also generating capacity has generally been below targets. Though on the basis of the Fourth Plan outlay in this sector, power generation capacity is expected to go up from the present 15 mn kW to 23 mn kW, available capacity on the basis of the progress made in various schemes is unlikely to reach the target level. In fact, the impact of the shortfall in power capacity due to various reasons is already being keenly felt in some of the northern States.

Mild and Alloy Steels

As regards steel, against an installed capacity of 7 mn tonnes of finished steel, the output was only about 5 mn tonnes in 1969-70. Demand for larger supplies from user industries and the need to make emergency imports show that in relation to requirements there already exists a shortage of steel. Failure to utilise capacity already established in the public sector plants, particularly Durgapur, as also export commitments by both primary and secondary producers are expected to result in a shortfall of around 1.5 million tonnes steel by 1973-74. While steel capacity (including Bokaro) would be around 12 million tonnes by 1973-74, output on most optimistic estimates is expected to be only around 10 million tonnes and demand at around 11.5 million tonnes. The shortfall will have to be met by imports.

Alloy steel capacity in the country is at present 167,000 tonnes and output is 104,000 tonnes; current imports of only alloy steels (excluding low carbon constructional steel and spring steel) are around 32,000 tonnes. Durgapur alloy steel is expected to step up its capacity soon so that total capacity available by 1975 would be of the order of 213,000 tonnes. Output is expected to be lower than capacity while demand is estimated to be of the order of 350,000 tonnes.

Aluminium and Copper

While the growth of the aluminium industry in recent years has been significant, indications are that the market for this product would be characterised by an excess of demand over supply in the near future. Aluminium is the only non-ferrous metal of which the country has large ore reserves. In view of this, the Government has actively encouraged substitution of other metals (particularly copper in electric cables) by aluminium. After a brief spell of excess supply consequent upon the recession, aluminium is again in short supply and imports are required to be made. An indication of the scarcity of this metal is the prevailing unofficial premium on prices (despite the Government price freeze) and the long delivery periods quoted by the manufacturers. As against an estimated demand of over 300,000 tonnes in 1974, production is expected to be of the order of 250,000 tonnes.

Copper output in the country is at present only 9,600 tonnes; this is expected to be stepped up to 31,000 tonnes in 1973-74. However, demand for copper, particularly from the electrical industry, has been increasing and resort to imports of this metal is expected to be made in significant quantities in future.

Fertilisers and Naphtha

In the case of fertilisers, at present imports amount to 0.67 mn tonnes N and 0.09 mn tonnes P_2O_5 . There is no immediate shortage of fertilisers in the market, partly because demand, after rising rapidly till 1967-68, has tended to slow down. However, with good harvests and greater area under improved varieties, a shortage is likely to arise in the later years of the Fourth Plan. A large part of the additional capacity currently under consideration was licensed only in 1969. Against the estimated requirement of 3.2 mn tonnes N and

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1.4 mn tonnes P_2O_5 , the actual capacity in 1973-74 (on the basis of indications available in regard to progress made by some of the licensees) is expected to be 2.0 mn tonnes N and 0.60 mn tonnes P_2O_5 . Thus, the country would have to depend on continued imports of over 1 mn tonnes N and about 0.80 mn tonnes P_2O_5 .

The expected shortfall in refining capacity will also result in some shortfall in supplies of naphtha, the main raw material for fertilisers. Naphtha availability in 1973-74 is expected to be of the order of 2.65 mn tonnes, provided the refinery capacity reaches 26.5 mn tonnes in that year. Naphtha requirements for petrochemicals is expected to increase to 847,000 tonnes in 1973-74 (not taking into account the proposed Madras petrochemical unit) from the present 265,000 tonnes. Net naphtha availability, on this reckoning, for fertiliser use will be only 1.8 mn tonnes. This in turn means that only 1.6 mn tonnes N can be manufactured on the basis of naphtha for existing projects and projects under construction. Additional requirements of naphtha-based fertiliser projects would call for import of ammonia or creation of additional refining capacity.

Shipping and Transport Equipment

Shipping tonnage in India reached a level of about 2.2 mn grt in 1969-70, catering to less than 20 per cent of the overseas trade. The Fourth Plan targets place shipping tonnage around 3.1 mn tonnes grt (excluding 0.4 mn grt of coastal tonnage) for catering to about 40 per cent of overseas trade. However, the long delivery period quoted for ships from almost all the shipyards in the world might result in the target not being achieved. Similarly in order to cater to the estimated increases in goods traffic by road, it was reckoned that the number of trucks on the road will need to be increased from about 301,000 in 1968-69 to about 470,000 in the last year of the Plan, the number of buses from 85,000 to 115,000 and other commercial vehicles from 35,000 to 85,000. However, considering the slow progress made in increasing the output of commercial vehicles and trucks, it seems unlikely that the estimated increase in goods traffic will come about.

Tractors and Scooters

At present, the pent-up demand for tractors is placed around 90,000 nos (based on orders pending with the vari-

ous State Agro-Industries Corporations). There are substantial premiums on most brands of tractors now made in India. Estimated imports of tractors during the remaining years of the Plan have been placed around 45,000 nos. On the basis of an estimated production of 60,000 tractors in 1973-74, the total unsatisfied demand is expected to continue at the present level. Demand for tractors as well as for spares would, therefore, far outstrip supply in the future years.

Scooters have been in short supply for the last ten years. The scooter is essentially a middle-class means of transport and is necessary in mofussil towns where public transport is not developed. The Government decision to set up a public sector unit will take 4 to 5 years to implement. In the meanwhile, the Government should consider giving expansion licences to existing manufacturers on an emergency basis to take care of the backlog of demand as well as the fresh demand.

Allied to the anticipated shortages in the tractor and scooter industry is the shortfall envisaged in automobile ancillaries (piston assembly, fuel injection equipment, carburettors, steering gear, etc). Against a production of about Rs 90 crores in 1969 by the organised sector of this industry, in terms of overall requirements demand for automobile ancillaries at the end of the Fourth Plan is estimated at around Rs 170 crores. In view of the large gap that has to be filled, the Government has now invited proposals from entrepreneurs (for setting up new units) contrary to its earlier decision to ban establishment of new units.

Paper and Man-made Fibres

Paper is a capital-intensive industry and it takes three to four years to set up a pulp-cum-paper plant. No new unit in the paper industry is likely to come up in the next 3 or 4 years. Expansion programmes of the existing units are expected to increase paper production from the present level of 760,000 tonnes to about 850,000 tonnes; this would still leave a shortfall in supplies to the extent of about 150,000 tonnes by 1973-74. The capital-intensive nature of the industry and the long gestation period involved suggest that paper would continue to be in short supply for some time to come in the near future. Similarly, newsprint output of the order of 165,000 tonnes envisaged by 1973-74 is not likely to materialise, leading once again to continued large-scale imports of newsprint.

At present, there is an acute shortage of man-made fibres, particularly nylon, polyester and acrylics. This is reflected in high local prices (compared to international prices) and large-scale smuggling. The licences recently issued will take some time to be implemented and on the basis of progress made by units already licensed to produce nylon yarn, it is likely that a shortfall of about 5,000 tonnes will be apparent by 1973-74.

Other Products

Other sectors of the industry where shortages are likely to occur are electronic equipment, cutting tools and hand tools, synthetic rubber, ball and roller bearings and industrial machinery for processing plastics and rubber.

Electronics is an internationally-recognised growth industry and the anticipated shortage in electronic equipment requirements by 1973-74 is placed around Rs 49 crores: it is necessary that the Government encourages rapid growth of this industry in both quantitative and technological terms.

The growth in plastic industry as also in tyres and tubes calls for substantial addition of capacity for processing equipment. Only a small portion of the required equipment is manufactured in the country now. The development of the industrial machinery sector is also expected to result in considerable demand for cutting tools and hand tools, the development of which needs to be accelerated.

Other shortages are likely to be in ball and roller bearings (estimated to be over one million numbers by 1973-74) and synthetic rubber; these are relative to the additional requirements of the automobile and tractor industries and the tyre industry, indicating the need to build up production facilities not only in main products but also in related products.

The main reason for the emerging shortages is the lagging of capacity behind demand, induced partly by the slow-down in investment after the recession. These shortages are likely to be accentuated during the next two years as there is little capacity in the pipeline today. In some cases like paper, it would be possible to adopt crash programmes so as to stretch output out of existing capacity. In the case of others like scooters, decisions on licensing might be needed. In still others, temporary imports would be necessary to avoid the price-consequences of shortages. The Government has to plan remedial action on a selective basis right at this stage.

A Broad-Spectrum View

S Patwardhan

Maharashtra: Land and Its People by Iravati Karve; Directorate of Government Printing, Stationery and Publications, Maharashtra State, (Maharashtra State Gazetteers General Series); pp viii + 201; Rs 4.

THIS book by the late Iravati Karve was commissioned by the editor of the Maharashtra Gazetteers. Iravati Karve was no doubt the most suitable person to undertake this task; she knew the land, language, customs and manners of the people of Maharashtra intimately. One of her earlier books deals with the anthropometric measurements of Maharashtra. She had written a book in Marathi on Marathi culture. This can be said to be her last major published work after "Kinship Organisation in India".

Iravati Karve deals with Maharashtra as a cultural and linguistic area. A cultural region is studied in terms of space and time dimensions. The author looks upon a culture or a sub-culture as a product of cultural accretion. Cultural accretion involves a process of time. In this sense, time is historical. Time affects spatial arrangement of structures at a given point in time. Organisation of space refers to the contemporary arrangement of institutions and structures. The quality and quantity of an organisation gets changed with population pressure and social activities. Though this aspect has not been theoretically dealt with in detail by the author, this is implied in the arrangement and treatment of the material in the book. Two factors are implied and they are the process of cultural accretion over time and organisation of space on the one hand and the co-existence of a multiplicity of behavioural patterns on the other.

NO DISTINCT CULTURAL FEATURES

The book is divided into eight chapters and covers a wide range of subjects about the sub-cultural region of Maharashtra — from the physical features of its land and people to family, religion, social organisation, etc. Maharashtra is divided into six sub-regions, viz, Konkan, Southern Krishna and Bhima Valleys, Khandesh-Tapi Valley, Godavari Valley, Purna Valley and Vardha-Vain-ganga Valley.

The first chapter discusses the main cultural and linguistic features of the people of Maharashtra. People of the Sanskrit, Dravidian and Mundari re-

gions have mingled to make the cultural stream of India. They are the Southern continuation of the Central Asiatic Pastoral people, the North-West projection of South-East and Pacific islands, and Western continuation of the proto-Mongoloid people from Burma, Sikkim and other regions respectively. It is pointed out by Iravati Karve that while talking about Maharashtra as a linguistic region, it cannot be said that distinct racial elements have brought about distinct cultural features.

Maharashtra State comprises 118,280 sq miles, which is one-tenth the area of India; and its population is 39,553,718 which is one-eleventh of India's population. The racial and physical composition of its people shows no traces of Negroid or Mongoloid elements. Like the rest of India except the North-Eastern section, the population belongs to the Europoid stock. Except for 10 per cent of the population which has light greenish brown eyes, the rest have very dark brown eyes. The head formation is dolichocephalic and mesocephalic. In the rest of the chapter the social and physical features of the various castes, including the tribes of the region, are mentioned briefly.

In the third chapter the author discusses the dynastic history of the region and also divides the region into sub-regions on the basis of dialects. For instance, in the Khandesh area the Ahirani dialect is spoken. The Konkani dialect is spoken in Thana, Kolaba and Konkan areas. The language is popularly known as Marathi. In Goa, however, there is a tendency to call it a separate dialect in recent times. The Varhadi dialect is spoken in Berar and Nagpur while in the Southern Krishna Valley, Kolhapuri is a popular dialect. Kolhapuri had from an early period in the history of Maharashtra become the literary language and had therefore influenced the dialects of other regions as well. From a general study of village names, Karve points out the distinctions and interrelations between the sub-regions, and concludes that many of the suffixes are Sanskrit in origin and that the Eastern settlement is older, based on the general principle that Prakritic names gene-

rally antedate purely Sanskrit names.

Discussing briefly the nature of caste composition in the early period, the author points out that the people of Maharashtra were mainly agriculturists. At the beginning of the century, 70 per cent of the people were food procurers, about 8 per cent priests, 8 per cent feudal lords, 10 to 12 per cent artisans, 4 per cent traders and a few others who were not adjusted to the agricultural set-up. The Kunbis and Marathas were agriculturists, chiefs and warriors. According to 1901 Census, 71.9 per cent of the people were engaged in agriculture. The shift from agriculture over the last 60 years is negligible because the 1961 Census shows 69.8 per cent of the people engaged in agriculture.

VARNA CONCEPT DISCARDED

The characteristics of *jati* or caste according to Karve, are endogamy, hereditary work spread over a contiguous small area, inter-connected occupations of members and rank relative to similar groups. The principle of endogamy has not changed. As regards the occupation of contiguous territory this still holds true for some portion of each caste, like the Karhada Brahmins, the Chitpavan Brahmins and the Konkani Kunbis; hereditary specialisation is no longer binding due to widespread migration and job opportunities. The *varna* concept is said to be very nearly discarded. The Brahmins have gone into services and other occupations and Marathas who were not engaged in agriculture have followed suit. For instance in Phaltan, less than 0.5 per cent of the Brahmins are engaged in hereditary occupations. Artisans like potters, weavers, etc, continue to do their hereditary work. Among the ex-untouchables, only Bhangis are engaged in their traditional occupation. Mahars who are the most numerous and important among the scheduled castes have migrated to towns and cities and from the bulk of the industrial labour. Ranking depends today not on ritual criterion but on the actual rank or the position held by a person in the political, administrative or academic fields. Status gets affected by economic status rather than caste.

There are three areas where *varna* and caste or *jati* continue to play a significant part still. These are, first, when an individual tries to strengthen his political or social position with the help of his kin or caste-group; second, when caste rivalries and identities come to the fore during election campaigns;

and third, when preferential treatment is given as in the case of scheduled castes. The political lever which caste gives an individual is a new factor which has led to the strengthening of caste feeling. According to Karve, the ultimate breakdown of caste-groups can only come about through the free interchange of women through marriage between castes.

Organisation of space is looked at in terms of the ecological pattern. An ecological region is based on the type of agricultural and horticultural activities that take place in the region, the type of terrain, whether mountainous, hilly or plain-land. One finds in these regions, tribals, semi-primitives and the peasants, like the Wabli, Koli, Bhil, Kunbi and Maratha farmers. A typical plateau village has a *gestalt*, an ethos of its own. Each village has two communication systems, one internal, represented by winding lanes, and the other external, connecting other villages through footpaths or roads.

Regarding social hierarchy, the author discusses the structure in earlier times and points out that today the *baluta*, known as the *jajmani* system in the North, is no longer an operative one. The *vatans* — pieces of agricultural land given by the village for services rendered and hereditarily owned by important *balutedars* like the Patil, Kulkarni and Mahar — have been abolished. The main changes in the village system have been due to the growing cities, population growth and the operation of the 'push' factor in migration. This has led a large number of people to towns and cities such as Kolhapur, Sangli, Phaltan, Walchandnagar and Jalgaon. The Brahmins and Kayasthas as a group are disappearing from the villages.

Maharashtra as a whole has the highest percentage of urban population in India, viz., 28.22. Twenty-three new towns have been enumerated in the 1961 Census. Within Maharashtra, Western Maharashtra is the most urbanised region and has 38.4 per cent urban population. This phenomenal increase is due to the technological development of this region with Bombay as its industrial centre, improvement in communications and the establishment of hydro-electric power stations.

Maharashtra is a culture contact area. Kinship behaviour and marriage patterns show a fusion of Northern and Southern features. Details are given regarding those features which are common to the South, like kinship terms, nicknames, etc. There is no indication of an increase in inter-caste marriages.

From a study of 5,181 marriages in Poona city and the surrounding taluka towns in 1955-56, it was found that only 3.6 per cent (186) marriages were inter-caste and .07 per cent were inter-religious. Prejudice against widow-re-marriage continues. The lateral type of joint family is rare and jointness and non-jointness represent different phases in time of one and the same family. The family pattern has not changed much because it is still a unit which depends on co-operative work, mutual gain and security. Unless some new principle of social security like pensions comes into existence, the functions of joint family will continue. A fundamental change in the family is, however, likely to come about due to the new law of inheritance which allows widows and daughters to have rights in property.

The religious life of the people of Maharashtra consists of worship of Gods, veneration of holy men who have been the founders of new sects, as well as holy men who do not belong to any sect. Mother Goddesses come first in the hierarchy of deities worshipped followed by Shiva and Khandoba. The fourth popular deity is Vitthoba of Pandarpur. The most popular *kuldevittas* (family Gods) are Khandoba, Mother Goddesses like Janai, Manai, Lakshmai, and Mariai; and Shiva in one form or the other including his incarnations or creations like Jyotiba, Bhairava and others.

DIVISIVE FORCES

In the last chapter the author highlights the process of unification and the divisive forces that are operative in Maharashtra. While one language, one culture and the new-found linguistic patriotism are the most significant factors making for fusion, the fission forces are many. There is the conflict of interests between the sub-regions of Maharashtra — Marathwada, Vidarbha, and Western Maharashtra. The old tensions have appeared in new forms and are expressed in a demand for greater allocation of resources and larger shares in the power processes. The Shiv Sena movement has emerged because a majority of local people after having acquired political power want to have legitimate and adequate share in economic power and in jobs in the industrial cities, especially Bombay. Associated with this is the suspicion and distrust of the people from the other States who are holding posts both at higher and lower echelons of the job hierarchy. The problem of insecurity faced by the non-Marathi speaking minorities is another focus of conflict. This problem of

making the minorities feel secure is a problem common to all the States in the country.

A shift from caste to class society has not taken place. One finds co-existence of caste and class elements in the social system. The broad category of 35 per cent of the Marathi speaking people form the middle class. The Brahmins have become the urban middle class, the former untouchables have become wage-earners in urban centres and artisans are taking a mid-path between middle class and wage-earners. The remaining 65 per cent of the population is composed of peasant castes. Dominant among them are the Maratha Kunbis who hold positions of power in the Government and other structures of power. According to the author the present dominant caste in Maharashtra continues to be obsessed by an image of its former role as rulers and this perhaps needs a new reorientation. Thus on the one side there are the urbanised people and on the other rural peasant communities. Between the two is the middle class comprising the professional population drawn from all castes.

The value of this book lies in the mine of material contained in it and in the broad general perspective it has. There is a good description of the regions. The approach is anthropological and indological supported by empirical material wherever available. One wishes that the general observations were supported by more data; that there were more description and analysis of inter-group relations. Changing patterns of family are also not very clearly analysed. It would have been of immense value if there were an analysis of the changing political processes and interests in present-day Maharashtra as operating in the legislative assemblies, Zilla Parishads and in the new power pockets of the co-operatives in the sugar-belt.

The editors of the book should have paid a little more attention to the footnotes and bibliography. Errors like the lack of citation of reference where the author is mentioned, absence of a separate section for Marathi source materials, and some titles of books in Roman print instead of being italicised are cases in point. The utility of the book lies in the vast sociological knowledge and background it provides to researchers. For those laymen and general readers, both Maharashtrians and other, who are curious and anxious to gain reliable knowledge about Maharashtra, it gives a broad-spectrum view of its culture and problems.

Emergence and Eclipse of Muslim Majlis-e-Mushawarat

Zaheer Masood Quraishi

While the serious communal riots in 1964 were the immediate provocation for the formation of the Majlis-e-Mushawarat that year, from the outset some Muslim leaders had their eyes on the 1967 general elections which they wanted to influence by means of concerted action on the part of the community. Unlike earlier Muslim organisations which participated in politics directly, the Majlis sought to influence policy-making indirectly by extending its support to individual candidates from various political parties in consideration of their personal outlook and sympathies for the Muslim community.

The Majlis was also unique in that it did not seek separate representation for the Muslims but called upon Muslims and Hindus to participate in national progress side by side.

The performance of the Majlis in the 1967 elections was not spectacular in terms of the number of Majlis-backed legislators elected, but it did succeed in weaning away north Indian Muslim voters from voting for the Congress as they usually had ever since Independence.

Its record in influencing the Central and State governments was dismal and this, with other crises, led to its transformation into a federation of Muslim associations in 1968.

IN a democracy, it is not only a legitimate right of a group with common interests to promote organised political action but also a necessary part of those numerous political processes which comprise the democratic system.¹ As India is a land of minorities — caste, linguistic, cultural and religious — no single group is in a position to determine the destiny of the entire nation, nor is there a stable combination of minorities that can maintain a decisive role over a long period of time.² There is no doubt that with the introduction of universal suffrage and decentralised institutions of power, religious communities have acquired political weapons in their conflicts and voting behaviour tends, at times, to follow communal loyalties. In a sense, communal consciousness has been sharpened, often at the expense of national consciousness. But due to the built-in safeguards in the constitutional structure and composition of the nation, India has come to be a "polyarchal democracy"³ in which the decision-making majority consists of a kaleidoscopic configuration of minorities. The potential for varied permutations and combinations constitutes the perspective of pressure politics in India.

The establishment of the All-India Muslim Majlis-e-Mushawarat on August 9, 1964 in order to articulate Muslim 'interests' fits into this general pattern.⁴ The immediate provocation was communal riots in Calcutta, Jamshedpur, Rourkela and Jabalpur, but from the

outset Muslim leaders had their eyes on the fourth general elections which they wanted to influence by means of concerted action on the part of the community. Whatever the other functions of a pressure group of this kind, the Majlis intended to influence the political behaviour of Muslims in a bid to obtain a parliament and legislative assemblies more favourably disposed to what it considered to be the Muslim interests. Unlike earlier Muslim organisations, which participated in politics directly, the Majlis sought to influence policy-making indirectly by extending its support to individual candidates belonging to different political parties in consideration of their personal outlook and sympathies for the Muslim community.

CONFIGURATION OF MUSLIM OPINION

Apart from a few independent minded Muslims, the Majlis comprised three major segments of Muslim political opinion. Perhaps the most dynamic section was represented by those who formed the backbone of the All-India Muslim League prior to Partition. The League having exhausted its role after its demand for Pakistan was conceded, had no *raison d'être* in India. Although a considerable section of its leadership had migrated to Pakistan, there were quite a few of the second echelon who stayed on for one reason or another. The major source of strength of the Muslim League, the Urdu-speaking Muslims of northern India, could not

and did not migrate to the new country *in toto*. The final meeting of the All-India Muslim League, held in Karachi in 1947, decided to bifurcate the party and permitted each unit to evolve its own future programme and strategy. As no one in north India was prepared to take up the task of organising the party in India, the convenor for the Indian unit was Muhammad Ismail of Madras. Moreover, while the activities and organisation of the League were liquidated in the north, it survived in south India where its political context was different.⁵ Its leaders and supporters in the north sought political asylum in different political parties including the Indian National Congress. Despite the fact that they found themselves in this frustrating situation as a logical consequence of their own ideology and activities, few cared to re-examine their fundamental premises and, consequently, to try to reckon with the emerging pattern of politics. It is this former clientele of the League which finally turned to the Majlis and provided it with a mass political base.

The ideologically oriented and well-disciplined Jamaat-e-Islami contributed a sense of control and direction to the Majlis. Before Independence, the Jamaat consisted of a handful of persons and was opposed to the demand for Pakistan on the ground that the idea of a territorial state is alien to Islam and that this kind of demand would hamper the establishment of universal divine rule.⁶ After Partition, its

activities remained rigorously ideological and its political base as narrow as ever, but its leaders came to acquire some influence among illiterate and conservative people because of their ostensible puritanism. Since 1947 it has also been able to create a broader clientele among young men. The communal riots, economic difficulties of Muslims, efforts to reform the Muslim social structure and resentment against the growing moral laxity of the new generation, all combined to enhance its appeal.⁷

The third component of the Majlis was a group of political leaders associated with the Indian National Congress either directly or through membership of a front organisation, the Jamiatul-Ulama-e-Hind. Basically conservative, these Muslims were originally attracted to the nationalist movement by the call for Khilafat restoration.⁸ Though well-meaning and patriotic to the core, they had no vivid concept of a future pluralistic society in India. After Independence, they enjoyed considerable influence on the decision-making processes in the Congress and the Government through personal contacts with high-ranking leaders, which was not possible after death removed many of their close non-Muslim associates as well as their own stalwarts. The Muslim masses had respected them for their integrity and political influence on the state machinery but had never felt one with them. Their participation in the Majlis was partly due to their own eagerness to recapture the lost position of influence on the Government and partly due to the desire on the part of the other components of the Majlis to acquire immunity from suspicion and hostility as a result of the political *bona fides* of the Jamiatul-Ulama components.

Thus, the Majlis appeared as an embodiment of the political frustration which the Muslim leadership had accumulated in the course of the last two decades. It revived the political outlook of the Muslim League that had been suffocated all these years. The organisational skill and ideological manoeuvrability of the Jamaat-e-Islami reinvigorated its style and tempo while the nationalists, who had formerly expected that the Congress party would transform traditional Indian society into a pluralistic one without, however, bringing about changes in the traditional life of Indian Muslims, provided it the protective umbrella. They were joined by those independent Muslims who had for long felt the desperate

need of the community to have leadership in order to avert the prospective loss of identity in the wake of industrial progress, large-scale urbanisation and plebeian democracy.

This, however, does not imply that the Majlis symbolised a harmonious amalgamation of Muslim political opinion, giving birth to a new electoral force which had to be reckoned with in eliciting Muslim votes. Despite the skilful organising hand of the Jamaat-e-Islami, the Majlis' organisation tended to be rather loose and provided wide scope for a variety of opinions to co-exist as well as for serious conflicts to arise. In fact, the Jamaat-e-Islami was ideologically averse to electoral politics⁹ and proposed to use the Majlis as a front organisation on a more or less enduring basis. Though keenly interested in the outcome of its electoral policy the Jamaat expressed its official dissociation with electoral activities.¹⁰ The nationalist Muslims had, for obvious reasons, a soft corner for those numerous Hindu Congressmen, whose sympathies for the lot of the Muslim community were well known and could be depended upon. The League old-guards, however, were most opposed to the Congress candidates and would have liked to defeat them wherever possible.¹¹

TRANSFORMATION OF ATTITUDE

There are two ways in which the establishment of the Majlis marked a departure from earlier Muslim political movements. One was the very idea of forming a pressure group as an integral part of the constitutional framework. Although the largest single minority in the subcontinent, Indian Muslims had long suffered from an acute sense of their minority status.¹² Fighting shy of confronting the Congress' nationalist movement at a non-sectarian political level, because they imagined it to be the representative of a solid Hindu majority, they had sought refuge under the two-nation theory and demanded separate electorates and Pakistan.¹³ The Majlis, on the other hand, decided to operate at the level of political effort at which power is shared on the basis of 'one man, one vote'. Instead of augmenting distrust against democratic institutions, political parties and electorates, which were predominantly non-Muslim, the Majlis leadership took for granted the normal democratic processes and decided to promote Muslim interests through existing political modes. In this respect it is not surprising that the People's Manifesto,

adopted by the Majlis on July 22, 1966 called upon Muslims to give up the profession of futile protests and publicity of miseries and "try to regain the lost energies and strive for a change in the prevailing conditions". It was realised that the right to vote was both sacred and precious and that voters have as much of a right to formulate their demands as political parties have to issue election manifestoes.¹⁴ This was no less than a revolutionary transformation in that Muslims, as a community, accepted for the first time, norms of political behaviour which were fully consistent with the pluralistic character of the Indian political system.¹⁵

The second transformation was in the manner of formulating demands and defining objectives. The inaugural conference of the All-India Muslim Majlis-e-Mushawarat held in Lucknow on August 9, 1964 adopted a resolution entitled, "The National Integration". The resolution, which laid out the ideological foundation for the political activities of the Majlis, did not demand separate representation or reservation of seats in legislatures and services. Instead, it called upon Hindus and Muslims to participate in national progress side by side. The grievances of Muslims were stated in the resolution in a tone which was markedly different from the utterances of earlier Muslim organisations and leaders:

Although it was the responsibility of majority that it should have won the confidence of minorities and sympathised with them, unfortunately a considerable section of majority expresses its lack of confidence in Muslim minority on untenable grounds. Therefore, it is all the more necessary for Muslims to remove baseless misunderstandings and complaints of that section of majority so that the beloved motherland may obtain peace and tranquillity and may proceed by leaps and bounds on the road to progress.¹⁶ (Italics by author).

The same line of argument was adopted in the People's Manifesto. It not only invoked the Quran but also drew attention to "the existing lacuna of leadership" devoted to the country, and pleaded for Muslim political articulation with a view to serving a broad national purpose. It defined that purpose with a sense of commitment to overall national development. Apart from raising the status of Muslims from "virtually second class citizenship" to that of "equal partners in the governance of this country", the Manifesto called upon the community to "heal the wounded hearts of the millions of suf-

fering humanity in this country" and to take steps for restoring the spirit of mutual confidence and understanding between majority and minority communities.¹⁷ Humanistic appeals of this kind, however circumscribed they might be due to the actual state of mind of Muslims and non-Muslims alike, indicated a new direction. They at least suggested that the Muslim leadership was shedding its parochial appeal and no longer formulating demands in a manner that tended to isolate the community from the main current of national life, thus breeding suspicion in the rest of the nation. Whatever the immediate outcome, it indicated a profound change in the community's manner of thinking.

The same spirit is found in the nine points contained in the Manifesto. It demanded, first of all, reform of the educational system, so as to emphasise moral education and discipline as the cardinal principle of the projected reforms. But apparently the Majlis was more concerned with reforms in the text-books which had, on the whole, failed to harmonise relations between communities.¹⁸ It seemed to be justified in arguing that the history text-books in particular had totally failed in this respect. One point, however, was not made clear about this demand: although the term 'secular' was used, one does not know whether the Majlis meant that a real secular (scientific) education was to be introduced or that the present tendentious books were to be replaced by ones that would gratify the Majlis leadership.¹⁹ The fact of the matter is that in India an emphasis on moral education has religious consequences because the individual conscience is heavily laden with religion.²⁰

The Manifesto criticised the 'first-past-the-post' system of elections with single-member constituencies on the ground that it failed to reflect the real configuration of public opinion. It, therefore, demanded the introduction of proportional representation so that minorities might be properly represented in the legislative bodies. It is noteworthy that no case was put forward for separate electorates or reservation of seats. The demand for proportional representation is typical of political minorities and almost all the non-Congress parties had demanded it at one stage or the other because they had failed to secure seats in proportion to the size of their votes.²¹

This was followed by a discussion of what the Manifesto called the "wel-

fare character" of the state. The demand included social security for the disabled and handicapped, free education at all stages, full employment and unemployment allowances, shelter for the needy, free medical service and compensation to accident victims. Apart from the socialistic jargon current in the country these days and the moral overtone which a movement of this kind is likely to adopt, there were two points of special interest. The Manifesto demanded that the branding of an Indian citizen as anti-national should be declared a cognisable offence under law and that the state should pay compensation in case it failed to protect the life and property of a citizen. The two demands were related to the events surrounding communal riots where the Government had escaped its responsibility by attributing these riots to social forces operating in the country and which it claimed were beyond its control. Curiously enough, the examples cited by the Manifesto to substantiate these two demands were drawn from France, Bulgaria, Saudi Arabia and Kuwait.

PERSONAL LAW

Further, the Manifesto demanded that the personal law of the different communities should be safeguarded, recommending that, if necessary, the Constitution should be amended. In fact, the question of personal law was the one which had led to the first major stir in the Muslim community. In this respect, it would be worthwhile mentioning that this conservative stand of the Majlis was in sharp contrast to the relatively progressive attitude of the Muslim League. Whatever the political role of the League, it had helped to modernise the Muslim community. The new emergent conservatism of the Majlis was shaped by many factors: it was partly the hypersensitiveness resulting from the depleted size of the community and partly a reaction to a similar overtone among Hindu extremist movements. Above all, after the departure of the relatively prosperous classes of Muslims for Pakistan, socially reactionary and religiously conservative leaders from humble backgrounds took their places in the Indian Muslim leadership positions. It should also be pointed out that the Majlis expressed its determination against reform of Muslim personal law at a time when in the United Arab Republic, Tunisia and even in Pakistan the law was being drastically modified to be brought into tune with the social

needs of modern times.

The fifth demand of the Majlis was concerned with the development and recognition of Urdu as a medium of instruction and expression in Bihar, Uttar Pradesh, Delhi, Rajasthan, Madhya Pradesh, Andhra Pradesh and Mysore. The demand was similar to those made regarding so many recognised and unrecognised languages in the country. It was complicated by the fact that as essentially an urban language, Urdu had no contiguous region where it was widely used and had by mistake come to be identified with Muslim culture. Until recently it was proceeding satisfactorily towards becoming a language capable of meeting the demands of modern academic disciplines but suffered a setback in the post-Partition political situation. This setback was partly due to the politicisation of the Hindi-speaking rural masses of the Hindustani belt.

The Manifesto also demanded the establishment of a "minority Board" in order "to solve the problems of the minorities and redress their grievances". This Board was to consist of "representatives enjoying the confidence of minorities". It is apparent that the demand was based on the notion that there was a solid Hindu majority which other communities, as minorities, were confronting. Although the tone was not as sharp as that of pre-Partition days, the outlook was based on the same political premises. It excluded linguistic, caste, racial and cultural minorities from the scope of such a board. Apparently the Majlis leaders over-looked the fact that this country is a land of minorities in which no community is large enough to remain a solid majority for a considerable period of time. The polyglot, multiracial and hybrid character of the country provides tremendous possibilities for each interest group to bring its influence to bear on the policy-making processes without special minority boards of the kind demanded.

The Manifesto also referred to the Cultural and Educational Rights guaranteed by the Constitution and demanded preservation and protection of the basic aim of the institutions with "minority character and traditions". It linked the issue of maintaining the denominational character of the Aligarh Muslim University with other universities of this kind and demanded that all of them should be preserved in accordance with the basic aim for which they were created. In fact, the debate in Parliament²² on the bill

regarding Benares Hindu University indicated that public opinion in India was opposed to making changes in the denominational character of educational institutions and the general feeling was that no harm would be done to the secular concept of the state if they were allowed to continue.²³

The aim for which the religious trusts had been established was of "a fundamental importance and it is not permissible to deviate even an iota from them". Therefore, the Majlis called upon the Government to develop these trusts rather than annoy any religious community by interfering in its affairs.²⁴

Finally, the Manifesto lamented the moral degradation of the country and demanded that obscene literature should be banned, immoral films be censored, untouchability be eradicated and prohibition be implemented more rigorously. It joined the anti-Congress chorus by adding that corruption and nepotism, which "had eaten into the vitals of our social fabric" should be rooted out.

PARTICIPATION IN THE ELECTIONS

Equipped with the nine-point mandate, the Muslim Majlis-e-Mushawarat appeared on the electoral scene of eight States in the 1967 general elections: Andhra, Bihar, Maharashtra, Madhya Pradesh, Mysore, Rajasthan, Uttar Pradesh and West Bengal.²⁵ Although a four-member Central Election Committee was appointed to supervise the selection of candidates to be given support in the elections, the actual responsibility was entrusted to the State Election Committees, constituted for this purpose in those eight States. A Resolution²⁶ passed by the All-India Majlis on December 13, 1966 in Delhi, laid down the three qualities of the candidates to be supported: that he should be 'liberal', that he subscribe to the fundamental principles of peace, democracy and secularism and that he should regard all Indians as brethren irrespective of their religion, caste or community. Furthermore, the State units established District Committees with a view to helping them in selecting candidates and carrying on publicity for them. The candidates thus selected were required to sign a pledge "to support them [nine points] and work for their adoption by the Legislature and Government if I am elected to the Parliament/the Assembly".

It is futile to try to read a uniform pattern of support in these States in view of the fact that lists were pre-

pared by each unit for its own political reasons and were, in most cases, sent to the Central Election Committee long after the elections were over. Obviously, neither the Muslim interests defined by the nine-point mandate nor the three qualities required of candidates were applied as the criteria for selecting candidates to be supported, except in Madhya Pradesh and Maharashtra. The units in Andhra, Bihar and Rajasthan had pro-Congress orientation, while those of Mysore, Uttar Pradesh and West Bengal had an obvious reservation against the Congress. This created the impression that far from being a pressure group articulating special interests, the Majlis was a pragmatic alliance of political leaders of the community, which had neither an all-India policy nor a mechanism for synchronising the State lists.

The electoral participation of the Majlis was facilitated by the attitudes of most political parties. Except for the Jan Sangh, which saw in it an attempt to revive the Muslim League, the parties, including the Congress, welcomed the emergence of this agency to negotiate for Muslim votes. The Swatantra and Republican parties applauded its establishment most of all. Even Ram Manohar Lohia succumbed to the pressure of the SSP rank and file and made an unequivocal statement in support of the conservative programme of the Majlis.²⁷ The Congress party, though consistently opposed to it at a theoretical level, was eager to strike an adjustment with it on favourable terms so as to avert electoral losses. However, from the beginning there was ample indication that the parties would not like to be led by the Majlis on policy issues of Muslim concern.

It was doubtful if the Majlis commanded the fairly large Muslim support it claimed to represent. The three components of the organisation were not in agreement as to the precise meaning of the interests defined in the Manifesto and each one of them had its own concept of priorities. The younger generation appreciated neither the political assumptions of pre-Partition politics nor the conservative attachment of leaders to vain symbols of Muslim preservation in secular India. Above all, a large number of politically minded Muslims who had thrown in their lot with various political parties ranging from the CPI(M) to the Jan Sangh, made use of the organisation for their own party ends.

The performance of the Majlis was

not spectacular in terms of absolute numbers, but it was successful in influencing Muslim voters so that the bulk of them did not vote for the Congress. This affected the elections in three respects at least. The Congress no longer remained the only party with a significant number of Muslim legislators. Secondly, the changing configuration of the Muslim legislators generally increased their representation except in States where the Muslim population was scattered in small conglomerations. Finally, the weight of Muslim votes helped the opposition parties of secular orientation, specially in Uttar Pradesh. Even if these were not major achievements, the role that the Majlis played in politicising Muslim voters, in acquainting them with some of the fundamental political issues and in driving them away from the habit of block voting in favour of the Congress, were sufficient points to its credit.

STATE GOVERNMENTS

The attitude of the Majlis units towards government-formation after the 1967 elections in the various States was also quite divergent. The West Bengal unit alone was successful in its objectives. It threw its weight behind the United Front Government of Ajoy Mukherji and did not change its position even after Humayun Kabir changed his stand. As the UF Government in West Bengal was responsive to the demands of the minorities, the Majlis leaders were able to establish an enduring rapport with the Leftist parties.

In Bihar, the enthusiasm, which the United Front Government showed for the Majlis initially, subsided very soon. The 34-point programme,²⁸ forming the basis of that Government included some of the demands of the Majlis. But the inclusion of the Jan Sangh in the Government made the alienation of the Majlis a foregone conclusion. In fact, while accepting the programme, the Jan Sangh had already reserved its right to maintain an independent stand on the question of recognising Urdu as the second language of the State.

The polarisation of forces in Rajasthan facilitated the Congress Government in securing the support of the Majlis. Four of the six Muslim legislators belonged to the Congress and another independent (pro-Sukhadia) had failed to secure a Congress ticket due to intra-party factionalism. The Majlis-supported non-Muslim legislators were

mostly Congressmen. Since the threat to Congress power arose from the Jan Sangh, it was natural for the Majlis to support Sukhadia in the wake of the violence and confusion created by the opposition group. The Majlis did not get the opportunity to evolve any definite strategy in Andhra, Maharashtra and Mysore because the Congress formed governments easily in these States. In the political confusion of Madhya Pradesh, the Majlis remained politically unmobilised.

The ineffectiveness of the Majlis' mandate was revealed in Uttar Pradesh more than elsewhere. Two of the thirty-nine Majlis-supported MLAs crossed the floor and joined the Congress in a bid to help C B Gupta form his short-lived government. Later, though Charan Singh appointed three cabinet ministers and three deputy ministers from among those who had been supported by the Majlis, only Akhtar Ali Khan (Swatantra) pressed, of course unsuccessfully, for incorporating the Majlis' mandate in the programme. As a matter of fact, because of inherent political conflicts, the Charan Singh government could show nothing worthwhile by way of achievement. It had half-heartedly made a promise to provide facilities for the development of Urdu and to protect the linguistic minorities. But the committee of five members which was to be formed to implement the pledge and was to be presided over by the Jan Sangh Education Minister, Ram Prakash, was never constituted.²⁹

UNDER THE WEIGHT OF EVENTS

Subsequent political developments in the country were an agonising experience for the Majlis. The political atmosphere created by polemics during the presidential election (1967) was further vitiated by pressures from certain sections of political opinion demanding a change in India's West Asia policy. This was to culminate in a series of communal tirades against the Congress nominee, Zakir Husain, which were not countered by any of the legislators elected with the Majlis' support.³⁰ More serious was the fact that Ram Manohar Lohia, having already given a pledge to oppose Muslim personal law reforms, nevertheless led the attack on Zakir Hussain for his allegedly conservative views on the subject.³¹ This highly charged atmosphere led to a smear campaign against the Majlis. It could overcome this crisis because one of its constituents, the Jamaat-e-Islami, had given its tacit

approval to the Jan Sangh's objectives.³² The jubilation following Zakir Husain's victory also overcame the bitterness aroused due to the campaign against the Majlis.

The six-day Arab-Israeli War in June 1967 forced a serious situation on the Majlis. Though India's general support for the Arab position³³ was prompted by national interest³⁴ and had general public approval,³⁵ four national dailies and some opposition parties launched a campaign aimed at its reversal.³⁶ The Majlis, in spite of the varying views of its constituents on the character of the Arab-Israeli dispute, was broadly interested in providing support for the Government's policy. As a group it did nothing significant in this regard, but its members, in their individual capacities, participated in aiding Palestinian relief operations. The two resolutions passed by the Majlis' Working Committee — extending co-operation to the Palestine Committee and commending the Khartoum Conference's resolutions³⁷ — were more than a token gesture in view of its members' activities in the Committee.

On the legislative front, the Majlis' record was of utter failure. While Majlis-supported non-Muslim legislators did not respect the group's sentiments, the Majlis-supported Muslim legislators belonging to pro-Israeli parties, found in their parties' policies a source of serious embarrassment. At one point some of the latter sought to sever their relations with their respective parties but were advised restraint. Akhtar Ali Khan, Swatantra Excise Minister in UP, however, wrote a letter to the party requesting it to change its partisan policy towards Israel, failing which he offered to tender his resignation.³⁸ The party gave an evasive reply disowning responsibility for Masani's views in the Lok Sabha.³⁹ Akhtar Ali Khan along with three other MLAs remained defiant and critical and was suspended from the party.⁴⁰

The process of heart-searching in the Majlis reached its climax under the impact of renewed communal riots, particularly the Gujarat frenzy of 1947 magnitude. The Working Committee resolutions condemning riots, initiating relief organisations like the Red Crescent Society and demanding judicial probes were to culminate in the despatch of Majlis' delegations to make inquiries on the spot. This widened the gulf between two ways of thinking which were present in the Majlis ever since its inception. While the Majlis' Uttar Pradesh unit had a strong ten-

dency towards direct participation in politics, the all-India leadership had resisted this temptation. The former thought direct participation was the only way to redeem Muslim grievances. The latter, on the other hand, took the view that the transformation of the Majlis into a political party would undermine its broad-based character and place it in a controversial position.

On June 3, 1968 the Working Committee of the Uttar Pradesh unit of the Muslim Majlis-e-Mushawarat unanimously resolved to form a political party called the Muslim Majlis.⁴¹ The draft constitution of the new party laid down its basic objective as the defence of minority rights, specially of Muslims, within the framework of the national goals of "secularism, welfare and democracy".⁴² This strategy was taken to its logical conclusion by forming a Federation of Backward Classes, Scheduled Castes and Minorities by way of preparation for the local mid-term poll in 1969 in UP.⁴³ The new party was able to secure 2 seats in the UP Vidhan Sabha.⁴⁴

Although the national leadership of the Majlis did not approve of this development, it refrained from making any severe criticism of it.⁴⁵ Behind the temperate attitude demonstrated by the central leadership was a dilemma for the organisation which was formed with a view to providing a forum for Muslims of all political opinions. While it did not want to alienate the members of the new party, it wanted to attract Muslim politicians who had already thrown in their lot with other national and regional parties. The new constitution resolved this dilemma by transforming the Muslim Majlis-e-Mushawarat into a federation of Muslim associations.⁴⁶ In this manner it tried to regain its political influence through a loose, federal structure.

NOTES

- 1 The author wishes to express his indebtedness to Abdul Majeed, Office Secretary of the All-India Muslim Majlis-e-Mushawarat, Delhi.
- 2 The contention of Indian sociologists about the role of caste in politics is one-sided. A single factor approach of this kind cannot explain the complex political scene in India.
- 3 Robert E Dahl, "A Preface to Democratic Theory", Chicago, 1963, pp 63ff.
- 4 Imtiaz Ahmad, "Indian Muslims and Electoral Politics", *Economic and Political Weekly*, March 11, 1967, pp 521ff.
- 5 See Theodore P Wright, Jr, "The Muslim League in South India

- Since Independence: A Study in Minority Group Political Strategy", *The American Political Science Review*, Vol LX, No 3, September 1966, pp 579ff.
- 6 Maulana Abul A'la Maududi, "Musallman aur Maujuda Sivasi Kashmakashi", Vol III, Delhi, 1951, pp 103ff.
- 7 W C Smith, "Islam in Modern History" New York, 1959, p 235.
- 8 For a fuller treatment of socially conservative supporters of the Indian National Congress, see Ziaul Hasan Farooqui, "The Deoband School and the Demand for Pakistan", Bombay, 1963.
- 9 The representatives of the Jamaat abstained on the resolution of December 13, 1966 regarding electoral policy.
- 10 Maulana Abul-Lais' interview with the correspondent of *Dawat*, Delhi, March 25, 1967.
- 11 A J Faridi, "Muslim Majlis-e-Mushawarat and 1967 Elections", *Radiance*, Delhi, March 19, 1967.
- 12 W C Smith, "Modern Islam in India" London, 1946, pp 157ff.
- 13 *Ibid*, pp 258ff; and Z M Quraishi, "Indian Muslims", *Janata*, Bombay, December 1965.
- 14 "Awami Manshur", New Delhi, 1966(?), pp 5ff.
- 15 For an analysis of trends towards greater participation of Muslims in Indian politics, see Gopal Krishna, "Electoral Participation and National Integration", *Economic and Political Weekly*, Annual Number, January 1967, pp 185ff.
- 16 For the text of the resolution see "Intikhabat ke Silsile men All-India Muslim Majlis-e-Mushawarat ka Ahm Faista", New Delhi, 1966 (?). (Referred to hereafter as "Ahm Faista".)
- 17 "Awami Manshur", *op cit*, p 7.
- 18 For selected examples from Faridi's prescribed book see Hafeez Malek, "Islam in Politics: India", *Muslim World*, October 1966, pp 252ff.
- 19 The difficulty of men like Faridi lies in that they do not consider ancient mythology as part and parcel of the Indian national heritage as Muslims in other parts of the world do their respective national heritages.
- 20 As a matter of fact, the secularists in India are critical of the moral overtone of educational curricula.
- 21 W J M Mackenzie, "Free Elections", London, 1958, p 83.
- 22 *Lok Sabha Debates*, Third Series, Vol XLVIII, Nos 15 and 16, pp 3617-3736 and 3863-73.
- 23 For a detailed account of recent developments in Aligarh see Theodore P Wright, Jr, "Muslim Education in India at the Crossroads: The Case of Aligarh", *Pacific Affairs*, Vol XXXIX, Nos 1-2, pp 50-63.
- 24 The Congress party has followed the practice that only the people belonging to the particular community decide as to how the trusts are to be regulated.
- 25 This section summarises my findings in "Electoral Strategy of a Minority Pressure Group: The Muslim Majlis-e-Mushawarat", *Asian Survey*, December 1968.
- 26 "Ahm Faista", *op cit*, p 4.
- 27 See his statement in *North India Patrika*, Allahabad, February 6, 1967.
- 28 For the text, see *United Asia*, Election Issue, 1967.
- 29 Presidential Address of Dr A J Faridi, delivered at the first UP State Muslim Majlis-e-Mushawarat Conference held at Rampur on August 9 and 10, 1967.
- 30 Z M Quraishi, "The Presidential Election in India", *The Indian Political Science Review*, Vol III, Nos 1-2, October 1967, pp 25-57.
- 31 *Hindustan Times*, April 29, 1967.
- 32 *Radiance*, April 30, 1967.
- 33 Indira Gandhi's statement in the Lok Sabha, *Times of India*, June 7, 1967.
- 34 Dewan Berindranath, "War and Peace in West Asia", *Tropical*, New Delhi, 1969, p 209.
- 35 G S Bhargava, "India and West Asia", Popular, New Delhi, 1967.
- 36 K P Singh, "India and the Crisis", in M S Agwani, ed, "The West Asian Crisis 1967: Indian View", Meenakshi, Meerut, 1960, pp 87ff.
- 37 Texts of the resolutions in *Radiance*, October 1, 1967.
- 38 *Times of India*, July 16, 1967.
- 39 "Swatantra Party and the West Asian Crisis", *Swatantra Newsletter* (62), August-September 1967.
- 40 *Times of India*, August 12, 1967.
- 41 *Qaid*, June 4, 1968.
- 42 "Dastur-e-Muslim Majlis", Muslim Majlis, Meerut, 1968, p 6ff.
- 43 *Hindustan Times*, October 14, 1968.
- 44 *Qaid*, February 25, 1969.
- 45 The statement of Mufti Atiqur Rahman, President of the All-India Muslim Majlis-e-Mushawarat in *Dawat*, June 19, 1968.
- 46 "Dastur-e-Jadid", The Majlis, New Delhi, 1968.

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Recent Trends in Inter-Sectoral Terms of Trade

S L Shetty

Domestic terms of trade, as between the sectors, play a significant role in the process of development by providing a measure of shifting incomes from one sector to another. Where Government finds it inconvenient for socio-political reasons, to impose a direct fiscal burden — such as an agricultural income tax or higher rates of land revenue — for mobilising the agricultural surpluses necessary for the growth of an industrial sector, a less painful tool available to it might be to make the terms of trade for agriculture adverse.

This may indeed be a possible way out in India because if, as a first approximation, the relative wholesale prices of agricultural commodities and non-agricultural commodities are considered, there is unmistakable evidence that the terms of trade have moved in favour of agricultural commodities in recent years. Moreover, the benefits of this have gone largely to the big market-oriented farmers whose costs of inputs, too, have not risen proportionately owing to distribution controls or subsidies operated by Government.

Nevertheless, high-income households are few in agriculture and the surpluses are usually diffused and scattered, posing a serious problem for the tax administration. The surpluses are, therefore, best tapped where and when they become patently overt through such devices as betterment levies and high irrigation rates.

IF, as a first approximation, the relative wholesale prices of agricultural commodities and non-agricultural commodities are considered as an index of their terms of trade, there is unmistakable evidence that the terms of trade have moved in favour of agricultural commodities in recent years. Till 1963-64, while there was no definite trend in these relative prices, the overall picture was one of adverse terms of trade for agricultural commodities against non-agricultural commodities. Thereafter, as may be observed from Table 1, the relative prices have been consistently moving against the non-agricultural commodities.

The index numbers of agricultural commodities as percentages of the index numbers of non-agricultural commodities rose from 94.4, in 1963-64, to as high as 117.7 in 1969-70. The terms of trade for agricultural commodities appear still favourable when we compare their index numbers with the index numbers of only manufactured products (finished products) rather than of all non-agricultural commodities. Thus the index of this relative position works out at as much as 137.6 in 1969-70, whereas in 1963-64 it was 101.0.

Looking at the problem from another angle, between 1962-63 and 1969-70, an increase of 90 per cent in the prices index of agricultural commodities was accompanied by an increase of only 53 per cent in the prices index of non-agricultural commodities; or between 1955-56 and 1969-70, an increase of 172 per cent in the prices of agricultural commodities was accompanied by an increase of 111 per cent in the

prices of non-agricultural commodities (see Table 2).

In fact, the movements in the index of wholesale prices during the last three decades in India conform to what is generally accepted, on *a priori* grounds: that in a period of rising prices, the terms of trade are generally in favour of the agricultural sector, and that in a period of falling prices, they are generally against that sector. This is evident from the data presented in Table 3 for the three phases between 1941 and 1967.

RIISING PHASE IN PRICE LEVEL

The galloping prices of the War and post-War years had benefited the agricultural sector considerably more than the non-agricultural sector. The first half of the 1950s had seen a declining trend in the general price level; the extent of decline in agricultural commodities (30 per cent) was twice as much as that in non-agricultural commodities (15 per cent). Since the mid-fifties the economy has been experiencing a rising phase in the price level, with agricultural commodities benefiting much more than the non-agricultural commodities. True, during 1968-69, there was a fall of 2 per cent in the prices of agricultural commodities, accompanied by a rise of 3 per cent in prices of manufacturers. This was short-lived, however, and recent trends in prices show the relative prices again moving in favour of agriculture (see Tables 1 and 2).

In conclusion, the long-term trend is one of favourable domestic terms of trade for agricultural commodities.

It may be argued, however, that the

recent accelerated improvement in the commodity terms of trade for agriculture is mainly due to the failure of crops in 1965-66 and 1966-67 and the consequential declines in farm incomes; and that the agricultural sector is unlikely, therefore, to have derived any disproportionately high share of the total national income.

While it is true that a part of the recent rise in agricultural prices is due to the declines in farm output, the rise over the long run has been largely under the impact of a secular upward trend in the demand for agricultural commodities. The national income data, at current and constant prices, bear testimony to this. The share of national income originating in agriculture at current prices is much higher than the share at constant prices (see Table 4). For instance, during the base year of the Revised Series of national income, viz, 1960-61, the share was at 51 per cent (obviously at both current and constant prices). During 1967-68, the share at current prices was 53.2 per cent, while at constant (1960-61) prices it was only 45.2 per cent. During 1968-69, the share of agriculture in national income at current prices declined to 50.4 per cent, but it was again estimated that it would increase to 52.7 per cent in 1969-70. During both these years, the share of agriculture in national income at 1960-61 prices would likely remain at around 44.0 per cent only. This differential is observed in other years also. This shows that the movement of relative prices in favour of the agricultural sector has been disproportionately high.

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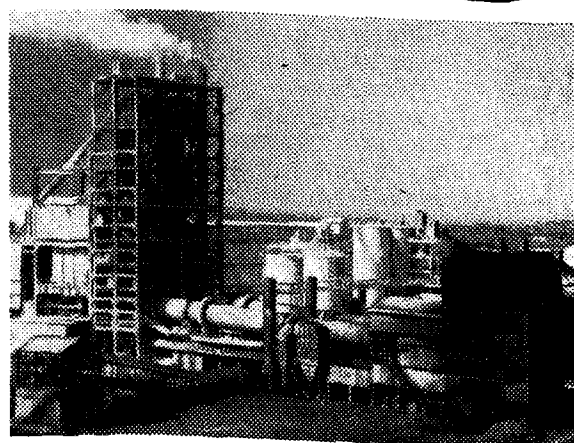
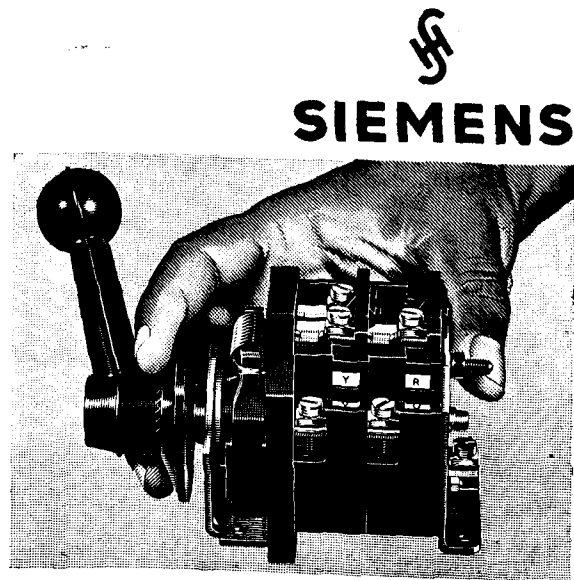
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TABLE 1: RELATIVE PRICES OF AGRICULTURAL COMMODITIES

Year	Index Numbers of Agricultural Commodities as Percentage of	
	Index Numbers of Non-Agricultural Commodities	Index Numbers of Finished Products
1950-51	97.1	108.1
1955-56	91.4	88.4
1956-57	98.6	99.0
1957-58	98.3	99.3
1958-59	101.8	105.5
1959-60	99.1	104.7
1960-61	98.4	100.8
1961-62	96.8	98.6
1962-63	94.7	97.7
1963-64	94.4	101.0
1964-65	107.4	118.0
1965-66	108.5	119.6
1966-67	114.1	131.4
1967-68	116.4	144.2
1968-69	109.8	135.1
1969-70	117.7	137.6

Note: Index Numbers are based on averages of months.

Source: RBI's Reports on Currency and Finance, and Monthly Bulletin.

PRICES RECEIVED TO PRICES PAID

However, in the ultimate analysis, the 'terms of trade' has to be defined in terms of the ratio of prices received to prices paid by farmers, the conclu-

sions are not so obvious.

On the side of what they receive, the benefits of high wholesale prices do not percolate fully to the farm sector. For instance, higher wholesale prices for foodgrains are meaningful only for the marketed part of the foodgrains output, which until recently was around one-third. As shown in Table 5, market arrivals have shown substantial increases in recent years. But these increases in the marketed surpluses are unlikely to raise their proportion to total foodgrains output beyond 40 per cent. In cash crops, almost the entire output is marketed. Of the marketed portion of the output of both foodgrains and cash crops, a part of the benefits of increased prices are appropriated by the traders and merchants outside the agricultural sector. Whatever benefits accrue from higher agricultural prices are shared between middlemen and large landholders. Besides, as the Agricultural Prices Commission have pointed out in a recent Report¹ a large proportion of the farm population are net purchasers of foodgrains from the market. The extent of the market dependence for foodgrains by different types of households in selected States is given in Table 6.

Households which are largely dependent on market purchases thus form a significant proportion of total households. According to the NSS 17th

TABLE 2: CUMULATIVE PERCENTAGE INCREASES IN INDEX NUMBERS OF WHOLESALE PRICES

Percentage Increases during	All Commodities (1000)	Agricultural Commodities (332)*	Non-Agricultural Commodities (668)*	Manufactures (Finished Products) (323)*
First Plan	(—)17.3	(—)20.0	(—)15.0	(—)2.2
Second Plan	35.0	40.7	30.6	23.3
Third Plan	31.9	40.8	27.7	18.6
Annual Plan	25.7	26.6	25.1	12.2
1969-70	3.7	8.4	1.1	6.4
Cumulative Percentage Increases				
(i) 1969-70 over 1950-51 (19 years)	92.2	117.5	79.4	70.8
(ii) 1969-70 over 1955-56 (14 years)	132.3	171.9	111.1	74.6
(iii) 1969-70 over 1961-62 (8 years)	71.5	94.4	60.1	39.7
(a) 1967-68 over 1961-62 (6 years)	67.3	88.2	56.9	29.1
(b) 1969-70 over 1967-68 (2 years)	2.5	3.3	2.0	8.2
(iv) 1969-70 over	65.4	90.4	53.2	35.2

*These weights are based on 1961-62=100 series of Index Numbers of Wholesale Prices.

Round on Land Holdings (1961-62), about 48.4 per cent of the farm households cultivated less than 2.5 acres, and another 11.6 per cent of the farm households were landless. Thus, about 60 per cent of the farm households are sure to depend on foodgrains purchases from the market. The extent of their dependence would generally vary between 50 per cent and 99 per cent. These purchases are also made at market prices—in which case, again, the benefits of higher prices, paid by these small farmers and landless, accrue to the traders and large landholders.

The manufactures' prices index with which the agricultural prices index is compared, includes a number of industrial commodities which farmers do not directly consume; the commodities which they do largely use—either for personal consumption or as inputs for agriculture—have shown only moderate price increases in recent years.

To cite a few examples, such as cotton manufactures, kerosene oil, fertilisers, diesel oil and bicycles. It may be observed from Table 7 that, while the wholesale prices of 'manufactures' as a whole increased by 82 per cent between 1955-56 and 1969-70, those of fertilisers increased by 46 per cent, of cotton manufactures by 63 per cent, and of bicycles by 41 per cent. This phenomenon is more striking during the last eight years—1961-62 to 1969-70—when the prices of 'manufactures' increased by 44 per cent, and prices of cotton manufactures, diesel oil, soaps, cycles, and matches, showed considerably lower increases. Incidentally, prices of fertilisers which are an important input for agriculture, actually declined during the first 15-years bet-

TABLE 3: PERCENTAGE INCREASES IN PRICES DURING THE LAST THREE DECADES (BASED ON DERIVED PRICES INDEX: 1952-53=100)

Various Phases	Agricultural Commodities	Non-Agricultural Commodities	General Prices Index
Rising Phase (1941-1951)	+290.9	+172.7	+235.5
Declining Phase (1951-1955)	— 30.4	— 15.3	— 24.9
Rising Phase (1955-1967)	+152.8	+110.1	+131.3

Source: This Table is derived from a study made by N K Thingalaya: 'A Century of Prices in India', *Economic and Political Weekly*, January 25, 1969, p 251.

TABLE 4: NET DOMESTIC PRODUCT BY INDUSTRY OF ORIGIN

(Percentage Distribution)

	Agriculture	Industry	Transport and Trade	Services	Non-Agricultural Sectors	Total
	Agriculture, Forestry and Logging and Fishing	Mining and Quarrying, Large-Scale Manufacturing, Small-Scale Manufacturing, Construction, and Electricity, Gas and Water Supply	Transport and Communication, Trade, Hotels and Restaurants	Banking and Insurance, Real Estate and Ownership of Dwellings, Public Administration and Defence and Other Services		
<i>At Current Prices</i>						
1960-61	51.0	20.1	14.0	14.9	49.0	100.0
1961-62	49.9	20.6	14.3	15.2	50.1	100.0
1962-63	48.0	21.4	14.8	15.8	52.0	100.0
1963-64	48.6	21.5	14.5	15.4	51.4	100.0
1964-65	50.5	20.3	14.5	14.7	49.5	100.0
1965-66	47.8	21.1	15.2	15.9	52.2	100.0
1966-67*	49.6	19.8	15.5	15.1	50.4	100.0
1967-68*	53.2	17.9	15.0	13.9	46.8	100.0
1968-69*	50.4	19.2	15.4	15.0	49.6	100.0
1969-70†	52.7	—	—	—	47.3	100.0
<i>At 1960-61 Prices</i>						
1960-61	51.0	20.1	14.0	14.9	49.0	100.0
1961-62	49.7	20.8	14.4	15.1	50.3	100.0
1962-63	47.3	21.9	15.0	15.8	52.7	100.0
1963-64	46.1	22.7	15.2	16.0	53.9	100.0
1964-65	46.8	22.4	15.0	15.8	53.2	100.0
1965-66	42.6	23.8	16.2	17.4	57.4	100.0
1966-67*	41.8	23.8	16.6	17.8	58.2	100.0
1967-68*	45.2	22.1	15.8	16.9	54.8	100.0
1968-69*	43.9	22.7	15.9	17.5	56.1	100.0
1969-70†	44.3	—	—	—	55.7	100.0

* Provisional

† Estimated by us.

Source: CSO "Estimates of National Product—1960-61 to 1968-69", pp 5 and 9.

TABLE 5: MARKET ARRIVALS OF CERTAIN COMMODITIES IN SELECTED MARKETS

(lakh tonnes)

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
Rice (October-September)	17.8	13.9	14.3	17.1	17.2	19.1
Wheat (April-March)	7.7	9.4	8.1	9.0	18.3	18.1
Jowar (October-September)	2.9	3.0	3.3	2.9	2.7	2.2
Bajra (October-September)	1.9	1.7	2.0	2.3	2.4	3.1
Gram (April-March)	4.2	5.0	3.4	3.3	6.3	3.8

Source: Fortnightly Highlights published by Directorate of Economics and Statistics, Ministry of Food, Agriculture, CD and Co-operation, Department of Agriculture, New Delhi.

between 1951-52 and 1965-66. Increases of about 30 per cent in fertiliser prices had occurred during the two-year period, 1966-67 to 1967-68, in the wake of the abolition of budgetary subsidies. In cotton manufactures, increases in prices of coarse and medium varieties, which are consumed on a significant scale in the rural areas, are still moderate since these prices have always been under statutory control. Thus, a part of the explanation for the lower price increases of commodities consumed on a large scale in the farm sector lies in price and distribution controls, or subsidies, operated by Government.

There is yet another factor regarding production costs in recent years. It is argued that the agricultural sector has been operating under conditions of rising costs, resulting in marginal costs higher than marginal revenue. However, the available data do not substantiate this hypothesis (see Table 8). It is observed that the percentage of total inputs to gross output in agriculture and animal husbandry, together, has almost remained static at around 21 to 22 per cent during 1960-61 to 1968-69. The absolute figures here are at constant prices. Instead, if current prices data are considered, as they should be, the proportions are likely to work out still lower. A significant development during this period has been that, out of total inputs in agriculture, inputs from 'manufactures' have increased considerably. In other words, it is not that farmers have made a significant addition to the average cost per unit of output; rather, it is the well-to-do farmers who seem to have substituted refined inputs for traditional forms of inputs. This is no doubt a welcome feature, as it enhances the scope for fiscal manoeuvrability.

These results again are based on wholesale prices. A more appropriate method would be to consider the farm harvest prices (i.e., prices received by the farmers) and retail prices (i.e., prices paid by the farmers). Such information has been collected by certain States, viz., Punjab, Assam, Kerala, Orissa and West Bengal. But, from the available data, it is difficult to draw any worthwhile conclusions. Apart from the differences in the weighting diagrams, "the method of collection of the data and their dependability leave much to be desired." As for rural-urban differentials in consumer prices, the NSS data on consumer expenditure (18th Round: 1963-64) reveal that, on the whole, the urban price level seems to

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TABLE 6: PROPORTION OF MARKET PURCHASES OUT OF TOTAL CONSUMPTION OF FOODGRAINS

(in percentages)

States	Producer Households	Labour Households with some Land	Landless Households	All Categories
Andhra Pradesh	34.7	63.1	99.4	63.5
Maharashtra	34.7	57.5	97.6	49.4
Rajasthan	26.6	47.3	74.0	29.3

TABLE 7: INCREASES IN PRICES OF COMMODITIES CONSUMED IN FARM SECTOR

Index Numbers of Wholesale Prices for	Percentage Increases 1969-70 over 1955-56	Percentage Increases 1969-70 over 1961-62
Manufactures:	81.7	43.5
Cotton Manufactures	62.5	33.8
Diesel Oil	81.9	22.8
Aluminium Utensils	95.3	35.2
Soaps	77.7	36.6
Fertilisers	46.1	32.9
Cycles	41.0	14.9
Matches	61.9	14.1

be about 15 per cent above the rural price level.³ It is understandable that, for food items as a whole, urban prices are nearly 13 per cent higher than the rural prices. What is revealing in the NSS surveys is that, for non-food items exclusive of items of urban monopoly such as amusements and sports, medicine, sundry goods, services, rents and taxes, etc., the price differential, at 26 per cent, is twice as that for food items. The inference is that, the transport and overhead charges which the

rural retailers have to incur make a dent into retailers' margins, compared with the retailers' margins in the urban area; their incidence is not passed on to the rural consumers. It is also possible that such transport and overhead charges are equally high in urban areas, since commodities of local origin may not form a significant proportion of the urban consumer basket.

Domestic terms of trade play a significant role in the process of development, by providing a measure of shifting incomes from one sector to another. Where Government finds it inconvenient, for socio-political reasons, to impose direct fiscal burden (like an agricultural income-tax and higher rates of land revenue) for mobilising agricultural surpluses necessary for the growth of an efficient industrial sector (and also for maintaining price stability and raising national savings ratio), making the terms of trade adverse for agriculture would be a less painful alternative device available.

In the Indian context, besides the political unwillingness to impose additional tax burden, the revenue potentiality of a progressive system of taxation of the type prevailing in the non-farm sector is limited. A recent study on the incidence of taxation in farm and non-farm sectors, made by this author, shows that more than 75 per cent of direct taxation in the non-farm household sector is borne by households having incomes above Rs 25,000 per annum. In the farm sector, such high-income households are almost non-existent. In other words, the scope for the operation of high marginal tax rates is limited in the farm sector. The rest of the surpluses are diffused and

scattered, which poses a serious problem for the direct tax administration. Therefore, these surpluses are best tapped where and when they become patently overt, through such devices as betterment levies and higher irrigation rates. This is again not done for political reasons. Consequently, neither the strategy adopted for Plan investments nor the one adopted for resource mobilisation has so far resulted in the net transfer of resources from the farm sector to the non-farm sector which is a *sine qua non* for take-off.

MANIPULATING THE TERMS OF TRADE

As for the creation of adverse terms of trade, various methods have been found for this purpose. Some countries like Burma, Argentina, Uganda, West Africa, Nigeria and Ghana have adopted monopoly state purchases of certain agricultural products, either for external or internal trade, with the primary objective of earning higher revenues for the state. It is unlikely that the operation of state trading in India in recent years has helped net transfer of resources from the farm sector to the non-farm sector. On the contrary, it is obvious that certain Government operations, like the food procurement operations at prices higher than those recommended by the Agricultural Prices Commission, have artificially kept up the market prices and come in the way of the economy deriving the benefits of lower prices from increased output. The other method would be to impose additional indirect tax burdens on commodities sold in the farm sector. The excise duty of 10 per cent on fertilisers imposed in the 1969-70 Budget was to be commended from this angle.

TABLE 8: TOTAL INPUTS AS PROPORTION OF GROSS OUTPUT IN AGRICULTURE

(Rs in crores, at constant 1960-61 prices)

Year	Gross Value of Agriculture	Gross Value of Animal Husbandry	Total of Agriculture and Animal Husbandry	Total Inputs	Inputs from Manufacture	(5) as Percentage of (4)	(6) as Percentage of (4)	(6) as Percentage of (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1960-61	7161.0	1593.3	8754.3	1850.4	52.8	21.1	0.6	2.9
1964-65	7917.0	1793.0	9710.0	2015.2	115.0	20.8	1.2	5.7
1965-66	6784.2	1536.5	8320.7	1734.9	136.1	20.9	1.6	7.8
1966-67	6926.7	1505.8	8432.5	1838.5	212.6	21.8	2.5	11.6
1967-68*	8229.9	1614.2	9844.1	2158.0	403.7	21.9	4.1	18.7
1968-69*	8723.7	1743.3	10467.0	2304.1	499.3	22.0	4.8	21.7

* Preliminary.

Notes: Total inputs consist of

(a) inputs from agriculture, namely, seed, organic manure and livestock feed.

(b) inputs from manufacture, namely, fertilisers, pesticides, electricity and fuel oil.

(c) other inputs, namely, market charges, irrigation charges, depreciation, repairs, maintenance, etc.

Source: "Economic Recovery" 1967-68, 1968-69: 'Some Relevant Data and Tentative Analysis'.

It is true that the whole issue is a complex one and there is no single solution to this problem. Many devices — fiscal and para fiscal — will have to be adopted, in combination at different points for different commodities, for siphoning off agricultural surpluses for economic growth. Among the different methods other than direct and indirect taxes in vogue in different countries, state trading can play a pivotal role in siphoning off agricultural surpluses, particularly when there is a

disproportionately high shift of money incomes from the non-farm sector to the farm sector. It is therefore disquieting to note that, in India, even state trading in agricultural commodities has, by and large, failed to achieve the objective of mobilising larger agricultural surpluses. If this continues unchecked, the national economy will continue to be subjected to a moderate long-term growth of around 3 to 4 per cent.

NOTES

- 1 Report of the Agricultural Prices Commission on Price Policy for Kharif Cereals for 1968-69 season.
- 2 M L Dantwala: 'Incentives and Disincentives in Indian Agriculture', *Indian Journal of Agricultural Economics*, April-June 1967, p 6.
- 3 G S Chatterjee and N Bhattacharya: 'Rural-Urban Differentials in Consumer Prices', *Economic and Political Weekly*, May 17, 1969, p 850.

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Towards Better Utilisation of Scientific Manpower

P N Chowdhury

R K Nandy

The approach to manpower planning in this country has been based largely on the assumption that given certain levels and patterns of investment, employment would automatically adjust itself to an optimum position. But recent experience in respect of engineering manpower has shown that abject surrender to market forces might be too costly.

This paper attempts to suggest certain parameters of a policy on scientific manpower. It traces the trend in the supply of natural scientists, excluding engineers and doctors, with post-graduate or higher qualifications over the period 1950-65. The distribution of employed scientists in different types of organisations is examined to bring out their employment pattern. The paper also deals with the income structure of scientists and examines their spatial mobility.

[The authors are grateful to K Roy, Scientist-in-Charge, Division for Scientific and Technical Personnel, CSIR for his kind permission to use the Division's data. The authors are personally responsible for the views expressed in the paper.]

I

Introduction

MANPOWER planning in India has concerned itself, at the macro-level, with problems of balancing overall supply and demand and has failed to step into the precincts of concrete studies on sectoral imbalances. It has been assumed that, given certain levels and direction of investment, employment would adjust itself, almost automatically, towards an optimum position.

The recent experience in respect of engineering manpower has taught us that abject surrender to market forces might be too costly in terms of economic, social and political sacrifices. Most policy-makers own that the question of educated unemployment and underemployment is a source of great political tension, but very few of them would agree to deploy sustained research effort on this problem. Politicians are accustomed to speaking in a vacuum, but planners cannot wish away the reality that the country has failed to develop an adequate information system and a research base for studying various aspects of the utilisation of educated manpower, specially, its most vulnerable section, viz, scientists and technologists. If one wants to know the number of scientists and technologists employed, say, in the chemical industry, their status, their age and income distribution, one is sure to face disappointment. We become conscious of an event when it has already occurred with serious adverse consequences, instead of directing the course of events on the basis of *ex-ante* prognosis of their possible consequences. Sheer empiricism and politi-

cal pressure forced on us some discussion of the problem of employment of engineers and the flight of scientists, doctors and engineers (popularly known as the "brain drain").

The country has witnessed, during the last two decades, vast expansion of science education at different levels. Science and its application have come to be recognised as one of the key variables for economic, social and political transformation. Scientists have occupied a large number of positions in Government, industry and university and research institutes. The scientific profession has of late received a high social status. Scientists have started developing external contacts profusely through international symposia, seminars and visits to foreign countries for training and other purposes. These national and international interactions have the effect of raising the level of expectation among a vast number of working and would-be scientists, who are drawn from the widest possible strata of society. This has posed a sociological problem. The slightest shrinkage of opportunities at the intellectual and material planes or the apprehension of this happening creates more than proportionate tension among the ranks of the present-day and prospective votaries of science. A levathan of a creative force has been awakened and unless society knows how to use it, enormous frustration may be generated, leading to violent disturbance of the social equilibrium.

The present paper intends to elaborate certain parameters of a policy on scientific manpower. It traces the trend in the supply of natural scientists (excluding engineers and doctors) with post-

graduate or higher qualifications for the period 1950-1965. The distribution of employed scientists in different organisations and the sector of their activities are dealt with in order to pinpoint the present employment pattern. The paper also deals with the income structure of the scientists and their spatial mobility.

II

Trend in Supply of Scientific Manpower

Almost all the disciplines under natural sciences have been covered in this section which seeks to trace the annual outturn and stock of scientists for the period 1950-1965. It has been estimated that the present (1970) strength of all scientific and technical manpower, inclusive of engineers and doctors, stands at 1.19 million, of which science graduates are estimated at 0.43 million and science post-graduates at 0.15 million.

Table 1 indicates the trend of supply of scientists for the last two decades. It shows that during the 15-year period there was a sixfold increase in the annual turnover of PG scientists. The stock of PG scientists in 1950 was 17,000 and during the last two decades there has been a ninefold increase in their stock. The annual rate of growth in outturn was very high during 1950-55 but later on it becomes steady round 16 per cent. Of course, the growth for the stock over the two decades remains the same. In other words the experience of the last two decades suggests that doubling of the stock of PG scientists takes place in 7 to 8 years and the outturn per year doubles in 5



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TABLE 1: ANNUAL OUTTURN AND STOCK OF POST-GRADUATE SCIENTISTS (1950-70)

Category	Outturn in				Stock at the		Growth Factor*	
	1950	1955	1960	1965	End of the		of the Stock	
					Year			
					1965	1970 (esti- mated)	1950- 60	1960- 70
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Chemistry	346	582	1,081	1,943	18,000	29,100	2.3	2.7
Geography	157	299	674	1,036	9,200	14,500	5.2	3.1
Geology	61	93	274	447				
Geophysics	5	13	21	36	4,200	6,600	5.0	3.3
Mathematics	281	755	1,012	1,878	17,800	28,200	2.7	2.6
Statistics	30	100	258	378	3,400	5,200	7.5	3.5
Physics	222	454	736	1,388	12,800	20,800	2.5	2.8
Agriculture	154	197	488	1,197	7,700	13,500	3.7	3.6
Botany	97	251	414	702	6,600	11,400	3.1	3.1
Zoology	128	252	429	760	6,500	11,100	3.2	3.2
All categories	1,481	2,996	5,387	9,765	86,200	1,40,400	3.0	3.0
Rate of growth per year (per cent)		20.4	15.96	16.25	—	12.62	—	—

* Growth factor is the ratio of the stock (1960 to 1950 and 1970 to 1960).

Source: *Technical Manpower Bulletin*, Division for Scientific and Technical Personnel, CSIR, June 1970, Vol XII, No 6, and other data obtaining in the Division.

to 6 years. So far as inter-disciplinary variation in the supply of PG scientists is concerned, the following characteristics may be noted:

(i) The pure science group (physics, chemistry and mathematics) shows a high rate of increase in the outturn figures. Barring mathematics, this group's growth factor for stock also tends to increase, though chemistry has

an edge over physics. Brighter employment prospects for students passing out in chemistry and physics could explain this rapid rise in numbers. The influx into the mathematics group may partly be explained by demand factors, but in the main it represents the residue which failed to get accommodation in physics and chemistry.

(ii) Outturn in the geo-sciences rises

at a lesser rate than that in the pure sciences. The growth factor for stock of this group falls sharply; post-graduates in geo-physics are few in number and the rise in outturn for geology is comfortable.

(iii) So far as the bio-sciences are concerned the rate of increase of the outturn in agriculture, though almost stagnant until 1955, registers a sharp

TABLE 2: DISTRIBUTION OF SCIENTISTS HAVING POST-GRADUATE AND HIGHER QUALIFICATIONS BY PRESENT ACTIVITY AND DISCIPLINES, 1961-65

	Subject										
Present Activity	Statistics	Mathematics	Chemistry	Physics	Botany	Zoology	Agriculture	Geology	Geophysics	Geography	All Disciplines
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Teaching in college/university	219	2,226	2,711	2,835	1,103	1,231	291	290	45	282	11,233
Teaching in school/polytechnic	20	747	345	292	163	160	79	22	4	275	2,107
All teaching	239	2,973	3,056	3,127	1,266	1,391	370	312	49	557	13,340
Research in industry	2	8	118	21	16	9	5	3	—	—	182
Research outside industry	101	396	2,482	1,323	794	599	1,034	244	73	27	7,073
All research	103	404	2,600	1,344	810	608	1,039	247	73	27	7,255
Teaching-cum-research	58	193	992	589	404	318	425	128	17	70	3,194
Technical in industry	63	118	1,137	251	29	40	45	293	51	4	2,031
Technical outside industry	342	685	822	857	227	349	898	631	70	53	4,934
All technical	405	703	1,959	1,108	256	389	943	924	121	57	6,965
Professional practice/consultation	1	6	15	14	3	1	2	6	—	—	48
Non-technical	106	1,094	594	484	184	147	124	71	10	162	2,976
Total	912	5,473	9,216	6,666	2,923	2,854	2,903	1,688	270	87	33,778

FIGURE 1: ANNUAL OUTTURN OF POST-GRADUATE SCIENTISTS

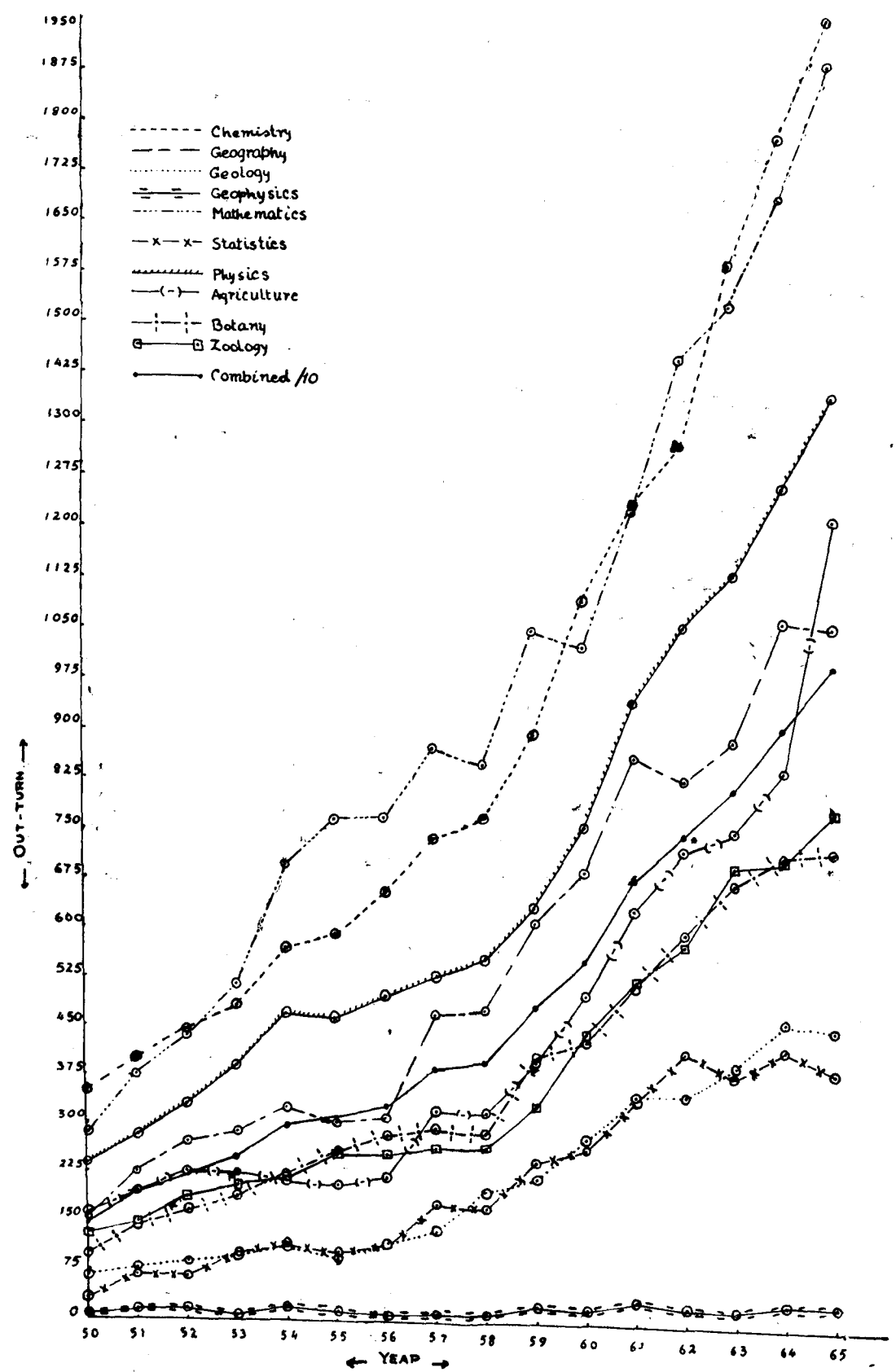


TABLE 3: DISTRIBUTION OF EMPLOYED POST-GRADUATE SCIENTISTS BY ORGANISATION AND NATURE OF ACTIVITY, 1961-65

Organisation (1)	Nature of Activity											
	Teach-cum-Research (2)	Teaching in		Research		Technical		Professional Practice Consultation (9)	Sales/Marketing (10)	Journalism (11)	Non-Technical (12)	Total (13)
		College/University (3)	School/Polytechnic (4)	In Industry (5)	Outside Industry (6)	In Industry (7)	Outside Industry (8)					
University	1,281	1,261	2	—	1,258	2	122	1	2	5	25	3,959
College	1,581	9,466	79	—	173	2	40	7	—	5	8	11,361
Polytechnic	5	17	179	—	—	—	—	—	—	—	—	201
School	19	57	1,622	—	—	—	—	—	—	1	1	1,700
Government, Central	22	63	18	4	834	47	2,519	3	2	52	1,007	4,571
Government, State	250	268	155	6	702	36	1,794	—	4	48	1,008	4,271
Local Bodies	—	3	9	—	—	—	23	—	—	—	21	56
Industry, Public	—	2	—	42	9	500	59	—	4	—	41	657
Industry, Private	1	4	2	100	9	1,348	54	1	62	11	141	1,733
Research Organisation, Public	16	9	1	13	3,404	11	176	1	—	12	9	3,652
Research Organisation, Private	10	5	—	11	466	3	15	—	—	3	4	517
Self-employed	—	2	1	2	1	35	14	26	25	3	185	294
Others	2	7	5	2	45	18	52	7	26	28	161	353
Total	3,187	11,164	2,073	180	6,901	2,002	4,868	46	125	168	2,611	33,325

Source: Ibid.

rise since then. Botany and zoology share the same fate, the per year growth and stock growth factor over the decades remain steady. The breakthrough in certain areas of agricultural production through the induction of research inputs and the overall investment priority given to agriculture has eased slightly the demand position. On the supply side the bio-sciences are strengthened from the fall-out from early medical courses. The pattern of employment of agricultural scientists and the problems in relation to their optimum utilisation have been discussed elsewhere.²

Figure 1 presents the growth curves of scientists belonging to different disciplines based on annual outturn figures and Figure 2 shows the trend line (adjusted) for all the natural scientists. The growth characteristics depicted in Table 1, are visible from the group of curves and the combined curve. The equation for the trend line as has been found by least square method is:

$$Y = 4701.69 + 268.68t$$

The actual data are first smoothed by taking 3-years moving averages. "Y" stands for expected outturn of scientists and "t" is the time variable. The origin of "t" lies between years 1957-58

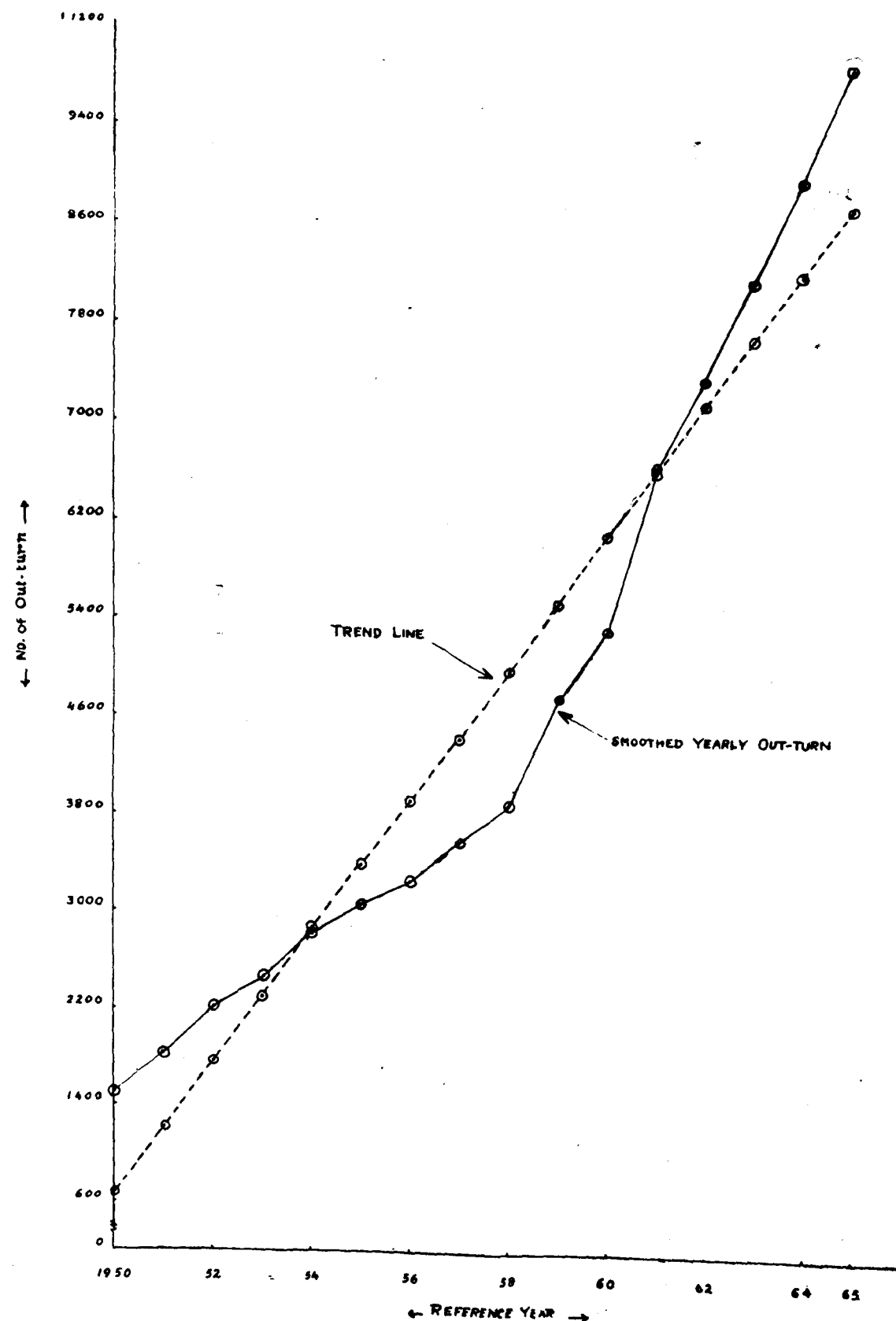
TABLE 4: INCOME DISTRIBUTION BY LEVEL OF QUALIFICATION AND DISCIPLINES, 1961-1965

Qualification Level	Median Monthly Salary (in Rs)									
	Statistics	Mathematics	Chemistry	Physics	Zoology	Botany	Agriculture	Geophysics	Geology	All Disciplines
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All Post-Graduates (including Doctorates)	286 (668)	363 (3,831)	346 (6,065)	339 (4,331)	289 (1,886)	296 (1,961)	309 (1,969)	375 (199)	390 (991)	318 (2,190)
Doctorates only	880 (21)	573 (137)	563 (996)	600 (410)	519 (238)	519 (299)	524 (231)	660 (18)	664 (68)	565 (2,418)

Source: Ibid.

Notes: (1) Persons above 60 years have been excluded from consideration.
(2) Figures in parentheses indicate the number of scientists for whom the salary figures hold good.

FIGURE 2: TREND LINE FITTED TO SMOOTHED OUTTURN DATA FOR POST-GRADUATE SCIENTISTS



and the unit for "t" is 2 years. Future estimates of the outturn may be obtained for each year on the basis of the above equation.

The supply trend observed in the previous section presents a back-drop for the problem of utilisation of the future additions to the scientific labour force.

The present section brings to the fore the triangular interactions of scientific disciplines, present activity of the scientists and the organisations which they serve. The distribution of scientists having post-graduate degrees (including Doctorates) in this three dimensional set-up may be analysed to show less-than-optimum situations from the point of view of different utilisation criteria. Data on these scores pertain to the registrants whose particulars are available in the National Register maintained by the Division for Scientific and Technical Personnel, CSIR, during 1961-1965.

It is very difficult, under the present system of reporting to arrive at reliable figures for the total number of employed scientists. The 33,778 registrants (reported in Table 2) represent a good cross-section of scientists employed in various types of activities. In this paper no claim is made about the representativeness of this sample. It is believed that the younger scientists are more inclined towards registering and renewing registration and, therefore, there is a chance of certain downward biases being present in the sample for such categories as overall income and age of employed scientists.

It is observed* from Table 2 that percentages of absorption of scientists are 39.4, 21.4, 9.4, 20.6, and 9.2 in the teaching, research, teaching-cum-research, technical and non-technical (administration) fields, respectively. Of the scientists employed in teaching and teaching-cum-research, Universities and Colleges are responsible for the provision of employment to 67.8 per cent and the rest find berths in schools and polytechnics. It is found in Table 2 that only 182 (2.5 per cent) of the 7,255 research scientists covered in the study were working in industry, indicating very poor participation of the industrial sector in Research and Developmental (R and D) activities. Of course, during the last five years industrial employment of R and D scientists has shown steady progress but the rate of increase has not been high enough to tilt the relative position.

It is seen from Table 3 that industry is responsible for providing employment to 1,961 (28.6 per cent) of the 6,870

scientists engaged in technical activities, government appearing as the main employer employing 4,396 (63.9 per cent). On a deeper probe into activity variation of scientists belonging to different disciplines it is found that for mathematicians, teaching and teaching-cum-research (58.2 per cent) and non-technical work (20 per cent) are the more important fields of activity. Physicists are distributed mainly in teaching and teaching-cum-research which together account for 55.1 per cent, research absorbing 19.2 per cent. Chemists' concentration in teaching and teaching-cum-research is lower (43.5 per cent) and research (28.2 per cent) and technical work (21.7 per cent) are, comparatively, more important.

Among the bio-scientists, botanists and zoologists follow more or less the same employment pattern as that of physicists, though in case of zoologists technical work appears to be more significant. For agricultural scientists, the most important field of employment is research (34.8 per cent) followed by technical work (31.0 per cent) teaching-cum-research (13.4 per cent) and only teaching (12.7 per cent). For geologists, the pattern is reversed, technical work occupying the highest position (56.2 per cent) followed by teaching (18.4 per cent) and research (14.6 per cent).

The above analysis leads to the following conclusions.

(1) For mathematicians the high incidence of non-technical (administrative) work, and that too in Government departments, is a sure sign of wastage. Openings for mathematicians in research and industry are very limited, which suggests that the present syllabi in mathematics in various universities need drastic changes with more bias towards research and application. The scope for mathematical research, in both basic and applied areas, has to be investigated. The application of mathematics in the areas of management research, operation research and computer science need be thought of.

(2) Nearly 7 per cent of the total employment of the scientists is generated by industry (private and public) and the rest is provided, directly or indirectly, by government and educational institutions. Now, the question is: how far is it possible and desirable to sustain the above pattern of employment? It has been observed that the number of post-graduate scientists is increasing every year by 15 per cent and the rate is going to be steady if it does not accelerate. Employment outlets for this rising number of scientists have to be

found more and more from within the economic mechanism of the society and the scientists should be made more useful by being drawn closer to the production apparatus.

In order to realise that goal a shift of emphasis from pure scientific training to technological courses is an urgent necessity. The social prestige that is associated with the pursuit of theoretical knowledge should be accorded also to research in more utilitarian fields.

(3) The opening of new branches in physical sciences, like electronics and telecommunication and computer technology, and their industrial utilisation have had some impact on the expansion of industrial employment of physicists. But compared to the rate of increase in the supply of these personnel, the industrial intake is tardy and the employment potential may get saturated soon.

(4) The basic solution for the imbalance lies in reshuffling the educational system, in the scientific and technological reorientation of industry and agriculture and in the integration of educational planning with planning for economic development.

The system of remuneration offered to scientists is one of the indicators of their utilisation. If it is observed that real income of the employed scientists has been rising over the years relative to that of other sections of society, there is a presumption that the demand for them (in relation to supply) and, correspondingly, their social effectiveness are growing. This assumption does not hold good if demand is affected by supply, i.e., scientific posts are created, not in response to felt need, but to provide jobs to the really talented and/or needy scientists. Again, at a point of time, the income distribution among scientists of various disciplines may reflect that some scientists are in greater demand than others, because of their greater relative social utility.

Nearly 22,000 post-graduate scientists (of whom 2,418 are research degree holders) have been covered by the salary analysis attempted here. The difference in median salary of all post-graduates and doctorates is computed at Rs 247 p.m. per scientist. In the pure sciences, the highest level has been reached for mathematics post-graduates and, among all scientists, the geologists' median salary appears to be the highest. Of course, the subject-wise range of variation in the salary of post-graduates is not very wide, although this variation is very marked in the case of doctorates. For geophysicists and geologists, the median salaries for doctorates are higher,

TABLE 5: INTER-STATE DISTRIBUTION OF POST-GRADUATE SCIENTISTS, 1961-65

Present State	State of Domicile																	Total	
	Andhra	Assam	Bihar	Gujarat	Jammu and Kashmir	Kerala	Madhya Pradesh	Tamil Nadu	Maharashtra	Mysore	Orissa	Punjab	Rajasthan	Uttar Pradesh	West Bengal	Delhi	Himachal Pradesh		Other Union Territories
Andhra	2,447	—	2	6	—	17	5	29	30	35	7	2	4	17	5	7	—	—	2,613
Assam	12	335	6	—	—	8	3	9	3	7	3	2	—	25	28	5	—	1	447
Bihar	34	1,379	3	3	5	24	11	17	23	15	12	13	7	185	97	14	—	1	1,841
Gujarat	13	—	5	944	4	20	10	18	74	14	—	6	9	32	7	6	—	—	1,162
Jammu and Kashmir	—	—	1	—	118	—	—	—	2	—	1	8	—	8	1	3	—	—	142
Kerala	14	—	2	1	—	1,458	5	39	4	9	—	2	—	2	1	1	—	—	1,538
Madhya Pradesh	29	1	9	10	8	22	1,588	20	91	12	2	24	23	268	28	21	—	—	2,156
Tamil Nadu	84	1	3	4	1	133	2	2,175	14	57	1	7	—	19	21	8	—	1	2,531
Maharashtra	126	7	15	69	5	205	70	151	4,225	222	11	60	26	170	82	56	1	13	5,514
Mysore	67	2	5	5	1	54	3	75	42	1,506	3	9	8	19	14	19	—	1	1,833
Orissa	26	1	20	1	1	15	3	13	5	8	412	4	—	19	25	2	—	—	555
Punjab	3	1	1	—	14	5	9	11	9	3	3	1,252	9	100	6	52	3	1	1,482
Rajasthan	22	—	1	5	2	27	26	8	14	10	—	28	924	150	19	25	—	—	1,261
Uttar Pradesh	83	7	35	6	20	46	46	45	53	34	14	97	37	6,737	91	86	2	2	7,441
West Bengal	106	39	102	6	16	57	20	53	52	42	18	20	11	186	3,751	47	—	6	4,532
Delhi	124	8	42	10	28	90	41	110	126	66	12	276	49	643	144	1,699	4	2	3,424
Himachal Pradesh	—	—	3	1	—	2	2	—	3	—	—	84	1	82	2	4	29	—	113
Other Union Territories	3	6	3	—	2	5	2	5	2	2	1	2	—	9	12	1	—	37	92
Total	3,193	409	1,634	1,071	225	2,188	1,846	2,778	4,772	2,042	500	796	1,108	8,621	4,334	2,056	39	65	38,677

Source: Ibid

Source: Ibid

in keeping with the salary levels of all post-graduates in these subjects, but this direct correspondence breaks down for statistics. In statistics the post-graduates earn the lowest median salary, but the doctorates earn the highest median salary among all scientists. The low level of earning of post-graduate statisticians may be explained by lower scales of pay for technical work (as investigators, statistical assistants and computing clerks) both in government and in industry. The median salary of bio-scientists is generally depressed compared to that of pure scientists and geo-scientists. The comparatively higher salary level for mathematicians in the pure science-group could hardly be explained by the pattern of employment; it might reflect the higher average age of mathematicians and its effect on salaries.

The concept of mobility from a low to a high degree of utilisation is basic to economic optimisation. This is true not only for products but also for all factors of production, including human capital. Mobility of scientific and technical personnel may be intra- and inter-organisational and interregional, inter-State and international. Intra-organisational vertical movement from one type of activity (say, technical) to another (say, scientific) effected through promotion is always helpful from the individual scientist's point of view and useful from the stand-point of society. Inter-organisational movement may be helpful to the financial interests of an individual scientist, but the social good may not be enhanced *pari passu*, inasmuch as the movement may be horizontal (covering the same type of activity) rather than vertical. Inter-organisational movement, for example, between universities and research organisations, on the one hand, and between extension and research establishments, on the other, is generally helpful so far as they make possible cross-fertilisation of ideas and experience. The question of inter-organisational mobility of agricultural scientists has been raised in a recent discussion.³ Due to the lack of adequate data it has not been possible to develop in this paper the analysis of intra- and inter-organisational mobility of post-graduate scientists.

Movement of scientists between the States is presented in Table 5. Not only does such mobility benefit the mobile sections professionally and financially, but the movement of highly qualified personnel from one place to another serves to improve productivity through the exchange of live information and

expertise among different geographical positions. Mutual interaction among scientists of different States very often opens up newer horizons in the fields of education, research, development and extension. Moreover, as the top intelligentsia belonging to different linguistic groups and cultural strata gather and mix in professional and non-professional pursuits, emotional integration at a national plane gets strengthened.

The sample size in Table 5 (38,677 scientists) is larger because it includes both the employed and those seeking employment. Table 5 throws some light on certain interesting aspects of the mobility pattern of post-graduate scientists. A significant variation is observed in the mobility of scientists between the regions. The strength of domicile scientists in the four southern States is 10,201; out of this, 2,006 (19.65 per cent) moved to outside regions. Similarly, the number of domiciled scientists in the northern States is 15,652, of whom 1,289 (8.23 per cent) moved out of the region. The mobile sections from eastern and western India (Gujarat and Maharashtra) going outside their regions constitute less than 10 per cent of the number of domiciled persons. The relatively higher degree of mobility from the southern States (Andhra and Kerala predominate) is caused both by the push and pull factors. Lack of employment opportunities, specially, in the industry, in the south and the comparatively wider scope in other areas contribute to the higher degree of mobility. The pull effect of Delhi as the capital, offering opportunities in administration and in the academic field, has to be taken into consideration.

The pull and push factors are an interesting subject of research and it would be useful to know which types of organisations and activities are specially responsible for providing jobs to scientists belonging to other regions. It is observed that the northern States (including MP) show the least movement outside the States concerned. UP is by far the most important, not only in producing the greatest number of post-graduates but in providing employment to a large proportion of its own scientists. Data presented in Table 5 provides scope for more detailed discussion of intra- and inter-State mobility and for studying the factors behind the observed mobility-pattern.

III Conclusions

This paper aims at drawing attention to a fuller appraisal of the employment

policy for scientific manpower. The trend of supply of scientific manpower points to an explosive growth-rate and there is urgent need for closer examination of how this growing force is accommodated in the social fabric — if not with the greatest advantage, at least with the least disadvantage. The study of the organisation, the types of work, the incentive systems and the mobility characteristics of already employed scientific personnel will help better planning for fuller utilisation of the new entrants to the scientific labour force.

Notes

- 1 *Technical Manpower*, Bulletin of the Division for Scientific and Technical Personnel, CSIR, June 1970.
- 2 "Pattern of Employment of Agricultural Scientists", P N Chowdhury and R K Nandy, *Economic and Political Weekly*, June 20, 1970.
- 3 Chowdhury and Nandy, *op cit*.

Agricultural Credit

A PROGRAMME to expand the volume and range of agricultural credit to farmers in the States of Haryana and Tamil Nadu will be carried out with the help of two credits totaling \$60 million from the International Development Association (IDA). The credits will finance investments in minor irrigation, farm mechanisation and land levelling.

Both projects, when completed, will bring major benefits to the Indian economy in the form of increased production of foodgrains and other crops and will result in higher incomes to over 70,000 participating farmers in the two States. The increase in agricultural production will come both from better yields and higher cropping intensity. Production of foodgrains alone will increase by about 500,000 tons a year. The value of additional production of wheat, rice, sugarcane, oilseeds and cotton seed resulting from the projects will amount to \$61 million a year at current prices.

In recent years, the Government of India has given priority to the introduction of the new agricultural technology through increasing the availability of improved inputs and by providing economic incentives to farmers. In order to maintain the momentum of agricultural growth, the Government is trying to expand the availability of institutional credit for on-farm investments and the IDA credits are part of the continuing efforts to support such institutional credit programmes.

The Chartered Bank Organisation

Chairman, Mr W G Pullen's Statement

THE following are extracts from the Statement and Overseas Survey by the Chairman, Mr William George Pullen, to be presented at the Annual General Meeting of the Chartered Bank on 30th June 1971, at 38 Bishopsgate, London, E C 2.

Our merger with our friends The Standard Bank Limited was effective from 1st January 1970 and in the ensuing year most satisfying progress has been made towards our final goal of the closest possible collaboration compatible with the interests of the respective banks and thereby those of the share-holders in our joint fortunes. In particular, plans are well advanced for a joint international division which in size and diversity will have greater scope for handling the large and widespread demands of international companies and yet will still give that personal service which our customers, no matter how small or in what part of the world, have come to expect.

Although, as usual, the year did not pass without one or two political setbacks, the most important of which was the nationalisation of our business in Libya, 1970 was a successful year in which we were able to take full advantage of steady conditions in most of our territories and of increasing world trade. Once again too the relative stability of all the major currencies enabled us to give exchange cover to our large trading customers without undue risk to ourselves, and in this connection it is reassuring that HM Government has agreed to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balances in London. Furthermore, in spite of some underlying weakness in the United States dollar, and a reluctance of some of the more powerful countries to regard Special Drawing Rights as desirable alternatives to gold and currency holdings, there has been an obvious concerted effort by central bankers to play down, and eradicate if possible, any disparities arising from pressures in the foreign exchange market. Whilst changes in the parities of any of the world's leading currencies might therefore appear unlikely in the near term future we cannot overlook the extraordinary power generated in free Euro currency markets

which could exert sufficient pressures from the flow of hot money to override the monetary policies and interests of individual countries. The United States dollar will, however, continue to suffer all the stresses, which we know so well, of being a reserve currency. There is too, in spite of more inclination to write and talk of a world central bank, very little likelihood of a fundamental change in the present system for a long time to come.

Mention has been made of the nationalisation of the Commercial Bank SAL in Libya, the first joint Libyan bank founded and in which we held forty-nine per cent of the capital. It is not easy to understand either the political or economic reasons for this action but Libya, a rich country, has promised to pay full compensation. Last year I referred to our expectation that India would reimburse us in full for the nationalisation of the Allahabad Bank Limited, and I am pleased to say that we have received the first of the three compensation instalments. Only Burma still shows no intention of honouring its promises and obligations and so assuredly can still have no plans for enlisting overseas aid to underpin its ailing economy.

THIS YEAR'S ACCOUNTS

The consolidated balance sheet figures have again increased and this year total £1,010 millions, an increase of £75 millions over the figure for 1969. Current, Deposit and Other Accounts have increased by £60 millions and Advances to Customers and Other Accounts by £50 millions. In The Chartered Bank's own accounts £4,400,000 has been transferred from inner reserves to the Reserve Fund which now stands at £22 millions. In the Group accounts, capital and consolidated published reserves together with the balance on profit and loss account now total £34,210,908, an increase of £5,046,998 over the corresponding figure for 1969.

Dividends are now payable in their entirety to our parent, Standard and Chartered Banking Group Limited, whose first accounts to 31st March 1971 cover a period of 15 months. In consequence the dividends, paid and proposed totalling £2,950,000, which appear in the profit and loss account

exceed by £590,000 the amount which would be required on a twelve months' basis. To accommodate the excess payment The Chartered Bank's own transfer to Reserve Funds from published profits has been reduced from a figure of £1,000,000 in 1969 to £600,000 and there is a reduction in the carried forward balance on profit and loss account from £1,045,622 to £948,790.

INTRODUCTION TO OVERSEAS SURVEY

In order to adjust more nearly to the yearly report of our friends The Standard Bank Limited this survey covers a period of fifteen months to the end of March 1971, which is perhaps useful for the last three months of the period saw some unusual and unexpected political twists and changes affecting some of the countries in which we operate.

Generally speaking the Vietnam war has been going on so long that as such it no longer commands over-riding interest and it is significant that newspapers both in the United States and in this country think that the only events worth stressing are so called reserves for the United States and South Vietnam forces. Full credit is seldom given for the steady progress achieved, particularly in restoring large areas of South Vietnam to near normal conditions and to the building up of that country's armed forces to a strength that will prevent the country falling into communist hands as United States forces are withdrawn. There is still some concern in neighbouring countries that political pressure in the United States is dangerously accelerating the running down of both personnel and effort but President Nixon and his Chiefs of Staff are hardly likely to countenance any precipitate moves in negation of the principles involved in the intervention: nor could they for one moment allow it to be thought that all the effort and loss of life had been in vain.

Reference is often made to the problem of the developing countries with particular emphasis on the extent to which their agricultural produce, and hence often their economies, are at the mercy of world prices but for many years now in even the more developed as well as the underdeveloped countries of Asia another problem has been increasing and now coming on top of the population explosion bids to out-

weigh all others. This is the ever growing trek of the country people to the large cities in the area and many governments are at their wits end to find solutions for the traffic congestion, pollution and squalid living conditions that arise from the overcrowding in the vast conurbations of the countries' capitals. Plans to assist agriculture and stop the denuding of the country-side are seldom effective and even with increased budget allocations for welfare few countries have sufficient resources to arrest let alone eradicate these social evils. Perhaps this should now be the main area for international assistance, be it soft loans or technical aid.

INDIA

At the opening of the year the situation in India was, to say the least, confused as there was complete indecision at the centre and a total lack of leadership while in many States, especially in West Bengal, the outlook was indeed cheerless. The Congress Party had been torn asunder and Mrs Gandhi found herself the head of a minority government whose sole objective was to remain in power with a view to strengthening its position until fresh elections could be held which her party could hope to win. To accomplish this Mrs Gandhi sought the support of minority parties and as was inevitable, insecurity led to indecision so that the major problems which faced this great sub-continent remained unresolved and the country, to an extent was allowed to drift without guidance or leadership.

Although the general elections were not due to be held until 1972 it is a measure of the political acumen of the Prime Minister that she accurately assessed the mood of the country by calling an early election in 1971 almost a year before it was due and her judgement was vindicated by her Party obtaining an over-whelming majority in the lower house. By discarding many of the stalwarts in the old Congress Party she portrayed a new image, which was reflected in her own approach to the public and helped the swing in her favour. The second largest party, which hardly constitutes opposition is the divided communist party and it is interesting to note that of the twenty-five members of the CPM, no fewer than twenty were elected from West Bengal. This suggests that the communist party, despite all the vicissitudes through which the country has passed, has not gained in stature since the last election.

With the necessary two-thirds majority the Prime Minister will now have full powers to promote her policies and will have a continuing degree of stability

in the administration. However, there will not now be the excuse of a divided government for failing to honour election pledges and the voters will now expect Mrs Gandhi not only to implement her policies but also to show that they are beneficial to the country in order to prove she is worthy of support. The destiny of a vast population estimated to be 570 million persons, depends on democracy in India under her leadership moving forward peacefully and above all with stability. The greatest test is likely to come in the effectiveness of the steps which must be taken to restore law and order. Whatever the basic causes of unrest, political, economic or straightforward discontent at living conditions, no country can hope to make progress until a modicum of discipline is installed into its labour force. For too long the authorities have been sitting on the fence and allowing employers to bear the brunt of violent and other labour disruptions, which threaten the whole structure of the economy. Over the past year or so there has been a divergence of opinion in the thinking of the government in power and that of the country's industrialists on future development as there has been an apparent preference for government to give scope and assistance to a new group of entrepreneurs to the detriment of expansion by the already existing internationally-known business houses. Whether this policy will, in the course of time, bear fruit is a matter for conjecture but at this crucial period in the country's fortunes it may have been wiser for established entrepreneurs to be given more scope to utilise advantageously their expertise and resources. In many ways 1970 was a year of disappointments and while there have been gains in certain sectors there were serious setbacks in others. The most rewarding achievement was in agriculture, where for the fourth year in succession there was an excellent harvest, and it was possibly because of this good fortune and the sufficiency in good grains that Mrs Gandhi's party decided to hold the elections at a time when conditions otherwise were far from propitious. At last the government's rather belated official recognition of the importance of agriculture is reaping its reward. Unfortunately any increase in the output of food grains is to some extent nullified by the continued substantial rise in the population figures, and this seems an insoluble problem.

The satisfaction which may have been engendered by the welcome increase in foodgrains must be, to an extent, tempered by a lack of progress by industry, which is still hampered by an inadequate

utilisation of capacity. Consumer goods industries probably suffered least from the recession but the position of the manufacturers of intermediate and capital goods, particularly the latter, remains most unsatisfactory and until the resources of these two sectors are better utilised there is little chance of improving the country's overall rate of growth or of attracting substantial overseas investment.

The nationalisation of the fourteen largest commercial banks caused no undue local concern for, as far as can be ascertained, this move has enabled the government to fulfil its aspirations and policies of diverting funds to the farmers and to small scale industries. What is more in doubt is whether the tenets of prudent banking are being applied in the provision of such finance and there could well be a build up of large, uncovered debts, with considerable embarrassment in the future. It is to be hoped that any cumulative effect will not be too serious for the reputation of any particular bank even though government will assuredly have to bale out any institutions in trouble.

The expansion of credit over the year was larger than expected and it became necessary for the Reserve Bank of India to caution banks on the need for greater credit restraint. Lending restrictions were placed on the banking system through an increase in statutory liquidity requirements and by an increase in the bank rate from five to six per cent, the first increase since 1968.

From the foregoing it would seem that India's problems are entirely internal ones, but externally too India encounters all the difficulties of avowed neutralists without becoming seriously involved, except recently with Pakistan. Feelings ran high after the hi-jacking of an Indian plane but in aligning herself with the plight, if not with the aspirations, of the East Pakistanis in their troubles with the Pakistan government, the Indian government seems to have taken a line, rightly or not, that must delay the return of the peaceful relations so necessary for the prosperity and progress of both countries.

CONCLUSION TO OVERSEAS SURVEY

Once again in studying the relative progress of countries of South East Asia and the Indian sub-continent over a year, or in this case fifteen months, there is confirmation that irrespective of the type of constitution those countries with the liberal policies are the most successful. Even adverse movements in world commodity prices seem to have less undermining effect than the narrow often nationalistic orientated restrictions which

eliminate competition and stultify growth and perhaps the most regrettable sign of this at the moment is the increasing popularity of state trading organisations. This type of trading concern formed by the state taking away profitable business from private hands is the socialists' dream and the civil servants' delight and once started, as in India where it was designed to handle the barter trade with communist countries, it spreads with the ambitions of the socialists and bureaucrats in all directions where profit is envied and control is desired for con-

trols' sake. The final outcome is nearly always the same, efficiency decreases, performance becomes erratic and prices rise. In this context it is noteworthy that in those countries with liberal minded statesmen, politically mature and at home on the international scene, there is a realisation that trading is best left to the lifelong experts and that the state reaps its rewards in the more efficient running of its country and from the taxes levied on the profits earned from economic and competitive trading.

Banks are no exception to this general rule and again those experienced Finance Ministers and Governors of central banks who realise the very full part that large and secure banks can play in competition in promoting savings and encouraging industrial expansion and agricultural efficiency are not disappointed, we are sure, at the whole hearted manner in which The Chartered Bank and others, traditionally associated with the area, ally themselves with the aspirations of the countries in which they are operating.

Gujarat State Fertilizers Company Limited

Speech of the Chairman, Shri Jaykrishna Harivallabhdas

THE following is the Speech of Shri Jaykrishna Harivallabhdas, Chairman, Gujarat State Fertilizers Company Limited, at the Ninth Annual General Meeting held at Fertilizernagar, Baroda District on Friday, June 18, 1971:

LADIES AND GENTLEMEN,

I am glad to welcome you to this, the Ninth Annual General Meeting of our Company. The large numbers in which you attend these meetings from year to year shows what keen interest you take in the affairs and progress of the Company.

The audited annual accounts, and the report of your Directors have been with you for some time. With your permission, therefore, I take them as read.

You will have noted that during the last year, your Company's production and sales have reached new heights, and you will have been satisfied that its financial results show substantial improvement over the previous year. The past year has ended with a gross profit of Rs 11,81,90,968 after meeting all manufacturing, administrative, selling and distribution expenses, and interest on loans. After providing for depreciation of Rs 5,32,43,503 and development rebate reserve of Rs 3,60,92,550, the Company's net profit amounts to Rs 2,88,54,915. Bearing in mind the desirability of building up reserves, your Directors have recommended declaration and payment of dividend for the year ended on the 31st March, 1971 at Rs 9.30 per share on the Company's preference shares and at Rs 12/- per share on the Company's equity shares. Thus dividend on equity shares has been increased by 50 per cent over that of the previous year.

Substantial improvement achieved in the operative efficiency of our plants, significant increase in production of fertilizers, and matching and consistent increase in sales have made these en-

couraging results possible. You may be aware that your Company crossed another milestone in its short history when on the 27th February, 1971, it reached the first million tonnes of fertilizer production and sales since start-up of its plants, thus contributing its humble mite to the country's effort at achieving self-sufficiency in food production. This has encouraged us to raise our targets of production and sales even higher for the current year. I am confident, God willing, and with your good wishes and good will, that we shall be able to fulfil these higher targets.

We have been pursuing a vigorous marketing policy, both inside and outside Gujarat, and I am glad to say that this has paid good dividends. We have already 130 Farmers' Information Centres-cum-Depots operating in different parts of Gujarat. I am particularly happy to state that these Centres render essential technical and advisory services to farmers, acquainting them with improvements in modern methods of cultivation, farm management, use of water and pesticides and selection of seeds. Your Company has also started providing soil and water testing facilities to farmers. Our Marketing Research and Development Unit constantly endeavours to promote balanced and correct use of fertilizers and other agricultural inputs, as well as optimum cropping patterns. As far as I know, these services are valued and appreciated by farmers.

You will recollect that last year I had informed you in great detail about the award of contracts for the setting up of your Company's Caprolactam Project. I am happy to state that all formalities in regard to such contracts have since been completed, and the engineering and other works in respect of the project are well under way. The

construction and erection works for the project will commence in the near future. On the whole, the progress of the project may be said to be satisfactory.

I shall not repeat what has already been stated in your Directors' report about future plans for achieving further improvements in the efficiency of our plants and for diversification of your Company's industrial activities. I am confident that these plans will promote further growth of your Company, whose future is linked with the bright prospects for the industrial growth of the country.

I would now like to refer to your Company's decision to raise the price of Diammonium Phosphate, which led to considerable controversy. I would like to apprise you of the reasons that led your Company to raise the price of Diammonium Phosphate by Rs 190/- from the previous price of Rs 1250/- per tonne. Your Company was the first in the country to manufacture Diammonium Phosphate fertilizer. This was a new and unknown fertilizer. It was, therefore, decided that in order to familiarize the farmers with its benefits and to promote its use in the interest of increased production, the selling price should be fixed as low as possible. Eventually its price to the farmers was fixed at Rs 1250/- per tonne, a price which was substantially below its cost of production. During the years 1967-68, 1968-69, 1969-70 and 1970-71, your Company suffered losses on sale of Diammonium Phosphate of Rs 190 lakhs, Rs 197 lakhs, Rs 262 lakhs and Rs 109 lakhs, respectively. During these years, it was possible for your Company to carry these losses of a substantial character, because the profit margin available from sale of nitrogenous fertilizers was large enough to absorb them. This fortunate situation

could not continue indefinitely. Our profit margins on nitrogenous fertilisers are reduced, both because of competition and because of Government's re-fixing of the prices of nitrogenous fertilisers at lower levels. It was also felt that farmers had come to appreciate the value of this fertiliser, by the use of which they stand to gain Rs 4/- for each rupee spent. That this is not an exaggeration will be clear from the fact that for the additional requirement of phosphatic fertilisers, of which we could meet only 50 per cent, the farmer is prepared to and does pay much higher prices per nutrient unit charged by other manufacturers, in some cases as much as 19 per cent higher than others. Taking all these facts into account, your Directors were satisfied not only that an increase in the selling price of Rs 190/- per tonne was imperative in order to enable your Company to recover its cost of production, but also that the farmer would still be able to make a satisfactory profit by using this fertiliser, which continued to be the cheapest as well as the best even at the increased price.

It is but natural that any increase in price is unwelcome, but although the farmers had not altogether liked this increase, they continued to buy our Diammonium Phosphate in even larger quantities than before. However, for reasons into which I need not go, a campaign was organized to suggest that your Company was profiteering on sales of Diammonium Phosphate and that great hardship was being caused to farmers. As I have already explained, there was no warrant for such charges. Nevertheless, at the earnest request of the State Government presided over by Shri Hitendra Desai, your Directors and the Gujarat State Co-operative Marketing Society Limited in consultation agreed to reduce the price by Rs 95/- per tonne with effect from the 13th May, 1971. I need hardly add that this decision will result in your Company having to carry a substantial loss on the production and sale of Diammonium Phosphate.

I would now like to take you into confidence in regard to the matter of prime importance to your Company. As you are aware, your Company utilizes associated gas as one of its principal raw materials for the manufacture of fertilisers. Your Company receives associated gas from Ankleshwar Oil Fields at a price fixed under the agreement made with the Oil and Natural Gas Commission. As you must have heard or read, the said Commission sometime ago suddenly informed your Company about a substantial increase in the price of gas to be supplied to your Company from the 1st April 1971 onwards. Notification of

this increase was made unilaterally, without the required prior negotiations with and consent of your Company; and in taking this step, the said Commission acted in clear violation of the terms of the agreement. Your Company has been advised that the said Commission is not entitled to so increase the price of gas in view of the express provisions of the agreement, and a protest has promptly been made against such unilateral price increase. It may interest you to know that if we were to agree to pay what the said Commission is asking, we would have to pay about Rs 1 crore more per annum for our supplies of gas, — an impossible proposition. Every effort is being made to bring home these facts to the said Commission, and your Directors hope that the issue will be amicably settled. If an amicable settlement cannot be reached, your directors will have to adopt appropriate legal measures.

In the end, I take this opportunity to express on your behalf, on behalf of my colleagues on the Board of Direc-

tors and on my personal behalf, our sincere thanks to the Government of Gujarat, the Government of India, the Industrial Development Bank of India, the Industrial Credit and Investment Corporation of India Limited 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 like to place on record, on behalf of my fellow Directors and myself, our appreciation of the excellent and dedicated work of the entire personnel of your Company, without whose efforts we would not have been able to achieve what we have done. My colleagues and I are greatly enthused by their devotion to duty and by the excellent spirit that prevails amongst all sections of your Company's staff, who work as a team.

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

JAI HIND

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

Government of India

4½ PER CENT LOAN 1978 TO BE ISSUED AT Rs. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1978.

5½ PER CENT LOAN 1986 TO BE ISSUED AT Rs. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1986.

5½ PER CENT LOAN 2001 TO BE ISSUED AT Rs. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 2001.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 375 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 4½ per cent Loan 1971 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 4½ per cent per annum on the securities of 4½ per cent Loan 1971 tendered for conversion will be paid upto and inclusive of 30th June 1971 at the time of issue of the new securities.

The new loans will bear interest from the 1st of July 1971. Interest will be paid half-yearly on the 1st January and 1st July. Interest payable on the securities of all the three loans will be liable to tax under the 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. 3000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

Subscription lists will open on the 1st of July 1971 and close on 3rd of July 1971 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.

Alembic Glass Industries Limited, Baroda

Speech of the Chairman, Shri Ramanbhai B Amin

THE following is the Speech of Shri Ramanbhai B Amin, Chairman, Board of Directors, at the Twentysixth Annual General Meeting held on June 15, 1971:

LADIES AND GENTLEMEN,

I have pleasure in welcoming you all to the 26th Annual General Meeting of the Company. The Accounts for the year ended 31st December, 1970 and the Directors' Report have been circulated to you and with your permission I shall take them as read.

Your Company has completed another year of steady progress. The production has been maintained at a high level both at Baroda and at Whitefield and our marketing strategy ensured that higher sales were maintained throughout the year.

The results achieved by your Company have to be judged against the perspective of the multi-farious problems facing the glass industry in the area of shortages and increasing costs. Rise in the costs of all inputs has continued unabated. All important raw materials as well as refractories are in short supply and are difficult to procure in a steady flow as required by our production schedule. Soda ash supplies have become increasingly difficult during the past year and production schedules are not easy to maintain in this kind of situation. We have had to relieve the difficulty by using some cullet which has to be collected from all over the country; but this cannot be a satisfactory method whether in the short-term or the long run. Additional capacities for the manufacture of soda ash have, therefore, to be promptly sanctioned and government should help in ensuring that the usual procedural and other matters do not delay such units coming into production. The production has to reach a level whereby this important raw material is available to all users at the price fixed by the manufacturers. It has also to be seen that shortages do not lead to a position where soda ash is sold at a premium of 30 per cent to 40 per cent in the market. In the meantime, imports should be made and allotted to the glass units in all regions of the country so that they can continue production at the full capacity. The closeness of the market price and the manufacturers' price acts as a barometer as to the adequacy of supplies and this index should be used for regulating

the level of imports and production capacities.

All these adverse factors, however, have not been allowed to affect the overall performance of the Company. This has been done through increased productivity at all levels and higher turnover achieved through a well organised and sustained sales and marketing effort.

The rise in sales has been achieved against the increasing degree of competition which has to be faced in the market for Yerawares. Here, too, the organisational steps undertaken by us in the past few years have helped your Company. The network of dealers for Yerawares has spread wider over the country. The operations of market representatives have become increasingly effective. And a well-conceived advertising campaign, prominently projecting the brand name, has stimulated the specific demand for our tableware and jars. We are confident of retaining our premier position in this field and all necessary steps to increase this lead are being taken.

You are, no doubt, aware that in our Baroda plant we have switched to the use of gas as fuel since 1967. The price of the gas was decided after considerable deliberations. It was also assumed that this price would be maintained and not be changed abruptly or sharply. The recent proposals for a drastic upward revision made by the ONGC has, therefore, rightly provoked protest. We are watching this matter carefully so that the interests of your Company do not suffer adversely.

Another factor you would like me to refer to is the recent additional excise imposed on glassware. This will reflect itself in higher prices to our clients and consumers. The resultant rise in the price of glassware along with the other levies proposed in the Finance Bill are bound to contribute to the inflationary situation encompassing our economy. In the case of containerware, however, the effect will be felt manifold and in many industries which need to be allowed to develop. It must be realised that higher costs in a container industry like glass industry in turn affects the cost structure of a large number of other important user industries, including pharmaceuticals as well as preservation and packaging of food. Without going into the merits or the

advisability of the increased excise on glassware, it is obvious that the only way by which the resultant high cost of containers to user industries could be reduced substantially and continuously is through increased production and lower cost.

Your Company has always taken opportunity of realising economies of large scale production and has in the past expanded manufacturing capacity to the extent possible. A new difficulty in any such programme of expansion is the ban on imports of glass manufacturing machines. Even in regard to this we will, through facilities and expertise available in the country, be able to procure these machines indigenously. The machines so built will soon be available for increasing our capacities. We are confident that these machines which are now being produced at our initiative and to our requirements would satisfy the high standards required in automatic manufacture and would be suitable to particular conditions obtaining in our country. This ban on imports of machines has thus been taken by us as a welcome challenge to the ingenuity and skills of our management and technicians.

Before I finish, you would like me to place on record our appreciation of the co-operation and hard work put in by the workers as well as members of the staff of the Company, both at Baroda and Bangalore. I also wish to thank my colleagues on the Board for their support and guidance.

I now commend the annual Accounts and Directors' Report of your consideration.

Indonesian Agricultural Bank

THE Asian Development Bank recently approved a \$3.4 million loan to Indonesia for modernising Bank Rakjat Indonesia (BRI), the country's major agricultural development bank. The Bank loan, to be made from Special Funds resources, will finance the foreign exchange cost of procuring bookkeeping, cashiers' and calculating machines, and providing the services of four consultants.

The BRI modernisation project is designed to assist in building a sound rural financial institution necessary for the development of the agricultural sector which has been given high priority by the Indonesian Government.

Devidayal Cable Industries Limited

Speech of the Chairman, Shri Harikishandas T Aggarwal

THE following is the Speech of Shri Harikishandas T Aggarwal, Chairman, Devidayal Cable Industries Limited, at the Annual General Meeting held on Thursday, June 10, 1971:

LADIES AND GENTLEMEN,

It gives me great pleasure to extend to you all, a warm and cordial welcome to this Eighth Annual General Meeting of the Company.

The Annual Report and the audited Balance Sheet have been with you for some time and, with your permission, I take them as read.

The political stability in the country as a result of massive mandate in favour of Congress (R), would enable the Government to devote more time to the problems of economic growth in general and growth of industries in particular, thus increasing the employment potential in the Country. We hope that the Government would also be able to formulate soon a pragmatic policy conducive to the growth of the industry.

EFFECT OF UNION BUDGET

The Union Finance Minister presented to the Parliament his budget in the last month. He has cast his net far and wide to collect Rs 220 crores by way of additional taxation. The Finance Minister has this time chosen the field of indirect taxation for covering the deficit. So far as our industry is concerned import duty on Copper has been suggested at 30%. Similarly, there is an increase of 10% in the import duty on Nickel Chrome Rods. Excise duty on Solvents has been increased from Rs 45/- per K Litre to Rs 845/- per K Litre. All this increase will go to radically increase the cost of raw materials. It would be difficult for the industry to pass on all this increase to the consumers, with the result that profitability of the industry would be adversely affected.

The overall growth rate for industry envisaged in the Fourth Five Year Plan is 8%. However, the growth so far achieved is only 5.5%. Particularly, there have been serious lags in the installation of additional generating capacity in the country. Against a projected additional generating capacity of 1.8 million Kilo Watts each year, the actual generating capacity added each year so far has been only 1.2 million kilo watts. Unless Government takes concrete steps to

mobilize resources and increase production capacity of generators and turbines by Heavy Electricals Limited, Bhopal and Bharat Heavy Electrical Ltd, there would be wide gap between demand for power and actual availability. Because of very slow growth of additional generating capacity, signs of acute power famine have already appeared in Northern States.

LESSER DEMAND

The projected installed generating capacity is 23.5 million kilo watts by the end of 1973-74. But we have so far been able to attain the installed generating capacity of 16.3 million kilo watts by 1970-71. It is feared that by the end of Fourth Five Year Plan, there would be shortage of 3.5 million kilo watts. This anticipated fall in the generating capacity will result in lesser demand for the products of electrical industry. With this trend of events, it is quite unlikely that the demand for our products will increase significantly, and your Company is therefore exploring the avenues for diversifying its activities.

WORKING RESULTS

Reverting to the working results for the year 1970, the sales for the year under report were 5.17 crores against Rs 3.89 crores in the previous year. There is an increase of 32% in the value of sales. The profit before taxation amounts to Rs 29.58 lacs against Rs 14.66 lacs in the previous year. Net profit after providing for taxation and development rebate is Rs 19.02 lacs. The provision for Tax amounts to Rs 8.76 lacs. The net profit of Rs 19.02 lacs has been transferred to General Reserve from which the dividend on preference and Equity shares will, if sanctioned, be paid. Your Company could show this progress because of higher turnover of enamelled wires and steel wires. The increased profitability could be attributed to higher utilization of installed capacities and effecting economy in operational costs.

CURRENT YEAR

Coming to the prospects for the current year, the turnover for the first five months is 2.37 crores. This we have been able to achieve in spite of lower realizable prices for winding wires and strips. The reduced prices were mainly due to lower price of copper. In case of winding wires and strips the turn-

over in terms of physical quantity is higher by 30% as compared to the corresponding period of the previous year. However, because of lag in additional generating capacity in the second half of 1971, we expect the turnover to slow down for the rest of the year. Therefore, your Company expects to teach turnover of Rs 5.50 crores in 1971.

Your Company has received a Letter of Registration for increasing capacity in steel and alloy steel wire from 5,000 tons to 20,000 tons per annum. In this division, we would expand the production of existing products and also take up production of new products such as, textile wires, value spring wires, prestressed concrete wires, etc.

The Company proposes to finance this expansion out of internal resources and borrowing. We would be approaching financial institutions for a term loan soon.

RESEARCH AND DEVELOPMENT CENTRE

Your Company has also established a Research and Development Centre. The main activity of this Centre would be doing research on substitution of imported raw materials with indigenous materials. It will develop new formulations of Synthetic enamels and resins. It will also develop new products in our existing product lines. Beginning has already been made with development of polyester resins which were imported earlier.

Your Company is thinking of diversifying into electronic products. We have applied for industrial licence for manufacturing electronic desk top calculators and tape recorders. We hope to receive letter of intent shortly.

DIVIDEND

Your Directors have recommended dividend of Rs 0.95 per Preference share and on equity share at the rate of 10 per cent. As you will observe, in recommending equity dividend, your Directors have suggested an increase of 5 per cent. It is the desire of your Directors that shareholders should also share the profits of the Company equitably after making suitable provisions for further expansion.

I would like, in the end, to thank on my behalf and that of the Company the banks and other financial institutions, the Maharashtra Government and the

Government of India for their co-operation and helpful attitude.

Before closing, I wish to place on record our sincere appreciation of the devoted and efficient services rendered by the Company's workers, Staff and Officers. I would like to thank on your

behalf also the selling agents for their continued, efficient and sustained efforts in marketing the products of the Company, which is reflected in the ultimate turnover of the Company's business. I am also grateful to my colleagues on the Board for their counsel and advice

in the affairs of the Company. Last but not the least, I take this opportunity of conveying my sincere thanks on behalf of the Board to the Shareholders for the continued interest, support and co-operation, given to the Company. Thank you.

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4%	4½%
4½%	4½%
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6½%	6½%
7½%	7½%

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Mahindra UGINE Steel Company Limited

Statement of the Chairman, Mr Harish Mahindra

THE following is the Statement of the Chairman, Mr Harish Mahindra, to the Members on the occasion of the Eighth Annual General Meeting of the Company held in Bombay, on June 11, 1971:

The Directors' Report and the Accounts for the year ended 31st December 1970 have already been circulated. My statements in the past used to dwell on the economic and political issues providing the background to your Company's operations. But this year I am making a departure by concentrating on topics of direct interest to you. Nevertheless we have been so close to the presentation of the Union Budget for 1971-72 that it would be desirable and appropriate if at the outset it is briefly referred to and its impact on industrial growth assessed.

BUDGET PROPOSALS

The Government has come out with a Budget having the avowed objective of narrowing down economic disparities. Some of the measures introduced have a distinct veneer of socialism. Reading between the lines, one would find that there is a positive attempt to mould the pattern of consumption as also to further discourage conspicuous consumption. The Budget, therefore, appears to be motivated more by a desire to project a radical stance rather than to trigger off an accelerated pace of industrial investment. As far as the corporate sector is concerned, the measures to increase the rate of capital gains tax and the rate of surtax on company profits where they are in excess of 15 per cent of the capital as also the abolition of Development Rebate after 31st May 1974, coupled with the reduction in the amount allowed to be deducted from 8 per cent to 5 per cent of profits in respect of priority industries whose list has also been slashed will undoubtedly hinder capital formation.

The Development Rebate Reserve, introduced in 1955, is intended to be discontinued from the end of 1973-74 for several reasons. Firstly, with such a threat of abolition of DR it is hoped that the tempo of investment between now and 1974 would be quickened. Secondly, it is presumed that the country has already built up a 'wide enough' industrial base and therefore there is no need to perpetuate DR. And, finally this step is also for the purpose of 'prevent-

ing accumulation of surplus resources and growth of larger houses'. These arguments do not carry conviction and sound rather specious. There are several better ways to stimulate investment activity such as expediting issue of industrial licences for both new units and expansion than through the abolition of Development Rebate. The second argument that the country has already built up a wide enough industrial base is open to question as the prime need of the hour is to accelerate the growth of all industries for the sake of which it is essential to offer positive incentives for investment. It is also a moot point whether there is such a wide base as is presumed. If there is one, why should we be planning for expansion of capacities in Steel, machine-building industries, heavy chemicals and such other basic industries? As regards the third argument, we should bear in mind that while there are examples of a few companies who have been able to amortise an amount in excess of the capital invested in a brief period, this does not mean that all companies can do so. Much depends on the nature of the industry. Steel or Alloy Steel Industry as such, is a capital-intensive one and it takes a fairly long time before the break-even point is reached and before an organisation gets into the profitability stride.

The need to build up reserves equal to the replacement value of plant and machinery is such that depreciation by itself however much liberal it be, cannot be adequate, especially in these days of mounting prices steadily eroding the value of the Rupee. Secondly, when the time comes for replacement of Plant and Equipment, it is seldom that Industry buys the same type of equipment, which due to efflux of time would have become obsolete in view of the technological advancements. Consequently, replacement equipment would constitute more sophisticated equipment and also would be in the form of improved designs, with streamlined features incorporating the latest technical innovations. Replacement by such a modern equipment entails a higher capital expenditure than the cost of the original plant or machinery.

It is therefore urged that the commendable and progressive views with which it was introduced should not be lost sight of and the decision in regard

to abolition of Development Rebate be reconsidered. Alternatively, the Government may consider a proposal but forward in 1967 by Dr R K Hazari that such major tax concessions should be "(a) selective matched with plan priorities and graded accordingly with a larger differential than given at present and (b) related directly to larger output, lower cost and higher profits instead of conferring a bounty on the amount of investment per se."

The agricultural sector has continued to be a tax heaven. If the necessary processes had been set in motion to prompt and enable State Governments to tax agricultural incomes in areas of assured water supply, above an exemption limit of Rs 15,000 if not less, it would have helped the achievement of the crucial objective of imparting a measure of equity to our income taxation and would have made our taxation income-elastic, responsive to movements in national income. It may also be stated that taxation of the prosperous pockets in the rural areas would have had to a certain extent, a distinct disinflationary effect on the price spiral by siphoning a part of the (excess) money in circulation into Government coffers.

WORKING OF YOUR COMPANY

Let us now turn our attention to the operations of the Company during 1970 and the first five months of 1971. It must be extremely heartening to all of you to learn that the second complete year of integrated operations of your Plant resulted in satisfactory financial results. Indeed 1970 was a year of solid achievement for your Company. We produced more ingot tonnes during the year under review — we rolled and finished larger quantities of bars and our net sales increased by nearly 67 per cent as compared to the preceding year. So far as production was concerned, your Plant was capable of achieving higher levels of output in terms of Ingots as well as Rolled Steel but for constraints like non-availability of certain critical raw materials and consumable stores.

OUTLOOK

As mentioned in the Director's Report, the Company has finalised the financial plan in the Balancing Equipment and it is in the process of releasing the

orders for plant and equipment required to produce 24,000 tonnes of Finished Steel on an integrated and sustained basis. The fact that in 1970 we had produced more than 26,000 tonnes should not make us oblivious to the necessity of forging ahead with the Balancing Scheme inasmuch as last year we re-rolled about 1,500 tonnes of Blooms into finished products in order to augment production.

I am happy to advise you that in furtherance of our plans to expand the capacity of your Plant and to achieve maximum economies of scale your Company has been able to submit a comprehensive plan to the Government for enlargement of the productive capacity upto 60,000 tonnes of finished Tool, Alloy and Special Steels per annum. I am also happy to advise you that our application is being sympathetically considered by the Government in the context of the widening gap between demand and production of Alloy and Special Steels in the country and we expect to receive a favourable decision shortly. In planning the expanded capacity of our Plant we shall strive to achieve maximum diversification of the end-products consistent with a favourable capital-output ratio.

Sales during the first five months of the current year continue to be satisfactory and the gross sales have amounted to Rs 429 lacs as against Rs 283 lacs during the corresponding period in 1970.

Your Company's present position and its outlook for the future, I believe, is fairly promising — promising in people, technological ability, product line and in dedication. However, the strength built up over the past few years will not, by itself enable us to meet the growth goals we have set for ourselves in the coming years. For this, we have to constantly strive to expand our operations and diversify our product-mix so that the goals are met or even exceeded.

PERSPECTIVE PLANNING

The observations about our sales and the outlook for our Company prompts me to discuss briefly the developments and trends in our own industry and share some thoughts on perspective planning. Planning today is a universally accepted exercise for one and all. It involves looking as far ahead as the data on our hands and our vision permit. In the life of a corporation this means a close study of all the factors that shape its progress and influence it decisively. There are several such factors and one such all-important factor, external to the organisation that could provide the

guidelines for future growth is the assessment of the potential market. I attach overriding importance to a sincere, honest and realistic attempt to size up the approximate if not the exact requirements of a given product for a given year in the planning and creation of manufacturing capacity.

Your Company is vitally interested in making projections of its own growth with the help of macro-projections of the demand for Mild, Alloy and Special Steels released by various Government and semi-Government agencies. During the last decade there have been several such macro-projections and I have had occasion in my earlier Statements to refer to these. The latest estimates of demand for Steel have come from NCAER. Most of the studies work out the potential demand with the help of the end-use method which is a simple but down to earth technique to assess the short term as well as long term demand in developing countries. The recent estimates of NCAER also utilise the same method. But I have always felt that on account of the lack of a clear perspective, both forward as well as backward, these projections have suffered from certain limitations and shortcomings. One particular fact that strikes me is that the latest macro-projections have not paid adequate attention to the question of backward perspective by which I mean that the wrong assumptions, paradoxes and other factors which have vitiated the earlier demand studies have not been listed nor have any lessons been drawn from the previous exercises.

In the latest study of the demand for Steel, the NCAER has taken full account of (a) all the major steel-consuming sectors (b) requirements of such consumers (c) increase in demand due to export of Steel (d) Steel content of machinery and engineering goods to be exported (e) possible reduction in demand due to substitution of Steel by items such as plastics, asbestos, cement, aluminium, etc, in such products as motor cars, railway rolling stock, ship-building, pipes and tubes (f) price elasticity of steel demand and (g) Steel content of imported products and so on.

The main assumption underlying the end-use method is firstly that the targets for various industries obtained from research organisations like the Planning Commission or those of NCAER itself, would be achieved. Experience tells us that this has not always been a correct assumption and plan targets for even the major steel-consuming sectors get

elasticised. Also in several industries there have been shortfalls in respect of the attainment of targets. As you can see for yourselves, such shortfalls may result in overestimation of the requirements. Conversely, where targets are exceeded, which is not often the case, the forecast of requirements for a particular industry turn out to be underestimates.

Secondly, the success of the end-use method is largely conditioned by the accuracy of the norms that relate the Steel Industry to the Steel consuming industry by indicating the input coefficient. Such norms are known to change with technological progress and innovations and there have been several occasions in the past when estimates have gone haywire on account of unrealistic norms having been adopted. For instance, the norms employed by the Perspective Planning Division in its 1965 estimate of the requirements of Alloy and Special Steels have been replaced by the NCAER which has employed its own norms for various industries. The end-use method thus assumes that the impact of technological changes would be minimal, if not nil on the norms of consumption of Steel. Naturally to obtain more accurate figures at the end of such an exercise, the final estimates are adjusted upwards to provide for such findings of changes in various consuming sectors. In order to make the macro-projections meaningful for the producers to plan and expand their capacity, it is essential that norms are kept under review and at the end of every year or so the Associations of Consumers and Producers should get together and see that any significant changes in the norms are reflected in the demand figures and necessary adjustments and or corrections are made on the overall demand projections. By such an exercise, the year to year projection of demand would be rendered more realistic and would provide a workable basis to determine the gap between demand and availability.

ESTIMATES OF DEMAND FOR ALLOY AND SPECIAL STEELS

With these considerations regarding the merits and demerits of the end-use technique in mind, let us consider the recent studies in demand estimates with special reference to the products of our own industry, viz, Alloy and Special Steels. There have been as many estimates of demand for Alloy and Special Steels as there are for other Steels also. As against about 300,000 tonnes for 1973-74 and 430,000 tonnes for 1978-79,

estimated by the Steering Group of the Steel Ministry in 1968 and incorporated in the Fourth Five-Year Plan document, the latest study of the Council provides for 434,000 tonnes for 1975 and 817,000 tonnes for 1980.

The estimates of the Steering Committee as revised by the Technical Wing of the Steel Ministry have now become available. Accordingly the demand for Alloy and Special Steels has been revised upwards from 300,000 tonnes to 400,000 tonnes for 1973-74 and from 430,000 tonnes to 590,000 tonnes for 1978-79. What is of interest to your Company as a producer of Alloy Constructional Steel in these varying estimates is that for 1973-74 the estimates of both the Technical Wing and the NCAER arrive at almost the same figure, but for a difference of only about 2,000 tonnes. The marginal divergence, however, turns out to be sizeable in the estimates for the end of the Seventies. As against the Technical Wing's estimate of 178,700 tonnes for 1978-79, the Council places the demand for Alloy Constructional Steel at 239,906 tonnes for 1980.

It is now accepted that the assessment of the Technical Wing has been rather conservative and that the Council's studies despite certain limitations, are more realistic. A message that emerges loud and clear from these studies is that even after the schemes for expansion or setting up of new units on green sites which are now under consideration are successfully implemented by the end of the decade, there would still be a gap, probably substantial rather than marginal between requirements and actual production.

All said and done, the numerous estimates referred to above need to be further processed and worked upon for purposes of drawing meaningful conclusions that guide us in deciding about future investments in the creation of new Alloy Steel capacity and in determining the ideal product-mix for your or other plants. The breakdown of such broad aggregates into categories, grade, shapes, surface finish, i.e., black or bright etc, is a precondition for successful corporate planning. Quite a few snap judgments, I am afraid, have already been made based on broad aggregate demand resulting in duplication of capacity of the same size ranges. And circumstances may force us to amend them, if not reverse such decisions. In this context I would emphasise that before a final sanction is issued for creation of fresh capacity, adequate thought is given to the point whether such fresh capacity should come about through

new units on green sites or through expansion of existing units or both. Three considerations weigh very heavily in favour of the second proposition. Expansion would firstly help creation of new capacity faster; it would involve lower capital investment; and finally what is important, it would help the existing units to achieve economies of scale.

DEMAND ESTIMATES AND MUSCO'S GROWTH

The necessity of a precise assessment of the demand for Alloy Steel acquires special significance for MUSCO in view of the fact that, as indicated in the Director's Report, so far the inflow of orders for our products for the current year has not been upto our expectations. In their anxiety to mitigate the steel shortage in the country, the Government liberalised the import policy and in the process large licences had also been issued for Tool, Alloy and Special Steels. With the liberalisation of imports coupled continued to prevail in the offtake of Diesel Engines, Machine Tools, Spring Steels, Railway Wagons, etc, the inflow of orders dropped considerably with the result that planning of economic rolling tonnages for different size ranges posed considerable problems to the producers. Pursuant to the representations made to the Government in this respect, I am happy to say that Import Licensing Policy has been reoriented, aiming at imports of only such of those categories and types of steels as are not available in adequate quantities in the country.

The impact of recent restrictions on imports will not be fully felt until the end of this year. At the moment, however, the order inflow appears to be looking up and it is hoped this trend will grow more distinct.

Taking the long range aspect into account, it may be stated that the growth potentials of the Automobile Industry which accounts for a large part of the offtake of our products have not been fully realised owing to various reasons. Automobile production, inclusive of Jeeps, Cars and Commercial Vehicles put together in about half a dozen plants, does not exceed 90,000. This is a highly anomalous situation insofar as it is an accepted fact that there must be a minimum production of at least 50,000 units per plant if the economies of scale have to be realised. It should therefore, be hoped that the Government will come to certain positive conclusions about the small car project without further delay as this has kept a num-

ber of related considerations in suspense. The slow growth of the transport sector in general and the automobile industry in particular does not bode well for our industry and the bell tolls for quickening the rate of growth. In this context the recent reports about the likely establishment of a private sector small car plant with a capacity of about 50,000 cars per annum and the licensing of additional capacity for manufacture of commercial vehicles are doubly welcome.

MINI STEEL PLANTS

In my Statement last year I had occasion to refer to the fact that the establishment of Electric Arc Furnaces with continuous casting facilities has received the imprimatur of essentiality from the Government. Thereafter a lively interest has come to be evinced in this matter. In fact even the Ministry of Foreign Trade also has been credited with suggesting the setting up of Mini Steel Plants either on a captive basis to cater to the needs of particular engineering industries or on a decentralised basis, so that export production is not hampered due to steel shortage. The capacity of each mini steel plant has been placed at about 50,000 tonnes of billets a year using the concast process. They may have either sponge iron or scrap or pre-reduced pellets as the feed stock. Recently the Minister for Steel made it known that six mini steel plants had been licensed, four in the private sector, one in the joint sector and yet another in the public sector. And six more similar projects may get final sanction by 1974. All in all, the dozen or so new mini plants would augment the country's steel capacity by 600,000 tonnes by the beginning of the Fifth Plan.

Although a decision to permit establishment of mini steel plant is a step in the right direction, I think that before new projects are sanctioned the pros and cons of producing the mild steel and special steel in these plants with particular reference to the production cost aspect should be thoroughly looked into, so that they can meet squarely the competition from the integrated steel plants.

In the final analysis, it is high time that a master perspective plan for the speedy expansion of Steel capacity in the country is drawn up and Government and Industry jointly and single-mindedly work for the crystallisation of such plans. This exercise has to be preceded by clearer thinking about the future needs. Fortunately, there is not much of a dispute in regard to the

rapid development of the Steel Industry. The Prime Minister herself has acknowledged the fact that "the capacity for Steel making would have to be doubled every 10 years". In Japan the crude steel output itself is being doubled every 4/5 years from 7.6 million tonnes in 1953 to 10 million tonnes in 1956, to 23 million tonnes in 1960, 41.3 million tonnes in 1965 and 82.2 million tonnes in 1969. This year it may cross the 100 million tonne mark.

Earlier there has been a reference to the need for forward and backward perspective in Steel Planning. Steel planning in our country is now about 15 to 20 years old and the country has had considerable experience. Such experience is most invaluable at a time when the country is likely to be short of Steel during the entire decade of the Seventies. The time is now opportune for the numerous plans and estimates to be placed side by side, compared and our experience in this field consolidated so that the future exercises are spared of any past mistakes.

FEEDER INDUSTRIES

A corporate or industry wise perspective plan considers not only the market potential for a product but also the derivative demand for essential inputs to be supplied by the feeder and ancillary industries. Only such an assessment of the requirements and availability of raw materials would give meaning and content to the perspective plan. For instance one cannot plan the growth of Electric Furnaces without a careful and painstaking study of the supplies of raw materials that would be forthcoming from the feeder industries. The appreciable growth of the Electric Furnace Industry cannot be maintained even in the future unless supplies of the inputs match the growing needs. As of now, it is estimated that there are about 170 Electric Arc Furnaces with a hot metal capacity of about 2.05 million tonnes. Capacity utilisation has been estimated at about 70%. This is likely to improve by another 10% in the current year. The installation of Steel Furnaces could grow at a more vigorous rate but for the constraints in the form of raw material shortages. They are not unique to our industry but happen to be almost worldwide phenomena though there could be differences from country to country in regard to the magnitude of such shortages. Attention must therefore be paid to the feeder industries as also to their growth. These problems and constraints in regard to ferrous scrap, graphite electrodes, refractories, nickel, ferro-

alloys, etc, are not an easy matter to come to grips with. They make the task of planning the future growth of furnaces rather difficult.

POWER TARIFF

In these columns, during the earlier years I have been urging the Government of Maharashtra to re-structure the power tariff in the State in a way which will give certain tangible benefits to power intensive industries. Electric power is one of the basic inputs for producing Steel in Electric Furnaces. It is therefore necessary to revise the power tariff applicable to metallurgical industries in particular, with a view to giving a competitive edge to steel produced within the State. With the same objective, States like Haryana, Kerala, MP, Mysore, Punjab and Rajasthan offer different kinds of concessions or rebates to electro-chemical and electro-metallurgical industries. It should be hoped that the Committee appointed by the Government of Maharashtra headed by the Industries Commissioner to inquire into this question would keep these facts in mind inasmuch as power costs will largely determine the growth prospects of metallurgical industry in Maharashtra. The State should aspire to have at least 25% of the liquid metal capacity and this can only be achieved if the disincentive in the form of a high power tariff is removed.

IMPORT CANALISATION

A passing reference is also called for in regard to the canalisation of import of essential raw materials of our industry and its possible impact. According to the latest import policy, imports of graphite electrodes have been canalised through the STC, refractories and refractory materials through MMTC/HSL, ferro-molybdenum, ferro tungsten, ferro vanadium and ferro silicon, stainless steel sheets, plates and strips, heavy melting scrap, sponge iron and nickel through the MMTC. It is provided that the import control authority would issue the necessary release orders to bulk importers.

I have had occasion to refer in the past to the increased faith the Government has been putting in State Trading. Ever since they were set up, State Trading agencies have not fared well in their effort to import in bulk several items including sulphur, rock phosphate, chemicals, copra, betelnuts, soyabean oil, etc. It is doubtful, looking at their past record, whether such agencies would literally deliver the goods of the right quality, at the right time and at

the right price. There are enormous complexities attending upon such business especially in relation to the hundreds of specifications regarding quality, sizes, delivery periods, sources of supply and in short the dynamics of the world market. It should, therefore, be hoped that the normal production and growth of the Alloy Steel Industry is not jeopardised on account of the inconveniences that may be caused in the supply of indispensable raw materials.

CORDIAL RELATIONS

Your Company has been able to maintain the most cordial and happy relations with its employees in the Plant as well as Head Office during the year under review and I would like to record my sincere appreciation of the hard and conscientious work put in by the employees. I would also like to express my gratitude to the colleagues on the Board whose wise counsel and advice has largely helped me to discharge my responsibilities. We continue to receive valuable technical assistance and co-operation from our Collaborators and Partners, Ugone Kuhlmann.

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

Mini Steelworks

WHILE the optimum plant size in the steel industry today is regarded as being above rather than below six million tons of crude steel per annum, it has nevertheless been demonstrated that steel producers of substantially smaller capacity (200,000 to 300,000 tons) are still capable of competing successfully in the steel market. The secret for success of the 'Mini Steelworks' is to skilfully select their location and operate on modern lines. In other words, they must be situated so as to ensure low freight rates for the incoming raw materials and the outgoing products and close enough to a power plant.

These small and medium-sized steelworks mainly use electric arc furnaces. The tap-to-tap times have been considerably reduced and today are less than three hours (per heat). In addition, process control can be automatically performed with high accuracy and matched to the optimum degree to the supply capacities of the electric steelworks. However, the continuously rising price of scrap on the world market is a problem for the small steelworks.



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FRANKFURT	5984	4189	6732	4713	5984	4189	6650	4655
PARIS	5984	4189	6732	4713	5984	4189	6650	4655
PRAGUE	5984	4189	6732	4713	5984	4189	6650	4655
GENEVA/ZURICH	5895	4127	6646	4653	5895	4127	6561	4593
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LONDON	6070	4249	6821	4775	6070	4249	6736	4716
NEW YORK	9210	5603	9615	5963	9210	5603	9615	5963
KUALA LUMPUR	2915	2041	2207	1545	2736	1916	2339	1638
NANDI	8649	6055	8073	5652	8649	6055	7987	5591
PERTH	6133	4294	5561	3893	6133	4294	5471	3830
SINGAPORE	2915	2041	2385	1670	2915	2041	2339	1638
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We have about 1680 thousand million cubic metres of water. Because of the physical geography only one third is usable. Even if we used all the water it would irrigate only half our cultivable land. At present over 160 million hectares are cultivated. Only 28 million hectares receive irrigation. So we're going below the surface in search of water. The first water well drill was supplied by us 20 years ago. Today we manufacture them in India to the design of Westinghouse Air Brake Company, U.S.A. Of the 300 water well rotary drilling rigs in India, 200 are made or supplied by us.

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A Record of Unconcern

THE Ministry of Industrial Development, its Annual Report for 1970-71 tells us impressively, "is responsible for the active promotion of industrialisation of the country by encouraging the orderly development of large, medium and small-scale industries, both in the private and the public sectors". The Ministry "formulates the general industrial policy" and is "responsible for planning the development and control" of even industries "not specifically allotted" to it. In the public sector, apart from the undertakings under the direct administrative control of the Ministry, it also "co-ordinates matters of general policy of a non-financial nature affecting all public sector industries as well as commercial undertakings". Among the 'organisations' listed as being under the Ministry are such major instruments of economic policy as the Licensing Committee, the Directorate General of Technical Development, the Bureau of Industrial Costs and Prices and the Development Councils for various industries. In the formal allocation of work among the different departments of the Central Government, the major responsibility for formulating industrial development policies and for implementing them thus lies squarely on the Ministry of Industrial Development and Internal Trade, to give it its full title.

There is also another reason why interest should attach to the Annual Report of the Ministry this year particularly. It is by now clear enough that the recovery from the industrial recession has been neither as quick nor as automatic as had been expected two years ago. The industrial growth rate actually declined in 1970. But even more important are the structural problems facing the industrial sector, as reflected in the persistent underutilisation of capacity in a wide range of capital goods industries—most of them the very industries which had been hand-picked for large investment in the Second and Third Plans as being vital for laying the basis for long-term industrial growth. Clearly, there is need for formulating a medium-term strategy for industrial growth which will build on these past investments instead of allowing them to become a millstone around the neck of the economy.

However, one looks in vain for any traces of thinking along these lines in the Report of the Industrial Development Ministry. One may ignore the shoddy arrangement and production of the Report and the countless printing errors (though these naturally make the reader unsure about any figure mentioned in the Report). Also, one perhaps no longer has the right to expect readable, or even accurate, English prose from what has now become the *Audyogik Vikas Tatha Antrik Vyapar Mantralaya* (though specimens such as "since then additional capacity has been increased" could still have been avoided without causing undue offence to anyone). But having staked its claim to being responsible for "active promotion of industrialisation" and for formulating "general industrial policy", one has a right to expect something on these subjects in the Ministry's Report. Actually what one finds is that when the Report is not concerned with routine organisational matters, it mechanically catalogues information about capacity and production of different industries which is in any case also given in a lengthy and useful table which takes up over 30 pages of the Report. Here again, for a Report prepared in March and released in June 1971, the latest data that the Ministry is able to muster is for October 1970. Even more noteworthy is the Report's achievement in respect of public sector undertakings under its own administrative charge. For these, the information given reaches up to only March 1970.

One instance of the Ministry's obvious unconcern for formulating any systematic approach to industrial planning may be singled out for mention here. Beginning with the Swaminathan Committee's report on Industries Development Procedures in 1965, through the devaluation of the rupee and the reports of the Hazari and Dutt Committees, official policy has steadily moved in the direction of relaxation of physical controls on industry. Industrial licensing is now confined substantially to projects involving investment of over Rs 1 crore. While on the one hand this represents a move towards economic liberalism, on the other it represents also a recognition of the need for planning in depth for a smaller number of industries involving relatively large investments and otherwise vital to development. Thus it was expected that for the industries retained for licensing, planning would be more thorough in terms of the phasing of projects (whether in the public or private sector), of virtual pre-emption of the financial and physical resources required for them and of ensuring their orderly implementation.

Is this happening now? Apparently not. In the Industrial Development Ministry's 159-page Report, exactly seven lines are devoted to 'Licensing of Industries'. These give statistics of the number of licence applications received

and licences and letters of intent issued in 1970 with the comparative figures for 1969. There is nothing to say what industries the new capacities were licensed in, nor any attempt to assess what difference the implementation of these projects would make to the industrial structure. Clearly, there has been no qualitative change in the approach to industrial licensing. Even quantitatively, if the purpose of the changes in policy was to make it possible for Government to concentrate on a relatively small number of projects it does not seem to have been achieved, since in 1970 the Licensing Committee received as many as 3,033 applications and approved 761 (taking licences and letters of intent together).

The total absence of any perspective in the approach to economic issues is also exposed by the Report's constant harping on exports. The way the Report makes it out, any export, however small and at whatever cost, is sufficient to cover up all the other failings of any industry or production unit. In the case of public sector undertakings particularly, minor export achievements are paraded to offset dismal records in capacity utilisation and recurring (and often increasing) operating losses. The most ridiculous example is the Report's account of the operations of the National Industrial Development Corporation in 1970. It is claimed on behalf of the Corporation:

"The consultancy services of the Corporation have gained greater recognition in developing countries. The Corporation continued to assist the Industrial Development and Renovation Organisation of the Government of Iran in the building up of consultancy organisation in that country, and is endeavouring to set up similar organisations in other countries also." It is accepted all round that, in terms of the ambitious objectives set for it at the time of its conception, the NIDC has been a complete flop. It has not been effective in even the more limited task of fostering modernisation in the cotton and jute textile industries. Of what earthly relevance, then, are the Corporation's efforts to set up consultancy organisations in Iran and elsewhere?

The fact has to be faced that for a large number of our capital goods industries, exports simply do not provide the answer to the problem of low utilisation of capacity. Invariably the exports are trivial in relation to capacity; often they would be unsupportable on any cost-benefit calculus. These piddling exports can, therefore, afford no escape from the need to formulate a strategy for domestic industrial investment and growth.

Penal Code

Backlog of Modernisation

THE Indian Penal Code which is our basic criminal statute has remained substantially the same for more than a century. The text of the Penal Code was drafted by Macaulay who presided over the first Indian Law Commission in 1834. The draft ultimately became the law in 1860 after minor modifications by Sir Barnes Peacock. The Code was founded on the then Common Law of England but in clarity and precision was a great improvement on other penal laws. It has well stood the test of time and has been adapted by several Commonwealth countries.

In its essence criminal law was regarded as the civilised equivalent of the law of retribution enjoined by social mores and enforced by Statute. The last century has witnessed radical changes in the concept of crime and punishment while the Code has undergone only minor changes. Therefore, the recent proposals of the Law Commission for a revision of the Code which seek to amend the law in conformity with modern social concepts must be welcomed. Some of these suggestions rightly include raising the minimum age of criminal responsibility to ten, abolition of the attempt to commit suicide as an offence, redefinition of sedition and imposition of a time limit for prosecution of minor offences.

From the viewpoint of modern criminology there are some points which have not been fully dealt with by the Commission and merit further consideration by Parliament. The whole approach of the Code to the problem of the criminal responsibility of the insane bears the impress of the 19th century and has not kept pace with the degrees of responsibility recognised by modern psychology. The definition of insanity in the Code is based on the M'Naghten rules and requires a thorough change. The Commission has sought to modify the provisions relating to abetment by conspiracy. By the amendment in 1923 which introduced sections 120-A and 120-B an agreement to commit an offence was made a substantive crime even if no act followed it. In practice the provisions relating to conspiracy are often misused to extend a trial beyond its legitimate scope by joining together innumerable accused and charges. Some of the trials in India, for example, in Customs cases, are amongst the most protracted and often include about a score of accused and twice that many charges under the allegation of criminal con-

spiracy between the accused which ultimately may not be proved. It is a salutary principle of criminal law that a criminal trial should be short and swift and changes in this respect must deal with substantive law of conspiracy as well as the procedural law.

In its suggestions regarding punishment, the Commission is right in suggesting that collective labour without deprivation of freedom would be a good substitute for short-term imprisonments. It is, however, difficult to understand what the punishment of "social censure" for anti-social offences would be. Perhaps the suggestion that externment may be introduced as a substantive punishment is worth considering in the light of the working of these provisions under the Bombay Police Act. Another type of punishment which may be effective for economic offences would confiscatory fines which are collected like arrears of land revenue.

There are some recommendations of the Commission which while being laudable in their objects might be difficult to translate into statutes with precision. Such, for instance, are suggestions regarding creation of offences like "oppression" by a public servant or of "driving" a person to commit suicide. The redrafting of the definitions of murder and culpable homicide in particular must be considered with great circumspection as the experience in England shows. Modern draftsmen of law have a tendency to overlook that it is an aspect of rule of Law itself that Statutes should be clear and precise. In several recent cases the intention of the legislature has been frustrated because of imprecision in drafting. This is a matter of particular concern in penal statutes which deal with the liberty of citizens. It is essential to heed the principle which Macaulay enunciated for his drafting, "Unity when you can have it, diversity when you must have it but in all cases certainty".

Aid

A Touching Act

IF the objective was to secure as large an aid commitment as possible, then the discussions at the Aid Consortium meeting at Paris may be said to have gone off fairly smoothly this year. The rate of growth of the economy (though with agriculture contributing the major part of it) was a respectable 5.5 per cent in 1970-71. And for all the radical talk, no new steps have been taken in the fields of nationalisation or industrial li-

censing to cause offence to the foreign donors or to the World Bank's economic myth-makers (nationalisation of general insurance having been already discounted as an irrelevance). On the other hand, the Government formed after the parliamentary elections earlier this year must appear to assure 'political stability' — a commodity much sought after by the world's aid-givers but equally rare among the aid-receivers. And like all 'stable' governments, this particular one has appeared to be in no hurry to do very much which, again, is on the whole reassuring to the aid-givers. Finally, the patience of the Government in bearing the economic burden of the refugees from Bangla Desh without taking any drastic political or other action (except for providing free trips abroad to some ministers and other sundry politicians) deserved and got sympathy from the aid-givers. So, everything taken together, there could not have been a more favourable constellation of circumstances for going to Paris with a bigger begging bowl.

The Consortium countries have not failed us. They have promised total aid of \$1,150 million for 1971-72 (\$650 million non-project and \$500 million project). Of this amount, \$90-100 million will be given in the form of debt rescheduling. The Paris meeting also expressed the hope that relief for the Bangla Desh refugees would be treated as an international responsibility.

As the Government's latest Economic Survey showed, aid commitment has in the past fallen short of pledges and so there is no reason to believe that all the aid pledged for 1971-72 will be forthcoming. Moreover, the lower rescheduling this year will in effect reduce the quantum of freely convertible aid available, even after taking account of the hesitant moves towards providing more untied aid. But these considerations notwithstanding, the Government can claim that after quite some time, the amount of aid promised is showing an upward trend again. In other words, we have been given a good chit.

Yet, it is not the quantum of aid but what we do with it that matters. And this aspect of aid must continue to cause concern. The large amounts of non-project aid are apparently being used now to maintain the economy at its existing level of operation. As for project aid, what are the new projects for which it is intended? Or is a good part of it going into completing on-going projects whose costs, including foreign exchange costs, have escalated because of bungling and delay? On the whole, all the self-congratulation over the larger dollop of aid that we have been promised

would be a little more to the point if it were accompanied by some new initiatives for pushing up the rate of growth of the economy. Of these, however, there are still no signs.

Vietnam

Nothing to Lose

THERE have recently been some indications, however slight, that the National Liberation Front is changing its position about elections that take place under the auspices of the Saigon regime. Last week, an unnamed NLF radio commentator is reported to have urged "all patriotic and progressive forces" to take an interest in the elections scheduled for August and October and create "a true political force in this struggle". He is also reported to have exhorted both the urban and the rural populace to do "everything to demand liberty" and "concentrate their attacks against [President] Thieu so as to turn these fraudulent elections into a very heavy political defeat" for his regime.

In the past the Vietcong attitude has been to regard such elections as a farce and do everything possible to disrupt them. Even if the reported broadcast is regarded as significant, it does not mean a departure from the NLF's strategic goal of throwing the Americans out of South Vietnam and ultimately ruling the entire country. It cannot even be regarded as a major change in tactics. Last September in Paris, the leader of the NLF delegation, Madame Binh, went so far as to suggest that the NLF was willing to accept any member of the Saigon Cabinet in an interim coalition government, with the exception of President Thieu, Vice-President Ky and Prime Minister Khiem. Later in an exclusive interview with *Le Monde*, the North Vietnamese Prime Minister, Pham Van Dong, specifically pointed out that there were likely to be major political changes in Saigon and other major South Vietnamese towns and implied that his government and the NLF were more than willing to accommodate these new urban political forces which he was fairly sure were bound to emerge.

What makes the crystallisation of the North Vietnamese Premier's prediction a distinct possibility is the intense disenchantment with the war and with the Americans and their Saigon stooges among sections of the urban population who would not consider themselves communists at all. The exhortation to take an interest in the elections is an effort at politically mobilising these sections of the population so as to further politically isolate the Saigon regime.

Moreover, the NLF has nothing to lose by encouraging such groups, since it is the only politically well-organised force in South Vietnam. It can always afford to temporarily compromise with political elements who are not totally controlled by the Americans. Even if compromises are made at this stage with non-communist political groups, in the final analysis the NLF could discard these elements once it was established in Saigon.

TDA

Export Promotion at Micro Level

THE first Annual Report of the Trade Development Authority, for 1970-71, sets out the TDA's ideas on its role in export promotion. In his chairman's speech, H Lal stresses the need for not being complacent about exports. True, exports have done reasonably well in the last three years, but world trade has also expanded rapidly during this period. The direction of our exports has changed in last decade, with the share of North America and West Europe declining from 55 per cent in 1960-61 to 39 per cent in 1969-70. Lal feels, rightly, that "we have not done enough to tap the vast potential for marketing our goods in the affluent societies".

The TDA's approach is intended to be different from that of other export agencies in that it emphasises export promotion at the micro level. It will try to study the prospects for particular products, examine the need for product adaptation in order to tap the potential market, locate individual buyers and match them with corresponding exporters. Having identified a product, a buyer, and a seller it will offer a package of personalised services to the exporter which, it is expected, will save him considerable time and effort which would be otherwise spent on importing samples, designs, technical literature, small amounts of raw materials, components etc, procuring indigenous inputs such as steel, getting release of foreign exchange for export promotion travel, getting drawback of duties, and so on.

The Report covers only eight months of the working of the TDA. In this period its Research and Analysis Division has come out with a study on the prospects of India's exports to the EEC after the Generalised Scheme of Preference is adopted by these countries from July 1. The study expects India's exports to the EEC to rise to Rs 5.25 crores in 1971-72, Rs 6.75 crores in 1972-73 and Rs 16.75 crores in

1973-74. The Research and Analysis Division also has a project for short-term forecasting of major exports on a quarterly basis. These forecasts would be made available to those engaged in export promotion activities.

The TDA's other two divisions are the Merchandise Division and the Information Division. The Merchandise Division is the core division. It has to identify buyers, products, establish buyer-seller contacts and offer personalised services. The Information Division is expected to collect comprehensive information covering all aspects of export intelligence and disseminate it among interested parties. To begin with, the Merchandise Division has taken up about 100 products for development of exports to developed countries. They are all manufactured goods ranging from canned fruits and juices to toys, sports goods, electronic equipment and automobile ancillaries. All these goods can be regarded as having income elasticity of demand greater than one. India's exports of these products to developed countries now amount to only Rs 6 crores out of total world trade in these commodities of Rs 2,250 crores. On paper, therefore, the prospects for exports are good. Some 170 production units in the country have been already identified as clients for potential exports and another 180 units are under study. Most of these belong to the medium and small sectors and need such export assistance as the TDA intends to provide. The Merchandise Division has also started establishing contacts with leading departmental stores and industrial corporations in the US. Similar efforts are also being made in Western Europe and the products of client units in India are advertised in these countries.

The TDA has also proposed an Airport Electronics Project at Santa Cruz airport, Bombay. The import of raw materials as well as export of finished products would be by air freight. The project would have bonded processing and warehousing facilities for export of finished and semi-finished electronic equipment. It is expected to generate net earnings of \$ 5 million in foreign exchange.

Eight months is obviously too short a period to judge the performance of the TDA. The approach that we can sell only what the customer wants is the right one. In the long run it does not pay to export what we have with all kind of subsidies. The needs of customers have to be identified and anticipated and our production has to be adopted to meet these requirements.

If TDA works in this direction some results may be expected in the near future.

Tamil Nadu

Return to Wetness

A Correspondent writes:

AND so, after more than two decades of total prohibition, Tamil Nadu — the pioneer of this policy — is to be "wet" again. There was no surprise in the end of prohibition: neither in the actual announcement by Chief Minister Karunanidhi in his Budget speech last week nor in his justification for the action. In fact, both the end and the reasons were evident even in the early days of the DMK regime when Annadurai, reaffirming his deep personal faith in prohibition, asked in rhetorical words, if he was the only Gandhian left! Karunanidhi's own commitment to the faith is perhaps a shade less ardent but he has to consider the strong feelings of others in his party. Undeniably, the problem has been solved neatly. Prohibition has been scrapped, but the actual term chosen is "suspended". A fruitful source of revenue is now open. At the same time, the State Government has been able to have a dig at the Centre, and a valid one at that. For there is considerable strength in Karunanidhi's argument that, to be entirely successful, prohibition has to be a national policy. But in trying to justify a step so blatantly contradictory to the ideals of his party, the Chief Minister has over-worked this argument. Surely, the "overflow" (of prohibition offenders) in the prisons of Tamil Nadu and the spread of diseases cannot be attributed entirely to the fact that the

States and Union Territory adjoining Tamil Nadu's borders are "wet". Something else is strange too. Not so long ago, the DMK government was stoutly denying charges that prohibition offences were on the increase!

Not that any one is inclined to rake up these minor matters. The return to wetness has been widely welcomed. Of course, it would mean better times to the now lifeless bars and posh hotels. And also an essential element of "grace" in the social life of the privileged class will henceforth be more openly evident and permanently fixed. More importantly still, there is the fiscal gain which the Chief Minister has chosen not to recognise in full. The anticipation of an excise revenue of only Rs 10 crores for the part of the financial year after August (from when "wetness" will prevail) is modest. For this is a revenue source with extraordinary elasticity — which only means that an increasing number will be taking to liquor, once it is freely and openly available. Despite all its limitations, loss and difficulties of implementation, prohibition had succeeded at least in "containing" the drinking habit. A whole generation has been brought up, in the towns and villages of Tamil Nadu, without overt exposure to the drinking habit. This was no "moral" gain but a pure economic one. For it meant, simply, more money in the hands of the less privileged — an effect which all the development programmes that the State Government may devise with the newly gained revenue will not attain as easily, immediately or widely. Once again now, *kallu kadais* (toddy shops) will sprout up all over the State — a sight that womenfolk, at least, will not greet with glee.

BUSINESS

A Cartel for All Seasons

IF there was any hope that sugar prices would decline on decontrol — or any fear that the inefficient mills would be driven to the wall — the annual general meeting of the Indian Sugar Mills' Association should put such anticipations to rest. ISMA is the official spokesman of the sugar industry and claims to advise the Government on sugar policy matters. The speech at the annual general meeting by ISMA's president, S K Somaiya, confirms some of the fears about developments in the sugar industry following decontrol expressed in these

columns (May 29, p 1064). There is little doubt now that ISMA will act as a cartel to guard the interests of all sections of the industry. Though Somaiya's own units belong to the more efficient section, that section has little to lose and much to gain eventually by protecting the weaker and costlier units.

The basic problem of our sugar industry is the wide range of efficiency among sugar mills. Sugar production rose when partial decontrol in 1967 made it possible for mills to earn higher margins on the free sale price

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and so to compete with gur and khand-sari for sugarcane which accounts for some 70 per cent of sugar's cost of production. But higher production created its own problems for the industry. In most regions of the country for a major part of last year the price of free-sale sugar ruled below the levy price. In these regions, then, the cry was not for 'decontrol' but for a higher levy — or support — price. When sugar was decontrolled, the marginal units in these regions were in a quandary. For, with their free prices as low as they were, these units would suffer from the removal of the levy-price 'support'. Besides, the more efficient mills which are farther away might, even after allowing for the freight on the longer haul, eat into the established markets of the middling units in particular regions.

However, these units need not have worried. They still constitute the bulk of the industry and are important enough politically in the northern and north-central States for Governments to allow them to be hurt by decontrol. What has happened, therefore, is that the support given to them earlier by the levy has been substituted now by 'officially regulated releases' from the mills. The average price under decontrol could thus work out to be higher than the earlier weighted average price of levy and free sugar. The margins of the more efficient units will naturally benefit from this rise. It is not incidental that Somaiya while being at pains to 'welcome' decontrol as testimony to the industry's "abiding faith in the market mechanism", goes on to ask for special "follow-up measures" to impart stability to the situation after "the sudden change in pattern of distribution and the large stocks" with the industry. More specifically, he asks for controlled monthly releases, easier bank credit, excise rebate, freight control, maintenance of gur prices, increased export, etc.

There is certainly a community of interests at work here. What the more efficient units lose, in terms of markets which they might have gained immediately through competition, they hope to make up in the longer run by a strengthened cartel of sugar manufacturers. Significantly, in the last section of his speech, Somaiya goes on to make a case for *excluding* the sugar industry from the list of industries not requiring a licence for investments up to Rs one crore — on the grounds that otherwise the growth of the industry may be "distorted"! The Fourth Plan

had envisaged expansion of existing units and setting up of new units in the co-operative sector to achieve a production target of 4.7 million tonnes by 1973-74. Licensing leaves room for putting pressure on decision-making and for lobbying in favour of existing interests. The existing mills obviously have no wish to share with new-comers their markets protected by Government-controlled releases and mutually agreed price levels. Sugar machinery manufacturers have been claiming that they have the capacity to put up 6 to 7 new plants in a year and new co-operative sugar units might decide to take advantage of the Rs one-crore delicensed limit.

Synthetics and Chemicals

Doing without Management?

THE Synthetics and Chemicals proxy battle has advanced, with Kilachands making two small pawn moves. First, they have decided to back the LIC nominee for election as director. This *volte face* was, of course, entirely expected. The election of the LIC nominee was in any case a certainty. Only, it is to be hoped that, as an unattached director, he will be genuinely effective unlike the big businessmen and their dummies who are generally paraded as "independent" directors by promoters.

Kilachands' second move has been to publicise that Firestone (whose 'foreigner' status appears to have dawned all of a sudden on Kilachands!) earns commissions which are substantial and that Kilachands are not in favour of the renewal of Synthetics and Chemicals' technical collaboration agreement with Firestone.

The point about Firestone's commissions is a curious one indeed. After all, it was Kilachands who had brought Firestone in, and it is to be assumed that the commissions payable to Firestone were fixed in keeping with the value of the services to be provided by the company. It is understandable that Indian businessmen, used to siphoning off commissions for real and imaginary services (for example, for selling agencies in sellers' markets), should argue that all payments, when called commissions, are of the same nature. If Synthetics and Chemicals did not need Firestone's technical knowhow for manufacture of synthetic rubber or Firestone's help in making purchases in the US, Kilachands should not have retained Firestone as collaborators in the first place.

Kilachands have also alleged that Firestone did not nurse Synthetics and Chemicals in its difficult days — even though they themselves offered it the company on a platter. This may indeed be the truth; but it also shows that Kilachands themselves were eager to wash their hands of the company. Now the company is sufficiently fattened for the two partners to fight over it. The admission certainly does not strengthen Kilachands' case for continued management control of the company.

It is, however, the second point — renewal of the collaboration agreement — which is even more important. Clearly, whether Synthetics should continue to have the collaboration arrangement is a technical issue which cannot be decided as part of a proxy battle for control of the company. The technically competent professional managers of the company should, surely, be allowed to have a major say in the matter. This, in a sense, underscores the consideration which should guide the public finance institutions (including the commercial banks) as well as individual shareholders who may be inclined to take an enlightened, long-term view of things. Synthetics and Chemicals is in a technologically sophisticated industry, and the opportunity provided by the tussle for control of it should be exploited to compel both parties to agree to arrangements which will give a prominent place in the company's future management set-up to technically competent persons who will, besides, be genuinely independent (and not be front-men for foreign interests such as abound in, for instance, the pharmaceutical industry).

Alembic Glass

Pressure on Costs

AS the second largest consumer of soda ash, after laundries and dhobies, the glass industry has felt the pinch of the current shortage of the chemical. The Chairman of Alembic Glass, Ramanbhai B Amin, understandably complains against a situation where soda ash is sold "at a premium of 30 per cent to 40 per cent" over the price fixed by the manufacturers. In this context he goes on to say: "The closeness of the market price and the manufacturers' price acts as a barometer as to the adequacy of supplies and this index should be used for regulating the level of imports and production." It should be the function of the Bureau of Industrial Costs and

Prices to monitor such market intelligence so that it can flash warning signals to the relevant departments about emerging difficult situations. This should make it possible for the Government to take action in time instead of being constantly overtaken by crises. Unfortunately, indications are that the Bureau has got bogged down in laborious investigations of costs of particular industries, in the process duplicating what the Tariff Commission has been doing so far. As a result, the assistance that day-to-day economic policy-making — whether in arranging quick, short-term imports of a commodity or licensing fresh production capacity in an industry — could have got from the Bureau has not been forthcoming. The soda ash shortage, for instance, could have been seen coming miles away.

Ramanbhai Amin refers to two other issues. One is the increase threatened by ONGC in the price of natural gas. Alembic's Baroda plant switched over to using gas as fuel in 1967 and the prospect of a sharp increase in the price of gas naturally worries Amin. The other problem is the additional excise imposed on glassware in this year's budget. It is, of course, common for all industries affected by fiscal levies to register their protest, but Amin buttresses his case with the argument that a hike in the prices of glass containers will in turn affect the cost structure of a number of user industries, among them pharmaceuticals. Fortunately, Amin does not shut out the scope for absorbing the impact of the higher excise duty "through increased production and lower cost". The demand situation facing Alembic is certainly such as would assist any serious effort to exploit economies of scale.

Gujarat State Fertiliser Corporation

Without Insulation

INCORPORATED in 1962, Gujarat State Fertiliser Corporation has in its ninth year yielded a gross profit of Rs 12 crores, and a net profit of Rs 3 crores. More significantly, there was, according to its chairman Jaykrishna Harivallabhdas, substantial improvement in the operative efficiency of GSFC's plants. Not surprisingly too — given the overall fertiliser shortage in the country — sales grew apace with production. The chairman does not mention capacity utilisation, but anticipates that this year production and sales will go up further. Initially sche-

duled to be ready for production by the end of 1967, GSFC's plant had by February 27, 1971, produced one million tonnes of fertiliser.

However, the most significant point regarding GSFC, which emerges from Harivallabhdas's speech, concerns marketing and pricing policies. When the market for fertiliser develops in Gujarat, GSFC's market will be contained within the State. But with fertiliser demand not rising to the annual targets set for it and with the breakthrough in groundnut cultivation technology nowhere yet in sight, GSFC is already gearing itself to the marketing efforts needed to promote fertiliser use. It has thus started 130 Farmers' Information Centres-cum-Depots in Gujarat, and has begun to extend soil and water testing facilities to farmers as well as extension services to demonstrate correct application of fertiliser.

However, GSFC needs to guard itself from falling into the usual rut by virtue of official pressures. There is little reason why, given the overall constraints on the industry itself, particular units should not be left to arrange their price and product-mix as they think fit — even when State governments have a share in them. GSFC was the first in the country to produce diammonium phosphate, a complex fertiliser whose consumption it promoted and which has evidently become very popular. As part of its promotion campaign, GSFC took losses on account of the product for four years; for 1969-70 alone the loss was as much as Rs 2.62 crores. Subsequently, greater competition in nitrogenous fertilisers and the lowering of their prices by Government, led GSFC to try and wipe out the losses on diammonium phosphate by increasing its price — by Rs 190 to Rs 1,440 per tonne — since GSFC felt that the product had been established and yielded to the farmer a net gain of Rs 4 per rupee spent on it by the farmer. GSFC's belief was borne out by the fact that, though the price rise was unpopular, farmers continued to buy this fertiliser in even larger quantities than before. Pressures from Gujarat's Chief Minister, however, made GSFC sit down to negotiate with the Gujarat State Co-operative Marketing Society and, as a result, lower the revised price by Rs 95 per tonne. This will again make diammonium phosphate an unprofitable product — and, no doubt, as a consequence, discourage its otherwise highly desirable promotion by GSFC.

On ONGC's associated gas price again, GSFC, which is with the State

Electricity Board the other major consumer of this gas, will similarly have to acquiesce in non-economic bargaining and pressures.

Devidayal Cable

Getting on the Bandwagon?

THE electrical equipment industry is fast coming out of the recession. In his annual statement to shareholders, the chairman of Devidayal Cable, Harikishandas Aggarwal, is able to report a 32 per cent increase in sales in 1970. The increase in profits before taxation, from Rs 14.66 lakhs to Rs 29.58 lakhs, is even more impressive. Aggarwal attributes the increase in margins to higher capacity utilisation and economy in operational costs. He is, nevertheless, cautious in his appraisal of the company's prospects for the current year. The likelihood of a shortfall in the expansion of power generating capacity, which might be only 20 mn kW by the end of the Fourth Plan as against the target of 23.5 mn kW, worries him. However, Devidayal's fortunes hinge less directly on the progress of the power programme than those of some other units in the cable industry which depend on high tension cables. Similarly, Aggarwal's fears for the profitability of his company on account of the 30 per cent import duty on copper may turn out to be exaggerated. After all, copper prices have declined quite sharply recently. Similarly, Devidayal is the country's only manufacturer of nickel chrome wire and so it will no doubt be able to substantially avoid the rigours of the 10 per cent increase in import duty on nickel chrome.

Devidayal has received a Letter of Registration for increasing capacity for steel and alloy steel wire from 5,000 tonnes to 20,000 tonnes. In this division the company hopes to expand production of existing products and also take up new products such as textile wires, pre-stressed concrete wires, etc. Some of the company's other diversification plans will, however, cause some raising of eyebrows. Aggarwal discloses that the company has applied for industrial licences for manufacture of electronic desk-top calculators and tape-recorders. He does not say what made the company think of going into electronics or what its skills and competence in this field are. No doubt this matter will be examined by the financial institutions whom the company proposes to approach for finance for its expansion and diversification programmes.

Too Many Wise Monkeys

(From a Special Correspondent)

WRITING in these columns "Protecting the Shareholder", June 12, pp 1161-62) a Correspondent had pointed out the need to afford better protection to those who make deposits with companies. The complete inadequacy of the existing safeguards, formal and informal, in this regard is brought out by the case of Shamsheer Sterling Cable Corporation. This public limited company with a paid-up capital of Rs 100 lakhs and deposits from the public, at the latest reckoning, of Rs 60 lakhs has, in a matter of a few years, reached a state of near-bankruptcy. Not only the statutory authorities like the Registrar of Companies and the Company Law Board, but even the financial institutions with a stake in the company and the company's Auditors and independent Directors, who are supposedly the watch-dogs of public interest, have done little to avert the disaster or even to warn ordinary shareholders and deposit-holders about the real state of the company's affairs. The result of this conspiracy of silence was that between the end of December 1968 and mid-1971, during which period the financial position of the company deteriorated sharply, the public was persuaded to increase its deposits with the company by Rs 46 lakhs.

Early this year Shamsheer Sterling informed its creditors that due to shortage of raw materials its financial position had deteriorated and that, therefore, it was unable to meet its commitments to them. A meeting of the company's deposit-holders was called on June 11. Though some of the Directors of the Company were present at the meeting, none of them cared to enlighten the depositors about the company's financial position. A person described as the company's legal advisor conducted the meeting. It was proposed, very conveniently, that "as the past is dead, let us not get into it and waste our time; let us see how fast we all can agree to the company's proposal to reschedule the repayments" — or something to that effect. Nearly 400 depositors participated in the meeting, conducted without the help of loudspeakers; most of them, it soon became evident, were school teachers or those holding commonplace jobs in offices or retired people. This is significant since very few, if any, of these people could have deposited money with Shamsheer Sterling on the basis of their own assessment of the com-

pany's prospects; clearly, most of them had been lured by so-called 'Investment Counsellors'.

Apart from the immediate fate of the hard-earned savings of these hapless people, there are other issues to be considered.

Shamsheer Sterling is a 16-year-old public limited company, engaged in the manufacture of various types of wires, conductors and cables in technical/financial collaboration with a Japanese firm. The company was promoted by Rana Brothers and an associate concern, Shanta Brothers, was appointed as sole distributors for the company's products on an effective commission of over 5 per cent of net sales. For a variety of reasons, Shamsheer Sterling had not been working well and by the end of the accounting year 1967 it had already accumulated losses of about Rs 18 lakhs. In 1968, however, a small operating profit emerged and the accumulated loss was brought down to Rs 16 lakhs. At last it appeared that the company had turned the corner.

The company's balance sheet as on December 31, 1968 revealed that out of total liabilities of Rs 262 lakhs, it had loans from banks of about Rs 62 lakhs, advances from its sole distributors (an associated concern, as mentioned above) of Rs 55 lakhs and deposits from public of Rs 14 lakhs. The company has not published its accounts for the years 1969 and 1970; however at the meeting of deposit-holders it was disclosed that as of June 1971 the company's deposits from the public stood at Rs 60 lakhs, or Rs 46 lakhs more than at the end of 1968, while advances from its sole distributors had been reduced from Rs 55 lakhs to Rs 7 lakhs. The figure of borrowings from banks was not given out. On the assumption that bank borrowings are matched by the current assets against which they have been obtained, the company's other assets are expected to be now around Rs 50 lakhs. Against these assets is a secured liability of about Rs 37 lakhs, which leaves assets worth about Rs 10 lakhs for discharging total deposit liabilities of over Rs 67 lakhs. Of course, shareholders, including the public finance institutions with their holdings of about Rs 30 lakhs will be left to suck their thumbs.

No one seems to know how the company, which had started making profit in 1968 and had only Rs 16

lakhs of accumulated losses to wipe off, has been reduced to this state in less than two years. What exactly happened after the close of the accounting year 1968? A great deal, presumably. The accounts for 1968 were passed at the annual general meeting held in August 1969. Thereafter four of the company's directors — Chandrakant Kirloskar, M V Arunachalam, S C Pardiwalla and C S Desai — resigned as did a number of senior executives.

Some of the questions that need to be answered are:

- (1) It has been suggested on behalf of the company that its unsatisfactory working has been on account of shortage of raw materials. Even if there were any truth in this explanation, can it explain such large operating losses in just two years as to wipe out funds amounting to over Rs 150 lakhs?
- (2) The company has not published its accounts for 1969 and 1970. Were these accounts not published just because the company was making losses? Or could it be that the auditors refused to approve the accounts? In that event does the auditors' responsibility end with refusing to sign the accounts? Is there no obligation on the auditors in such circumstances to draw the attention of the concerned authorities to the state of affairs of the company?
- (3) Statutory authorities like the Registrar of Companies should have been concerned about the non-publication of the company's accounts for two successive years. What persuaded these authorities to condone this lapse? Or if they took any action at all, what was this action?
- (4) As mentioned earlier, four independent directors resigned from the company's Board — after the company was set on its downhill course. Inasmuch as independent directors are appointed to inspire greater confidence among the public, are they not under some legal/moral obligation to publicise their reasons for disassociating themselves from the company or at least to report them to the concerned official authorities? Surely, they cannot be allowed to quietly sink away, leaving the ordinary investor or depositor who was probably lured on the strength of their names into putting his money in the company to fend for himself?
- (5) The principal bankers of the company must have been in close and

continuous contact with the company. The current figure of the bank's dues from the company, which had stood at Rs 62 lakhs in 1968, is not known. In case it has been reduced, how was this achieved? It is also pertinent to ask on what considerations the bank allowed the company to reduce the advance from its sole distributors while it went in for fresh deposits from the public on a large scale? It is surprising, to say the least, that the promoters of the company should have been allowed to withdraw their moneys even as the general public was being persuaded to put in more money. What were the various watch-dogs of the public interest doing as this switching of funds was taking place?

- (6) Three major term finance institutions, which had lent money to the company, now stand to lose nearly Rs 30 lakhs. With all the follow-up and scrutiny of their borrowers' working which these institutions are supposed to continuously carry through, how did the rapid deterioration in the com-

pany's working escape them? The finance institutions have powers to appoint their nominees on the Boards of companies assisted by them, especially when they have reason to suspect that the affairs of a particular company are not being properly managed. It is necessary to know what action these institutions took during all these years to save the company to safeguard the public interest.

- (7) It is reported that so-called 'investment counsellors' were persuading depositors to put their money into the company right till the beginning of 1971. This is evidence of either total ignorance or criminal indifference on the part of the 'counsellors'. Are there no legal provisions for screening such 'counsellors' and regulating their activities?

- (8) The company's shares, it is understood, were at one time listed on the Bombay Stock Exchange. Have the Stock Exchange authorities delisted the shares? If they have, did they publicise adequately the reasons which led them to take this drastic step?

CAPITAL VIEW

Theorising on the Crisis

Romesh Thapar

OVER the past few weeks, almost everyone with the capacity to think has turned into a vocal theorist of diplomatic techniques, military strategies, guerilla tactics and some such related matter even if it be poppycock. This is the measure of the confusion at the centre of power and the terrible vacuum that exists in the business of informing and educating the people. Yet, deep down, there is the conviction that the evacuee problem in East India will certainly spark events which will have widespread repercussions.

A whole heap of Union Ministers have been rushing hither and thither to explain to our foreign friends what the issues are in the context of Bangla Desh. You would think that this is the minimum function of our ambassadors and their minions. Apparently not. Report has it that our diplomats have been content to push 'bulletins' and such materials and have generally failed to articulate any kind of meaningful opinion. Indeed, the outbreak of cholera in the evacuee camps has done more than our

foreign service to awaken international responses to events in Pakistan.

It is still unclear what precise objective ministerial junkets are intended to serve. Apart from absenting themselves from Parliament and from urgent work in their ministries, these trips have created the impression that it is the considered view of the GOI that it is not possible to communicate effectively through the accredited representatives of foreign powers in the Capital. Of course, the impression is false, but it seems to emphasise the lack of seriousness in our efforts.

What was urgently required in the tense weeks following the launching of genocide by the Pakistani fascists was an exercise to prod and persuade influential non-government leaders of opinion in the world to mobilise sanctions against Islamabad. This was emphasised early in April when we realised that our diplomats had little rapport in their territories with persons not involved with officialdom. The habits of our bureaucracy die hard, and certainly cannot be corrected in the course of an assignment abroad.

Our major failing has been in this area and all the rationalisation that will be advanced to explain away this failure will be so much irrelevant theorising. Our diplomats are a dead loss.

Incompetence and a lack of seriousness are again highlighted by the transfers that are under way. At this crucial moment in our affairs, who would consider changing our men in Islamabad, Moscow and Washington or, for that matter, even in strategic Afghanistan. But, this is what is happening. Indeed, the post at Islamabad has been vacant for the past few weeks. It would be interesting to find out how much work has been done on Bangla Desh in Peking. Or, have we written off this area?

The thought occurs because the military theories which are current speculate invariably on the positions that Peking will take — even though our own specialists have not been consulted. Military strategies and guerilla tactics are discussed in the context of wars and collisions on three fronts: the advantages and disadvantages of monsoon flooded terrain, the consequences of frozen Himalayan passes, the business of choosing battlegrounds, and the duration of conflicts in terms of resources and international restraints. The talk is endless, but again there is little study in depth and little inclination to listen to those who have studied in depth.

All manner of ideas are being propounded. There is the interesting proposal to clear militarily an area in Bangla Desh along the Indian border to ensure 'living space' for the victims of Yahya's genocide — and to defend it. Another view would stake everything on a Pakistani economic collapse, forgetting that there are innumerable ways of providing short-term aid for a bankrupt government without anyone knowing. And, of course, there are those who think that the Pakistani fascists will soon launch a face-saving operation which will restore their damaged links with the world but which will keep the Hindu evacuees from East Bengal in India.

The Prime Minister has been vehement in asserting that those who have crossed our borders must return to their homes in six months. There is a pathetic quality about this assertion, unless we intend to defeat the fascists and then send back the evacuees. No evacuee is going to return to a "normalised" East Pakistan. To a sovereign Bangla Desh yes. Nothing more, nothing less.

And that's where our confusion begins and ends — and where every current theory is rooted, even of our numerous astrologers.

Persistent Selling at Higher Levels?

Nishtar

ON June 23, the spot quotation for groundnut oil in Bombay was marked down to Rs 3,880 a tonne. This is the lowest price recorded so far this year and it is only Rs 30 higher than last year's low of Rs 3,850. The highest realised by groundnut oil this year was Rs 4,600 a tonne; this was in January — a month when groundnut oil is normally about the cheapest because of the seasonal factor. The contra-seasonal rise was certainly intriguing, but not the current decline. Reports from all the important groundnut producing areas, especially Tamil Nadu and Saurashtra, point to a very comfortable supply position. This explains why groundnut oil has developed a distinctly easier tendency despite the progressive cut in the use of soyabean oil by the vanaspati industry.

The decline in groundnut oil prices should provide a welcome relief to the ordinary consumer, and it is a pity that vanaspati too should not have been made cheaper. Except for the southern zone, where the price has been reduced by 20 paise per kg, vanaspati prices elsewhere have been kept unchanged for yet another fortnight. Instead of effecting a cut in vanaspati prices, the Government has been curtailing the use of cheaper soyabean oil and its use has been suspended for the fortnight commencing June 23. The use has been stopped even though the supply position of soyabean oil is extremely comfortable. Stocks with the vanaspati industry are mentioned as being around 14,500 tonnes, and about 24,000 tonnes are reported to be lying in the STC godowns. Another 35,000 tonnes are afloat and about 27,000 tonnes are under shipment. This makes a total of over one lakh tonnes. In addition to these PL 480 supplies, the State Trading Corporation is reported to be holding the authorisation to purchase 30,000 tonnes of soyabean oil in free dollars during July-August. It is to be hoped that adequate care will be taken to store this soyabean oil so that the quality does not deteriorate with time.

Ample supply of soyabean oil should help maintain edible oil prices at a reasonable level even during the lean period. Only the rich farmers, co-

operatives, and official agencies which are holding high-priced groundnut seeds and oil, will feel uneasy over the downward trend in prices. One hopes that the Government policy in regard to the use of soyabean oil is not intended to protect these interests.

To come back to the market story, it was only near the weekend that the market developed a distinctly soft tone. The change in sentiment was attributable mainly to the favourable turn in the weather. Widespread rains have greatly relieved the anxiety caused by the somewhat prolonged dry spell after a good spell of early initial rains. The second rains will prove very beneficial to the groundnut crop which has already been sown and it will facilitate further sowings at other places. Indian agriculture is so heavily dependent on the unpredictable weather that one has to keep one's fingers crossed until the harvest is ready.

Bulls, who had been dominating the futures market for quite some time and had tightened their grip following the prolonged dry spell, rushed to lighten their commitments near the weekend. Linseed July and castor September, which had been bid up earlier in the week to Rs 168.25 and Rs 135.37 (per quintal), respectively — new highs in the recent uptrend — were marked down to Rs 164.50 and Rs 130.12 at the weekend. In view of the large element of manipulation, it is difficult to say how futures will fare. But odds are that the market will continue to encounter persistent selling at higher levels if weather conditions remain favourable.

Distinctly Firm

THE cotton market has turned distinctly firm. Neither the Foreign Trade Minister Mishra's statement in Parliament that the Government might import 17-19 lakh bales of cotton for the textile industry nor the welcome break in the prolonged dry spell has had any effect on the market. Prices have risen by Rs 100 to Rs 175 a candy over the week on steady spinner inquiry and poor offerings. Mills are finding it increasingly difficult to procure quality cotton. Last week's rise has carried

many varieties well beyond the halfway point between the record January highs and subsequent April-end lows. Cotton prices have moved up, despite credit curbs against which both industry and trade have been crying hoarse.

That the market should have taken no serious notice of Mishra's statement on additional cotton imports is not the least surprising. Declaration of intention to import cannot by itself add to physical availability. There is no clear indication when the promised quantity will be imported; surely, the entire quantity cannot be imported in the current season that will end with August. The earlier promise to import 17 lakh bales during the current season has still to be redeemed. Import quotas, released so far this season, add up to 11.55 lakh bales, including one lakh bales of Sudan cotton proposed under Russian barter deal and another 55,000 bales of Sudan cotton which is yet to be allocated to mills.

And considering that not even half the quantity has been actually imported by now, even though quotas had been released quite early in the season, industry would seem to have forfeited its claim for larger imports. The gap between indigenous supply and industry's requirements does, however, warrant large imports — more than what is normally imported.

But how long will the country continue to waste valuable foreign exchange on importing cotton to cover up the failure to step up indigenous production? This is a question which all serious-minded persons must ask themselves. That there exists a vast potential for increasing production through higher yields is common knowledge; it has been amply demonstrated by the results achieved at various projects. Maharashtra's Chief Minister Naik told newsmen the other day that his Government proposed to bring about four lakh acres of land under hybrid cotton cultivation and that if the Central Government assistance on the requisite scale is made available for growing H-4 variety, the country's normal estimated deficit of 6 lakh bales of cotton would be wiped out. Is one to think that the project cannot be implemented without Central Government assistance? The country is paying dearly for neglecting cotton production. Abundant supply of cotton at cheap prices alone can restore health to India's sick, labour-intensive cotton textile industry.

Mixed Fare

AFTER drifting idly most of the time, the stock market developed a distinctly soft tone near the weekend, and it moved quite close to the year's lowest point. The slightly improved tone discernible at times, earlier in the week, was due more to scarcity of offerings than to any significant revival of fresh support though certain cash shares did evoke fair attention. Net changes over the week showed a mixed pattern but losses far outnumbered the gains. Cash shares generally fared better than the scrips on the cleared list. With operators continuing to adopt a wait-and-watch attitude, business shrank to a trickle. In the absence of fresh support, prices eased without much selling.

The week's news bag provided mixed fare. The corporate news was on the whole encouraging. Quite a few companies such as Tata Steel, SLM-Maneklal, Baroda Rayon, English Electric and General Electric — to mention some important names — have had a message of cheer for their shareholders. The Iron and Steel Controller has held out assurance of a considerably improved supply of steel, shortage of which has been hampering production in a number of related industries. The Aid India Consortium has assured \$1,150 million economic aid for the current fiscal year. These factors imparted a measure of steadiness to the market but could not enliven sentiment.

This is because the market has had enough to worry about. In their memorandum to Finance Minister Chavan, the stock exchange chiefs have echoed the concern expressed by the leading spokesmen of big business that high taxation on individual incomes and corporate profits will further inhibit savings and investment alike and will damage initiative and enterprise, thereby retarding growth and development of joint stock enterprise.

The market might have been reconciled to the tax proposals and recovered from the budgetary chill by now if it had not been increasingly concerned over the likely economic and political repercussions of the massive influx of refugees from East Pakistan. Despite Indira Gandhi's repeated assertions that the refugee problem is an international responsibility and that India cannot be expected to assume more than its fair share of the

burden, assistance provided by the international community so far is disappointingly small. Since the strain of giving asylum to refugees is more than the Indian economy can bear, the outlook for the economy is becoming more gloomy with each day that passes.

The stock market has also had to put up with other adverse influences. Reports from New Delhi indicate that the Government is in no mood to concede the steel industry's plea for higher retention prices in order to compensate for the rise in costs. The Foreign Trade Minister, L N Mishra, told Rajya Sabha the other day that the Government was anxious to bring down the prices of rayon and nylon

yarn. The Union Law Minister has prepared a draft Bill to restore to parliament the right to amend the fundamental rights and abridge the right to property. The Bill is proposed to be introduced during the current session of parliament. Marketwise, these are not pleasing developments.

The stock market, which hitherto has appeared more willing to cling to straws of hope, seems to be moving into a different phase. It now presents a picture of uneasy calm. Optimism has been eroded by the deepening refugee crisis. Unless a satisfactory solution is found soon, the refugee problem might upset all budgetary calculations with serious adverse impact on the economy.

COMPANIES**By Higher Sales and Varying Margins**

Hansavivek

GUJARAT STATE FERTILISERS' decision to step up the selling price of its diammonium phosphate (DAP) by Rs 190 to Rs 1,440 per tonne has come in for a lot of criticism. Jaykrishna Harivallabhdas, chairman, says that as the first company to produce the new fertiliser, GSFC had fixed the earlier selling price below the cost of production to promote its use in the interest of increased production. During the past four years, the company suffered losses on sale of DAP of Rs 190 lakhs, Rs 197 lakhs, Rs 262 lakhs, and Rs 109 lakhs, respectively. It was possible to carry these losses because the profit margin on the sale of nitrogenous fertilisers was large enough to absorb them. With a reduction of the margins on nitrogenous fertilisers because of competition and Government's re-fixing of the prices at lower levels, GSFC was obliged to raise the prices of DAP. The farmers have come to appreciate the value of this fertiliser, since they gain Rs 4 for each rupee spent on it. That this is not an exaggeration, argues the chairman, will be clear from the fact that for the additional requirement of phosphatic fertilisers, of which GSFC can meet only 50 per cent, the farmer is paying much higher prices per nutrient unit charged by other manufacturers. He complains that a campaign was organised "for reasons into which I need not go", to suggest that GSFC was profiteering on sales of DAP and that great

hardship was caused to farmers. At the request of the State Government GSFC directors and Gujarat State Co-operative Marketing Society agreed to reduce the price by Rs 95 per tonne from May 13 last. The chairman asserts that this decision will result in the company having to carry a "substantial" loss on the production and sale of DAP.

The chairman also points out another factor which has substantially raised the company's cost of production. ONGC has unilaterally and substantially increased the price of the associated gas from April, in violation of the terms of agreement. If the company were to pay what ONGC is asking, it would have to pay about Rs one crore more per annum for its supplies of gas. Efforts are being made to bring home these facts to the Commission, but if an amicable settlement cannot be reached, GSFC will have to adopt appropriate legal measures.

Engineering and other work of the company's caprolactum project has started; and construction and erection work will commence in the near future. It is also proposed to set up a facility for the recovery of fluorine in the form of hydrofluosilicic acid from phosphoric acid to improve the working of the phosphoric acid plant and fetch some additional income. GSFC has negotiated the setting up of a pilot plant for the testing of catalysts and for establishing a process for pro-

duction of cyclohexane. It has also sponsored research for the recovery of industrial water from its effluents at the Bhavnagar Research Institute, and a pilot plant is intended to be set up for the purpose. Design work has been carried out for a small plant for the manufacture of liquid carbon dioxide for which there is good demand in Gujarat. The company has agreed to allow the Bhabha Atomic Research Centre, which is setting up its heavy water plant adjacent to the company's premises, the use of its 'synthesis gas' on compensation for the production of heavy water. This project is expected to be completed about the middle of 1973.

During its 9th year to March last, GSFC sold 4,05,248 tonnes of fertilisers and 6,814 tonnes of other industrial products—i.e., a total of 4,12,062 tonnes against 3,16,668 tonnes during the previous year. Not only the entire production in the year, but almost all stocks of the previous year were sold out. Of total sales, 61 per cent of fertiliser was sold in Gujarat and the balance in 10 other States. The company has turned out pleasing financial results for 1970-71.

SYNTHETICS AND CHEMICALS

could expand its production of synthetic rubber from 24,590 tonnes to 30,339 tonnes during 1970 because of satisfactory supply of alcohol from distilleries in UP, but its sales were only modestly better, at 27,749 tonnes against 26,170 tonnes owing to strikes and labour trouble in the tyre industry. Both sales income and gross profit turned out to be marginally lower compared to their respective levels in the previous year. Although disposable profit is barely Rs 3 lakhs against last year's Rs 1.79 crores, dividend is doubled at 12 per cent and will demand Rs 69 lakhs. J H Doshi, Pravinchandra V Gandhi, and Pratap Bhogilal, were appointed 'additional directors'. They are seeking election at the forthcoming annual general meeting. Meanwhile, three independent shareholders D Banerjee, J N Heredia and Karl Kheshvala—have notified their intention to stand for election as directors. LIC's chief actuary, J T Randive, is also a candidate. Firestone Tire — technical collaborator and holding more than 25 per cent share capital in the company—has declared its support to Banerjee, Heredia and Kheshvala and to LIC's nominee. Lately, Kilachand Devchand and associated companies, which also have considerable shareholding in S and C, have stated that they fully support the candi-

dature of Randive. F J Reighley, Firestone's representative on the Indian company's board, and the chairman Tulsidas Kilachand, are retiring by rotation and are both seeking re-election. The stage has thus been set for another proxy war between Firestone and Kilachands. Publicity campaigns have been started by both sides to solicit the common shareholders' support. Two years ago, Firestone initiated a campaign against the re-appointment of Kilachand Devchand as sole selling agents of the company. The selling agency was ultimately abrogated by the Company Law Board. At a recent press conference, Reighley announced that, if the candidates supported by Firestone were elected, the board would be re-constituted and that the new board would install professional Indian management to conduct the company's affairs in the best interests of all the shareholders. The company, supposed to be managed by the board, is in actual practice managed by the Kilachands with the active support of so-called "independent" directors, he said. Firestone, he added, had no intention to take over the company's management.

S and C has been saving about Rs one lakh per month with the termination of the sole selling agency. The 1970 results, moreover, did not justify a higher dividend.

ARTOS-MANEKLAL DEVELOPMENT AND MANUFACTURING, inaugurated recently at Vatva, near Ahmedabad, is a joint venture of Artos Group of West Germany and T Maneklal Manufacturing of Bombay. Ing C A Meier-Windhorst, Artos's president, told a gathering of textile chemists and engineers that his organisation concerned itself mainly with the development and production of textile finishing machines and had developed a modern concept which would be transferred to the Indian company. He stated that Artos-Maneklal had finalised a special programme in respect of processes and production machines for quality knitted fabrics. Knit-goods, he added, would become more and more important because polyester cotton blends were becoming increasingly popular leading to increased consumption.

The Week's Companies

(Rs in lakhs)

	Gujarat Fertilisers		S and C	
	Latest Year 31-3-71	Last Year 31-3-70	Latest Year 31-12-70	Last Year 31-12-69
Paid-up capital	1200	1199	575	574
Reserves	731	262	365	193
Borrowings	3992	4388	547	713
of which Term borrowings	3992	4388	405	569
Gross fixed assets	5988	5894	1710	1693
Net fixed assets	4314	4751	742	851
Investments	—	—	—	—
Current liabilities	339	414	200	197
Current assets	1937	1512	938	816
Stocks	931	548	542	473
Book debts	442	498	314	253
Net sales	2903	2429	1315	1392
Other income	21	14	14	14
Raw material costs	544	552	632	556
Wages	137	103	110	94
Interest	282	275	37	60
Gross profit(+)/loss(-)	1181	748	338	315
Depreciation provision	532	496	131	126
Tax provision	—	—	—	—
Net profit(+)/loss(-)	649	252	207	189
Development rebate provision	361	—	201	37
Transfer to reserves	152	72	6	92
Dividend				
Amount	P28	P108*	69	34
Rate (per cent)	E108	E72	12	6
Cover (times)	P9.3	P9.3	†	3.64
Ratios (per cent)	E12	E8		
Gross profit/sales	2.40	2.00		
Net profit/sales	40.68	30.79	25.70	22.63
Net profit/capital employed	10.94	4.31	13.92	12.77
Inventories/sales	32.07	22.56	41.21	33.98
Wages/sales	4.72	4.24	8.36	6.75

* Arrears of preference dividends for previous four years.

† Dividend paid out of general reserves.

NEW DELHI

Pulling Out the Teeth

THE Company Law Ministry has, after many months of hard labour by its top officers, formulated a new set of Rules under the Monopolies and Restrictive Trade Practices Act. The new Rules, which are to be notified in the Gazette shortly, relate to the requirement under the Act to classify goods in respect of which an undertaking may be considered 'dominant' and may attract the relevant provisions of the Act. The classification of goods for this purpose and their listing is of considerable significance for the effective operation of the Act. The manner in which this job has been done and the final outcome of the effort are revealing.

The classification made and listed in the new Rules under groups and sub-groups covers hardly 350 items. This is in contrast to the classification attempted by the Monopolies Inquiry Commission in its report and its description of items. The list of 1,300 items given as an appendix to the MIC's report gives proper and adequate description of the goods covered and could have formed a satisfactory basis for the purposes of the MRTP Act. MIC had found the existence of dominant undertakings in many of the items listed by it. In this sense the list, though fairly exhaustive, was illustrative. It should have been expected that when the MRTP Act came into force, the Company Law Department, whose function it is to effectively administer the Act, would make the list more exhaustive by adding items left out in the exercise made by the MIC. Further, the Rules should have been framed in such a manner that new undertakings which might achieve dominant status in new items in the market would be brought within the ambit of the Act. Curiously enough, the Rules framed by the Company Law Ministry do nothing of the kind.

The Rules have been framed in such a manner that the very concept of dominant undertaking almost disappears and the relevance of the MRTP Act on this account becomes illusory. Not only is the number of items much smaller, but the various items are so put together under groups and sub-groups that a dominant undertaking in a particular item as determined by the MIC will not be dominant in terms of the groups and sub-groups listed under the new rules. The MIC report and the MRTP

Act define a dominant undertaking as one which has control over more than one-third of the production and distribution of a particular good in the market. If a number of goods are bunched together and the dominance of any undertaking is to be determined in terms of its share in that bunch, an undertaking which may enjoy dominant status in a single item in the group will not retain that position in the group taken as a whole.

For instance, the MIC report gives a list of pharmaceutical items in respect of which it had found a large number of companies to be dominant. The number of items covered within this group is 97. The Rules framed by the Company Law Department, on the other hand, list only 13 items in this category by putting together various items in groups and sub-groups. The result is that there will be probably no company which can be treated as dominant in terms of the groups and sub-groups under the Rules. In the same manner, in respect of industrial machinery, as against 71 items in the MIC report, the new Rules group and sub-group the items into 20 for the purpose of determining dominant status of undertakings.

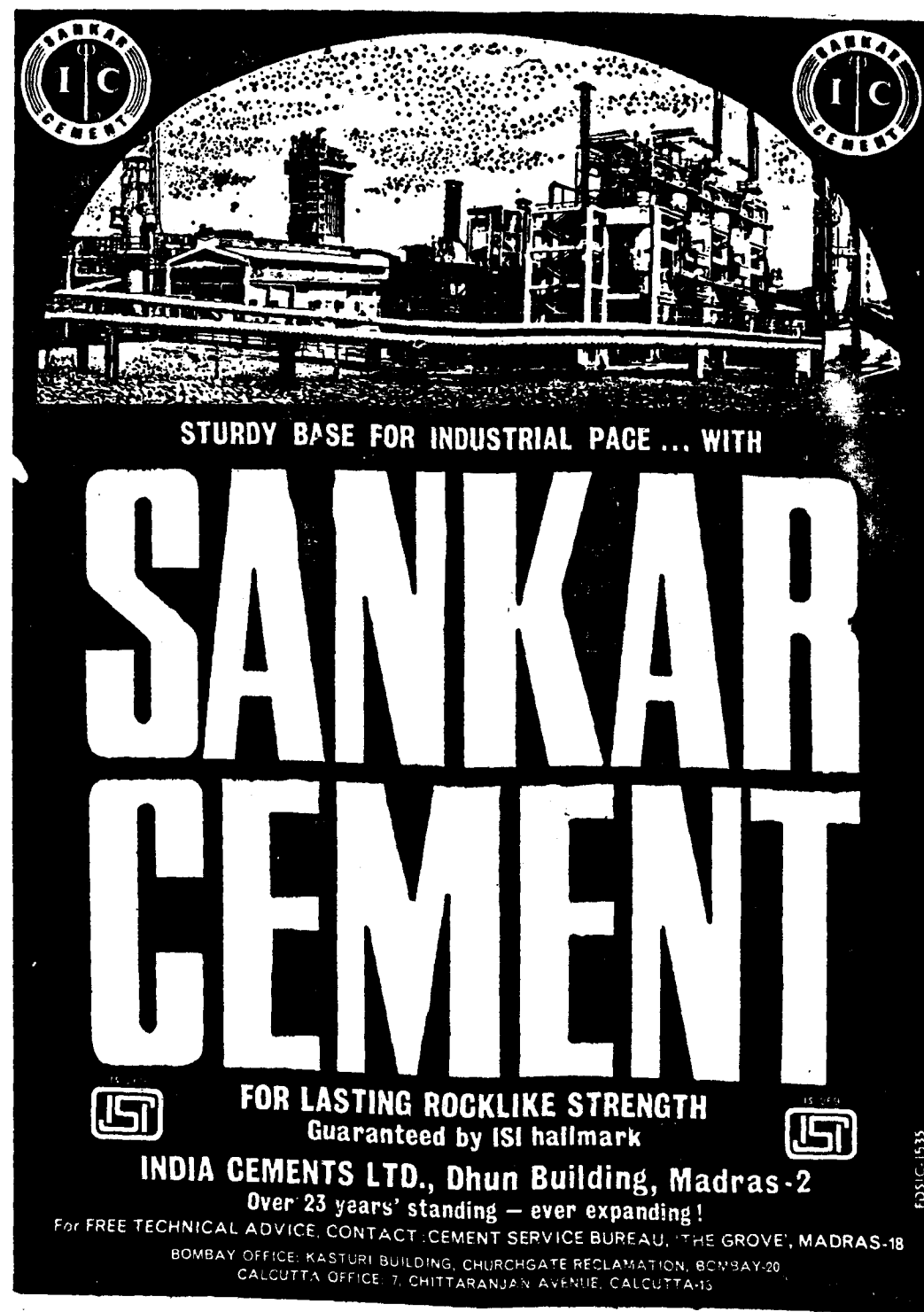
Many companies had, it will be recalled, put up stiff resistance to being registered under the Act as dominant undertakings in items of production or as belonging to big business houses. According to the findings of the Dutt committee, at least 2,000 companies should have registered with the Monopolies and Restrictive Trade Practices Commission in terms of bigness and concentration of economic power. At least another 1,300 should have been registered as being dominant undertakings in particular items of production as found by the MIC report. However, only about 500 have so far registered themselves for bigness, the main plea of the others for not registering being that, after the end of the managing agency system, interconnection and interlocking of companies had become irrelevant under the law. Only 250 companies have registered themselves as dominant undertakings. The new Rules framed by the Company Law Department will facilitate the evasion of registration by those who have evaded the obligation so far; further, it will enable many of those who have

registered themselves to be absolved of this requirement so that they will demand de-registration as soon as the new rules are formally notified.

The new Rules, it is understood, have been framed more at the initiative of the Ministry of Industrial Development with the assistance of the Directorate General of Technical Development than of the Company Law Ministry. The administrative high-ups in the Company Law Ministry fell in line with the approach and proposals of the Industrial Development Ministry without taking the trouble of examining the issue in terms of the problems of concentration of economic power and restrictive trade practices and of the general purpose of the MRTP Act for enforcing which they hold primary responsibility. The senior civil servants in the Ministry appeared to be reluctant to rely on their own research and expert staff and rushed into framing the Rules which will in practice severely restrict the scope and operation of the MRTP Act. The specialised staff in the Company Law Department is sore about this development but it finds itself in no position to do anything since the administrative high-ups, even though they may have no comprehension of the problems involved, enjoy superior power and status in our system of government.

The upshot of it all is that the Monopolies and Restrictive Trade Practices Commission and the MRTP Act are fast ceasing to have any teeth at all. The process of rendering the Act as well as the Commission ineffective has been remarkably expeditious. This is clear from the delay in the constitution of the Commission, its composition, the denial of adequate staff and facilities to it to do its work well, the extremely selective manner in which cases for grant of new industrial licences or expansion proposals have been referred to it and the inability of the Commission to perform its statutory functions which it can take up on its own initiative. The latest development in this process has come from the Commission itself with its majority report approving Century Spinning's application for its paper pulp and chemical project. The Commission found that the company was interconnected with others in the Birla Group and yet refused to go into that question and cleared the application by a majority decision!

★
While the ritual of democratic consultation, as K N Raj put it at the



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*You cannot bring about prosperity by discouraging thrift,
 You cannot strengthen the weak by weakening the strong,
 You cannot help the wage-earner by crippling the wage-payer,
 You cannot help the poor by destroying the rich,
 You cannot establish sound security on borrowed money,
 You cannot escape trouble by spending more than you earn,
 You cannot build character and courage by taking away Man's independence,
 You cannot help men permanently by doing for them
 what they could and should do for themselves.*

— Abraham Lincoln

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meeting of a group of economists with the Planning Minister, goes on, the long-delayed notification on the functions of the Planning Commission, which was supposed to restore to the Commission its status and clear the confusion on this score, was issued late last week. Together with the notification, the appointment of two Members to the Commission was also announced as part of the instalment plan for reconstitution of the Commission. How many more weeks will pass before the Commission will be fully constituted it is difficult to say. But the notification on the functions of the Planning Commission in no way clears the confusion. The Commission has been placed directly under the charge of the Prime Minister's Secretariat. This suggests a further change compared to the past position. What ex-

actly this signifies is difficult to guess and is left unexplained.

Meanwhile, talk of revising and recasting the Fourth Plan is becoming more and more muted. It is now beginning to be suggested that the new orientation to planning in terms of the proclaimed social objectives of the Government and the ruling party will be best achieved in the Fifth Plan on which work is proposed to be initiated right now. So far as the Fourth Plan is concerned, it is already in its third year and so nothing much can be done except to improve the implementation of programmes outlined in it and overcome lags and shortfalls to the extent possible. Within a few weeks of taking charge, the ambitions of the Planning Minister seem to have become markedly less grandiose.

DAR-ES-SALAAM

Behind the Dialogue Move

A K Essack

HOUPHOUET-BOIGNY, President of the Ivory Coast, has let the cat out of the dialogue bag. In an interview in *Paris-Match* last month, he revealed the underlying strategy behind the attempt to start a dialogue with South Africa. He said, "The real danger to Africa is not South Africa. She is also African and her development can benefit the whole continent... the real menace is communist expansion and the real threat is People's China. And against this danger the best bulwark today is South Africa with its military and industrial power".

It is rare to see any African leader lavishing such praise on South Africa and rarer to hear Vorster's voice coming out of the mouth of a black man. The only other such occasion is when Hastings Banda of Malawi chooses to speak. It is no wonder then that Vorster, a card-carrying fascist during World War Two, now South Africa's premier, congratulated this new convert to the South African side by promptly stating, "I am particularly pleased to hear that my view has been endorsed by President Houphouet-Boigny—it confirms that he has a good insight into the African situation and I sincerely hope that cognisance will be taken of his statement in the interests of all Africa".

The view that Vorster referred to and which Houphouet-Boigny echoed was expressed in another statement from his Cape Town office in which he said, "The greatest single threat to Africa is that the Chinese Communists have established a bridgehead in Tanzania and the

possibility that they might through the construction of the Tanzam railway infiltrate into the heart of Africa and establish themselves on a permanent basis in Tanzania and Zambia".

It must be added that when Vorster voices these groundless fears he is not alone. Vested interests in London, New York and Paris are also alarmed and have expressed great misgivings about the Tanzam railway project which they feel would alter the balance of forces in southern and central Africa.

Vorster has taken his cue from NATO and SEATO. The ultimate aim is to establish a NATO-type military alliance for the whole of Africa for as he elaborated "the main reason for my [offer of a] non-aggression pact in 1970 was to create a common African front against communism... like Boigny we are working to keep Africa free from communism, whether it is a Russian or Chinese variety".

From these utterances of both Houphouet-Boigny and Vorster it is quite clear that apartheid is not expected to be on the agenda if this dialogue does take place. In fact recent declarations by Vorster coupled with the renewed wave of terror and widespread arrests show that the screws of oppression within South Africa are being tightened, not loosened. Even the Churches, who are usually pillars of the *status quo*, have been brought into the ambit of repression and some of their leaders detained. An important indication of even tougher apartheid policies to come, is that the Nationalist Party has decided

to endorse the candidature of Treunicht, the editor of the Right-wing *Hoofstad*, who is a *verkrampde* (cramped one or conservative) through and through and regards Vorster as being too liberal.

There are no communist countries in Africa. So against whom does Vorster want to form his anti-communist front? The intended front is to be directed against all African countries which believe in a genuinely non-aligned foreign policy—in other words, a front against the Organisation of African Unity (OAU), a majority of whose members subscribe to the policy of non-alignment. Because Tanzania and Zambia dared to approach China for help to build the railway after the West refused to do so, they are now regarded as "bridgeheads" for communism. In fact any African country has merely to establish diplomatic relations with a communist country to be branded as communist. Botswana, which borders South Africa, recently tried to establish diplomatic relations with Russia. These ties were to be established without a resident Russian ambassador in Botswana. But this was enough for Vorster to intervene and warn his small neighbour that "South Africa regarded this as an unfriendly act" as this would create a listening post right in South Africa. Likewise now Vorster is busy telling the rest of Africa what is good for it. He is telling the African countries what sort of government is good for them and who they should not have foreign contacts with. He is treating them as 'boys'—exactly as he is used to treating the 17 million faceless and rightless oppressed people in southern Africa for whom he continues to prescribe a stiff dose of apartheid as the only cure for 'their ills'.

Houphouet-Boigny's and Banda's fears about communism are unfounded, especially as their countries have had no experience of any relations, diplomatic or otherwise, with communist states. On the other hand, the peoples of Tanzania and Zambia have had contact with the Chinese who are working on the Tanzam railway project. The only subversive activity noticed by the Tanzanians and Zambians is that the Chinese, wherever they have moved, have built clinics and have given the local inhabitants free medical attention. They have also dug wells and in some places laid on electricity. This is the type of 'subversive' activity Africa's peoples would like to have more of and which they sought from the West but did not get. The African people also know that the Chinese work hard from dawn to dusk and that Chinese workers toil side-by-side with the local

personnel on a basis of equality. Not only Tanzania and Zambia, but the whole of Africa is now in a position to differentiate this genuine aid from the sham Western aid which has been used as a cover to facilitate the greater exploitation of most of Africa.

It is now clear, however, that an overwhelming majority of African states have come out against any dialogue. This represents a defeat for Vorster and his supporters. Only seven countries have come out clearly in favour of dialogue. They are: Ivory Coast, Malawi, Lesotho, Malagasy, Ghana, Central African Republic and Gabon. They represent a population of only about 25 million out of Africa's total of 350 million. Furthermore, these countries are light-weights—weak in economic as well as military terms.

Behind the dialogue idea have been France, Britain and the United States. It is their ambassadors and 'aid' officials who have been putting pressure on African states to open a dialogue with South Africa. But unfortunately for these powers, Vorster has bungled matters again. He has entered the 20th century international arena with his ox-wagon mentality of the 18th century. He is too pre-occupied with the question of scoring little points over the *verligte* (the enlightened one or liberal) and the *verkrampde* wings within his Nationalist Party to pay attention to the wider global issues of winning the minds and hearts of the uncommitted in the struggle between imperialism and anti-imperialism. His latest gaffe was his revelation that there had been secret negotiations between him and Kenneth Kaunda, the Zambian President, and his claim that the latter was a "double-talker". This stunned Africa for here was Vorster, the oppressor of 14 million blacks, insulting the head of the OAU. It was the arrogance of the white man in relation to the black man all over again. This was embarrassing to Vorster's friends in the West and one of them wrote, "the revelation by the South African Prime Minister about his long standing contacts with Kenneth Kaunda seems to have proved a political and diplomatic 'gaffe'. Its effect was the opposite of what was clearly intended [to bring about] embarrassment or even the political downfall of Dr Kaunda."

This was an understatement. A wave of revulsion swept Africa. Vorster would have never done this to a white president and what was one to make of a prime minister who lacked the elementary diplomatic courtesy of preserving secrecy. If he had betrayed Kaunda, what would prevent him from doing the

same to other confidences from other heads of states. Not only his policy, but Vorster as a man could not be trusted. The result of this was that most African states rallied to Kaunda's side, particularly after Kaunda, feeling that he was no longer bound by diplomatic etiquette, published the correspondence in full. This complete correspondence, in fact, revealed that Kaunda had firmly stood by his principle of opposing apartheid even in his communications with Vorster. The result was that he emerged with enhanced prestige in Africa. In Zambia his party became more united in order to back him fully.

As is apparent, Vorster is no statesman; he has proved to be an ace bungler. Last year he bungled in announcing his proposal for a non-aggression pact along with the threat that he would invade any African territory that was harbouring terrorists. The result was almost no response to his proposal.

It is small wonder that Vorster's diplomacy is not rated very highly in the West. In fact the West is becoming aware, only too painfully, that despite Vorster's, and his predecessor, Verwoerd's, boast that South Africa is the most reliable and trusted bastion against communism, it is South Africa's tyrannical policies which have set in motion a train of events which have led to closer ties with Russia and China for countries in southern, central and eastern Africa. The West had hoped that the *verligte* wing of the Nationalist Party would remedy the situation and Vorster would listen to it. A few concessions on apartheid would create favourable conditions for winning over those African states which were still uncommitted. But Vorster who was more concerned about his *verkrampde* wing proved unwilling to offer any concessions on apartheid.

It is against this background that the South African Foundation has taken on an important new role and is now regarded by some as the "third force in South African politics". The Foundation's members are the big white capitalists of South Africa. Also behind it are the Big Two, Oppenheimer's Anglo-American Corporation and De Beers. All the large banks, insurance houses, mining companies and industrial empires support the South African Foundation. These companies together control the economy of the country. This section of the bourgeoisie has intimate contacts with its American, British, French and West German counterparts. They feel that the politics of the Vorster regime has not kept pace with its own economic interests which demand the opening of African markets for South African pro-

ducts.

For the previous 12 years the Foundation had used its vast financial resources to counter adverse South African propaganda by issuing glossy brochures about the rosy conditions in South Africa. But last year the South African Foundation's President, Francis de Guingand, and Vice-President, Etienne Rousseau, urged Vorster to modify some of the worst "aspects of discrimination". If this was not done, they argued, it would have a detrimental effect on South Africa's international position.

This then is the voice of South Africa's slick and sophisticated financiers and their backers in the West. The West is aware of the contradictions in the African states. Quite a few African countries have stringent anti-communist laws. In some of them, merely being in possession of a book by Mao is enough to send one to prison. But even these states have not accepted the dialogue proposal, precisely because of South Africa's record of oppressing black people. A South African announcement of concessions on apartheid could bring these countries to the conference table with South Africa. Then the nucleus of a continental anti-communist alliance could be created.

The South African Foundation's efforts are a front for the South African white bourgeoisie and their imperialist backers, whose aim is to relax petty apartheid in order to preserve apartheid. In this way imperialism hopes to attract the 'moderate' African states who upto now have rejected dialogue. The wider aim is to create a rival OAU which will be pro-West, committed to private enterprise and which will be hostile to the national liberation movements as well as to those states which are non-aligned. This rival OAU under white South African leadership will be the watch-dog of imperialist interests on the African continent. If this attempt succeeds, it could lead to the Vietnamisation of Africa, with Africans fighting Africans, and white, South Africa and imperialism supplying the arms and ammunition.

These dangerous portents make it imperative that all revolutionary and anti-imperialist parties and liberation movements should meet to close ranks. The need of the hour is for a conference of all liberation movements and revolutionary parties on a continental scale, as only a politically mobilised and politically aware people led by vanguard parties can frustrate the machinations and plots of imperialism and the South African white bourgeoisie and their followers in some African states.

Polycentric Maoism

Mohan Ram

POLYCENTRISM and national communism have been dirty words with the ideologues of the Communist Party of China. But the Maoist movements in three South Asian countries — India, (East) Pakistan, and Ceylon — have developed a pattern of polycentrism, creating an awkward situation, not only for the Communist Party of China but also for some of the communist parties recognised and backed by it in the past.

China's implied support to the suppression of the Bangla Desh struggle in East Pakistan and the Che Guevarist revolt in Ceylon, raises questions about the nature of the commitment of the Communist Party of China to the Maoist strategy of people's war for the Third World which was expounded by Lin Piao in 1965 and implemented with gusto in 1967. Will China actively back national liberation movements aimed against regimes which have friendly state-level relations with it? If not, what is to be the fate of the Maoist parties, formations, and movements, in such countries?

TWO TACTICAL LINES

The dilemma of the Communist Party of China is older than the civil war in Bangla Desh and the Che Guevarist revolt in Ceylon. It dates back to the emergence of two distinct tactical lines in the Indian Maoist movement — one represented by the Communist Party of India (Marxist-Leninist), led by Charu Mazumdar, and the other represented by the Andhra Pradesh Revolutionary Communist Committee, known as the Nagi Reddy group. The fragmented Indian Maoist movement is a genre by itself in the emerging pattern of polycentric Maoism in South Asia. There is broad accord, among the various Indian Maoist groups and formations, on the stage and strategy of the revolution (a two-stage revolution with Maoist people's war as the strategy); the differences between them relate to the tactical line or the specifics.

The Communist Party of China (CPC) was quick to confer recognition on the CPI(M-L) when it was formed in April 1969, excluding the Andhra Maoists who are now organised under the banner of the Andhra Pradesh Revolutionary Communist Committee (APRCC). The CPC has, however,

chosen to keep its options open in this case; it has neither denounced nor recognised the APRCC. Moreover, the CPC has been cold to the CPI(M-L)'s campaign of 'red terror' in Calcutta and its activities in the urban areas. Peking's mass media have been significantly silent on Charu Mazumdar's controversial tactic of annihilation of the individual class enemies such as landlords and policemen.

The Bangla Desh developments have put Charu Mazumdar and his party at odds with the CPC. CPI(M-L) could neither endorse the Chinese Government's support to General Yahya Khan's regime nor denounce it. CPI (M-L) has had close links with its East Pakistan counterpart led by Mohammed Toha. The two Maoist parties in the two Bengals have to resolve the same dilemma. In fact, both are united in the struggle and a good number of the CPI(M-L) cadre from West Bengal is known to have crossed over to Bangla Desh.

TIGHT-ROPE WALKING

Not surprisingly, a Maoist party like the Communist Party of Great Britain (Marxist-Leninist), is compelled to do some dexterous tight-rope walking. While condemning the "compradores and big landlords of Pakistan", who have used "every kind of fascist and savage measures to bring the people of East Bengal to their knees", and "embarked on savage repression that can only be termed genocide", it is unhappy that the leadership of the East Bengali peasantry is not in the hands of Marxist-Leninists or any kind of front that believes in People's Democratic Revolution. The Marxist-Leninists would, therefore, have to "recognise true friend from foe, recognise the class question as an integral part of the national struggle and embark on a protracted struggle based on self-reliance and the ideology of Marxism-Leninism." The CPC has not felt called upon to rationalise its stand in any greater detail than it already has done but the British party may be stretching logic a little too much to justify the Chinese stand. One hears the same laboured explanation from embarrassed Maoists in West Bengal and East Bengal. They tell you that, ultimately, China would be the only country to help the Bangla Desh national liberation war, when the leadership of the

struggle had gone into the hands of those who believe in People's Democratic Revolution.

Whatever the merits or justification of the CPC's stand, the more significant fact is that the Maoist parties in West Bengal and East Bengal have lost their rapport with the CPC and are functioning on the basis of their independent understanding of the situation, right or wrong. Charu Mazumdar's claim to legitimacy of his party as the only genuine Maoist formation in the country had rested solely on the fact that the CPC had recognised the CPI(M-L) and no other group in India. The CPC might well continue to recognise the CPI(M-L), but other Maoist formations in India are no less legitimate or Maoist. Commitment to Maoism does not *per se* mean loyalty to the CPC.

A NUANCE ALL ITS OWN

The situation in Ceylon has a nuance all its own. Again, according to the Communist Party of Great Britain (Marxist-Leninist), the Che Guevarist movement was led by a front of individual Marxist-Leninists with no communist party to guide the strategy and tactics of the revolution. Thus the revolutionary *bona fides* of the young revolutionaries is beyond doubt even to the British Maoists. On the outcome of the abortive uprising they say: "The final break with reformism has been successfully demonstrated and the future struggle of the peasants and workers of Ceylon on the road of People's War, guided by a Marxist-Leninist Party, looks promising". Yet it would be well to remember that, the leader of Ceylon's Maoist party, N Sanmugathasan, a welcome visitor at the highest echelons in Peking, is among those now in prison for complicity in the uprising, and that this has not inhibited Chou En-lai from extending massive credit to Ceylon and pledging all support to the Sirimavo Bandaranaike regime. China has even been prepared to condone the flow of Indian, Soviet and British military aid to crush the revolt — a far cry from the 1966 days, when China considered United States imperialism to be the most ferocious enemy of the people of the Third World and of the world as a whole, and considered the Soviet Union to be a US accomplice because it was striving to "undermine the solidarity and the revolutionary cause of the Afro-Asian people" and had "placed itself in antagonism with the Afro-

Asian people and the people of the world".

In the middle of 1967, when the Communist Party of China decided to transfer its struggle against the United States to the Third World and called for overthrow of the regimes in Burma, India, and Indonesia, China's state-level relations with these countries had deteriorated to open hostility. In China's view, armed struggles were already on in Thailand and North Kalimantan (Malaysia). The Third World strategy in Asia involved linking the war in Vietnam with the other wars in the Third World to forge a global front against the United States. It is significant that China did not call, at this point, for the overthrow of the regimes in Ceylon or Pakistan though its state-level relationship with Ceylon was by no means very cordial in those days. Pakistan, of course, came under a different category, having been classified as belonging to the "intermediate zone".

On the whole, China's support to class struggles or national liberation struggles has followed a pattern. A significant correlation has existed between the nature of its state-level relationship with the countries and the degree or quality of support to the struggles in these countries. Where China consciously refrained from calling for the overthrow of some of the regimes in the Third World, this had little to do with the class nature of the regimes in question. It had everything to do with China's state-level relations with these regimes.

VIENNA

Missions to Peking

IN June the Yugoslavs managed to divert the attention of the Western Press from Belgrade's chaotic internal affairs to talk of the renewed threat of a clash between Marshal Tito and the Kremlin. Suddenly, there was a flurry of commentaries in the Western Press and radio stations of increased hostile activity by the Russians against the Yugoslavs.

For some months, the Yugoslavs have been thrashing each other in the struggle over the organisation to follow the departure of Tito, head of state, head of party and commander-in-chief of the armed forces. There has always loomed in the background the prospect of Soviet intrigue, playing with both rightist and leftist forces who have not accepted Tito's self-styled separate road to socia-

Yet, theoretically, China regards active support to national liberation movements, working class movements, and people's struggles, etc, its international proletarian duty. Towards such movements there is no question of applying the principle of peaceful co-existence which, by definition, can only be practised between states. In its new drive for normalisation of relations with more and more countries, China will more and more come up against this dilemma. What would be the Chinese attitude to communist insurgency in Burma or the Naxalite movement in India, once it restores relations of peaceful co-existence with these countries? Obviously, China cannot renew its call for armed overthrow of these regimes, first given in mid-1967.

NEW DIGITS

China's new foreign policy stance would thus compel the Maoist movements and parties in several South Asian and South-East Asian countries to think in terms of new digits. Already, South Asia has thrown up a few Maoist movements which are functioning outside the hegemony of the Communist Party of China. A point might well be reached when adherence to Maoism, or commitment to the Maoist strategy and model of revolution, will not be synonymous with loyalty to the Communist Party of China. There will be several shades of Maoism, and interpretation of Mao will cease to be the sole prerogative of the Communist Party of China. Maoism might outgrow Mao and the party he is leading.

lism. Of late, there have been allegations, including those by Tito himself, of increased foreign intrigues. Tito did not name the Soviet Union but referred to foreign intelligence groups. But others in Belgrade have underlined the fact that the reference was to the Russians.

A PLOY

Towards the end of April, Tito had called his warring aides together at his Brioni island retreat and used every instrument possible: cajoling, scolding and threatening. On the surface, the political situation returned to a state of calm. Public controversies have been stifled in May and June, as the final touches to the changes in the constitution get under way. The re-emphasis on the Soviet threat is one of the ploys

employed by Yugoslav leaders to hold the warring factions together against the common enemy.

In the process, odd combinations have emerged. Army generals, forcibly retired in recent years, have been accused of megalomaniac daydreams of taking over power. The rightist emigre *ustashi* terrorists (extreme Croat nationalists) are suspected of being hand in glove with Moscow. At least one rightist emigre leader has confessed to seeking Soviet help against the communist government in Belgrade.

A BRIGHTER HUE

On June 9, the Belgrade daily newspaper *Politika* published new charges against the Soviet Union and reported that the Yugoslav Government had protested to Moscow. Coincidentally, on the same day, the Yugoslav Foreign Minister, Mirko Tepavatz, arrived in Peking on a week's visit, the first to China by a high-ranking Yugoslav government official. The red carpet rolled out by the Chinese to the visiting Minister of a country whose head was not long ago branded a running dog of the imperialists, was of a brighter hue than the Yugoslavs had expected. Forgive, and try to forget, was the theme of the efforts by the two countries which had been embroiled in ideological recriminations for the past 22 years, with a three-year break in the latter part of the fifties.

The joint communiqué issued after the Tepavatz visit to Peking was brief, compared to the usual standards of length for similar communiqués between communist countries. But in speeches at numerous banquets, the independent Yugoslav stance in relation to the Soviet Union was heartily hailed. The Yugoslavs must have gained much spiritual and psychological satisfaction.

Unlike the Russians, the Chinese have made a positive assessment of the Lusaka conference of non-aligned countries, according to the Yugoslavs. There is also the common approach between Belgrade and Peking, opposing the Brezhnev Doctrine of limited sovereignty of socialist countries.

Since the Soviet invasion of Czechoslovakia, Yugoslav relations with Peking have gradually improved. There is no question of the Chinese abandoning their disapproval of the Yugoslav revisionist way, but they have been keeping quiet about it. In addition, China's ally in Europe, Albania, has at last agreed to have ambassador level relations with Yugoslavia.

Belgrade and Peking certainly have

agreed to forgive each other, while seeking to find out what is common between them. China receives a good Press in Yugoslavia and Belgrade television has been instrumental in parading China's achievements. Films shot in China by Yugoslavs have been sold to Western agencies.

HIGHER TARGETS

The mission to Peking by Rumania's Communist Party chief and President, Nicolae Ceausescu, had set higher targets than the Yugoslav Foreign Minister's mission. Unlike Yugoslavia, Rumania was at one time a true believer in the Centralist hold of the Kremlin. It is also a member of the Warsaw Pact. After a delay of two years, Rumania renewed, a year ago, its twenty-year friendship and mutual assistance pact with the Soviet Union. Disappointed with the fruits of economic co-operation with the West, Rumania has also had to return to closer co-ordination of its economic planning with the Comecon. It swallowed its pride in joining the Comecon Investment Bank after first objecting to its rules.

In his visit to Peking (and to North Korea and North Vietnam) Ceausescu, therefore, was trying to re-demonstrate his country's and party's policy of independence from the Kremlin. Rumanians are also widely reported to have acted as the go-between in the ping-pong

diplomatic clowning between the Americans and the Chinese. Western commentators naturally assigned to Ceausescu a similar role in trying to heal the Sino-Soviet conflict. But the Soviet Union let it be known that it had little confidence in Ceausescu. The Russians, anyway, do not do things through intermediaries.

The Yugoslavs and the Chinese approached each other from a low profile. Having been mixed up with one another's ideological aspirations for a longer period, Ceausescu used the opportunity of the Peking visit to reaffirm the fact that, although a believer, he was in no mood to accept the papal authority of Kremlin theoreticians.

The tangible benefits for the Yugoslavs, from the improvement in ties with Peking over the past 18 months, include the increased prosperity of the Rijeka port on the Adriatic. Rijeka is the transit point now for Chinese exports to and imports from East Europe. The port authority showed a profit of nearly Rs 6 crores last year. Rijeka's Third May Shipyard will supply some Rs 10 crores worth of equipment for Chinese ships.

The Rumanians are to receive substantial Chinese economic and technical assistance. For the first time, Chinese technicians will come to work in Rumania. So far only Albania in Europe has received Chinese experts.

LONDON

No More Pacification

Farrukh Dhondy

A SINGLE political issue has a startling way of bringing to life the articulated ideals of a whole political movement of people. It gives substance and shape to that which is in the air, as a falling temperature gives rise to mist. You wake up one morning and there it is. On Sunday, March 21, under the banner "Black Oppressed People All Over the World Are One", ten thousand Asian, African and Caribbean people took to the streets of London. They came in coach-loads from all over Britain, they assembled in Hyde Park and linking arms, they marched in fives and tens and fifteens past Whitehall and Westminster demanding the immediate withdrawal of the Tory 'aliens' Bill.

It was not that black people in Britain hadn't felt together before. In the twenty years that they've been cheap

labour for this country there have been several times when they've seen themselves as especially oppressed and made statements of solidarity with each other. The successive bills on immigration, the race riots of Notting Hill and Leeds, the Paki-bashing spree of unorganised fascist lumps have brought the immigrants to the brink of active political unity. This time they were on the street together, not as nationals in exile, each with his way of relating to the culture and politics of his 'home' country, but as the black people of Britain, part of this island's development of struggle. Though the demonstration was vocal and militant there was only one arrest (and that on an issue unconnected with the politics of confrontation), an indication of strength and unity of purpose and absence of the kind of faction that

bedevils all radical action in this country. Though some of the groups had come together for the first time, the Indian Workers' Association, the Black Panther Movement, other parties to the Black Peoples' Alliance, there seemed to be a clear and militant line to the slogans and the placards which demanded the immediate withdrawal of this bill which would directly affect the rights and lives of the black population, and tried to awaken England to the imminence of a regime of pass-laws, police regulations and arbitrary police powers including assault without warrant, and deportation. Convoys of police on foot and on horseback, accompanied and tailed the demo, waiting in vans in alleys along the routes, but contrary to usual practice they played it very cool and didn't provoke confrontation. Whitehall and Westminster were deserted on Sunday, but clearly the eye of the government was wide open.

SURPRISED POLICEMEN

Open with surprise perhaps, as were the faces of the younger policemen, because that Sunday's demonstration marked the passing of an era. From the example of Ireland and from long experience in the colonies they know that an embattled minority can only escalate its struggle for its rights. The demo showed that black people see their demands in political terms in contrast to the white working class whose demands have yet to mature. The black organisations too saw their demo as a sort of convergence and consolidated the gain by holding a conference on the Rights of Black People in the third week of May at Alexandra Palace, a huge elephant's house of a hall with space and echo enough to accommodate, possibly, a free concert by the Rolling Stones. Again, there were groups from all over the country, and the talk was all of construction. The news media were not invited, the police were not invited (but must have been there to see what the niggers were up to), white people could and did come. The slogans of yesterday seemed to have given way. That we were black and beautiful was not said, no one was told that their salvation lay in Africa or in India. The conference talked about where black people are, why they are there and in which direction they ought to be determined to go. Education, housing, employment, political prisoners and justice at the hands of the law were discussed. People went away with the sense that the great body of black feeling had evolved a nerve-centre.

Activists and government both know that apart from time, it takes organisation to translate mass feeling into direct action. One group accepts the challenge, the other sees a threat. Perhaps the government and some civil service man somewhere, appointed to keep the files, anticipated the link-up of Asian and Caribbean groups. Long before the publication of the bill, which restricts the ability of black people to form any effective political groupings, the police and magistrates took for themselves the powers to arrest people on charges such as 'riotous assembly', 'incitement to riot' and 'obstruction'. These powers have been variously used, for smashing demonstrations and for exercising police recruits in breaking up social parties of people in areas like Brixton and Notting Hill in London, Handsworth in Birmingham, Highfields in Leicester.

ALL THE TRAPPINGS

The age of pacification, if there ever was one, is over. Nobody now believes as they did even two years ago, that 'community relations' could be established in an immigrant area by the appointment of a police liaison officer. The government has stopped making vague overtures to the black population. A concerted effort is being made to smash and discredit any black organisation with an independent political programme. The Black Unity and Freedom Party have suffered several raids and several street arrests, the Black Panthers have been individually and collectively framed by the police, accused among other things of assault, grievous bodily harm, obstruction, riotous assembly, insulting language and in one case, by an agent provocateur, of indecent exposure with intent to rape. Though the last case failed miserably in the courts, the circus of America's justice vs Blacks is now playing in England, with all the trappings of racist jokes from judges, judicial overruling of the defence cases, police control of the supporters of defendants in the public galleries, pickets demanding 'hands off black people' outside the courts.

The balance between pacification and force has been tipped irrevocably, partly by the growth of black opinion in this country, partly by the total partisanship and control of the press which conspires to present organisations such as the Black Panther Movement as some kind of black extension of the skinheads. The press, though alerted, never says anything about the trials of political prisoners. This emboldens parti-

cular police officers well known for their continuing vendettas on the populations of black people in their territories. Youth clubs, built for the original purpose of keeping youth off the streets and of feeding black youth their 'own culture', (reggae and dominoes for the West Indians, film-music and ping pong for the Asians) have felt the brunt of it since they turned their activities to black history and invited black speakers.

Two weeks ago in West London the Metro Club, a meeting place for black youth, was besieged by two hundred policemen with vans and dogs purportedly looking for two boys whom they'd arrested for playfully sparring in the street, outside the club. The siege drew the attention of the neighbourhood and the press. The youths in the club had barred the door and wouldn't allow the police in. Finally a youth club leader, a young white social services employee, negotiated with the sergeant in charge of the force and got a promise from him that there would be no arrests if the people inside the club peacefully dispersed. The youth poured out of the club. For once they had won. The police promptly attempted the arrest of a boy who had been in the club all evening and had nothing whatever to do with the street incident. There were objections, the police persisted and there was a scuffle. People began to shout and the police moved in in force. Someone threw a bottle at a police van and the police went wild and thrashed everyone they could lay their hands on. Twelve policemen were reputed to have been injured and twelve young people, both black and white, were arrested. One of those arrested was run over by a police car, taken into the station and brutally beaten, another girl suffered a slipped disc, the faces of others were seen bleeding and battered as they were dragged away. The next morning the papers choked on stories of bruised policemen and said nothing about the defendants who were stored away for a day before being produced in court. They have been remanded till July 14.

The details of the case are not atypical. One can predict the way the trial will be conducted and decided. It has happened before, though not with the very transparent purpose of creating enough stir to close down a youth club which has become a sort of sovereign territory for young black people in the ghetto colony. And it will happen anywhere where the clichés that the liberals have been putting out for the past ten years about 'community' and 'self-discovery through your historical cul-

ture' begin to come true. Reginald Maudling, the Home Secretary, instituted an inquiry into Black Power after a demonstration last year protesting against the victimisation of the Mangrove, a black restaurant in the same area as the Metro. Since then the police have felt entitled to harass those they consider the leaders of black opinion. In August, at a fund raising dance for the Black Panther movement, the police entered the place alleging that a thief had run into the premises. They came in force and acted in the usual high-handed fashion. They met resistance and four people were arrested. On June 9 this year the trial of three of them opened at the Old Bailey. One of the defendants, Keith Spencer, has been gravely ill and his doctor, while making provision for his entrance to hospital, certified that he was totally unable to sit up, far less attend his own trial. His counsel pleaded for an adjournment, in reply to which the judge, Bernard Gillis, QC, ruled that Spencer's bail be immediately revoked and that a warrant be issued for his arrest. He was dragged to court the next day and examined by a police doctor who in turn said that he was unfit to attend. He was taken to Brixton prison and the case continued to be heard in his absence. No pretence of legality or due process has been made in this case.

NO PROTEST!

More startling in its totalitarian implication is that the organisations which allegedly look after the civil liberties of citizens have made no protest. Only black people are on the move and the incident has provoked demonstrations outside the court and outside Brixton prison. Black political organisations have invited anyone concerned about the issue of Britain's political prisoners to send telegrams of protest to the Clerk to Bernard Gillis, QC, Central Criminal Court, the Old Bailey, London. The first of the telegrams reached the courtroom on June 11, signed by individuals and organisations from all over the country and from the Caribbean. They will, hopefully, serve to demonstrate to the Home Secretary that information is breaking the tight net, that England can no longer safely be self-righteous about political imprisonment. It may begin to worry him. It may restore the civil rights of Keith Spencer. His reconsiderations may prevent the kind of exposure of the British judiciary system that the American one has suffered in conflict with their own Black Panthers.

Boredom and Unprofessionalism

Nireekshak

WHEN Parliament is in session, newspapers are rarely short on copy. In fact, any groping for news during a parliamentary session is a sure sign of dullness in Delhi. When this happens during a budget session, as now, the boredom of the reporters comes through in print. Apart from the budget itself and, of course, Bangla Desh, Parliament seems not to have elicited much exciting news copy. One consequence has been that peripheral issues, that otherwise might not have obtained top display, have hit the headlines. The merger talks between the PSP and the SSP is a case in point. It has been made to look like a big thing though the hard news content of the stories failed to merit the bold headline types. However, some editorial comments helped to place the reports in their proper perspective.

The Deccan Herald, for instance, did not mince words when it said, "Except that there will be one party less in number if and when the merger of the PSP and SSP is effected, there does not seem to be much political significance or gain by fusion of the two Socialist parties. Neither of them can claim to be a political force with any mass following worth the name, nor represent an ideology which can be an effective alternative to the ruling party's." The coming together of the parties cannot, therefore, be expected to "give a new sense of direction and dynamism to our politics", it said. Also, "the merger itself is not easy to accomplish seeing the many hurdles the leaders are yet to cross". The Searchlight similarly argued that the "cacaphony on reunification" was a "routine affair". It wondered if the leaders of the two parties were really interested in unification as this was bound to "hurt the self-interest of at least some of them".

Most comments drew attention to the PSP's apparent difficulty in reconciling the lure of office for a section of its local leadership in States like West Bengal, Kerala, and Bihar, with the intention of the national leadership to oppose the Congress (R) at the Centre, and the anomalies inherent in a merger in such circumstances—particularly as the SSP itself is not of one mind on coalition politics or even on opposition to Congress (R)! As Tribune saw it, for example, the "PSP has always had a soft corner for the Congress which was

anathema to the SSP. And now there is an additional factor conditioning their behaviour—the attitude towards the two communist parties. In the absence of any clear-cut policies, their crisis of identity will not easily be solved." Even if the proposed merger came about, argued the Indian Express, it will only mean "a coming together of two rather weak and fragmented groups and will not, therefore, greatly change the political situation in the country".

ONE FELL STROKE

Another issue which attracted considerable interest, as it was debated inside and outside of Parliament, was the British Government's proposal to impose a 15 per cent import duty on Indian textiles from next year. The Times of India hectoringly called it a "breach of faith". At one fell stroke, Britain had jettisoned not only its "moral obligation" to this country but also its "contractual commitments under the India-UK Trade Agreement of 1939 as well as GATT". This was incomprehensible when textiles from the European Free Trade Area countries "will continue to enter Britain free of duty". Britain's promise of increased aid to compensate for the loss in trade, the paper said, "can hardly be taken seriously at a time when it is unilaterally disowning its treaty obligation... New Delhi cannot therefore afford to relax its efforts to drive home to Whitehall the grievousness of the injury it is proposing to inflict on India."

Most newspapers followed a similar line of reasoning, while at the same time being dubious of demands for quitting the Commonwealth should Britain fail to reverse its decision. While there is no doubt that "Britain's decision is a unilateral violation of the 1939 agreement", that it will "inflict a blow on Indian exports" without proving "much of a help" to the British textile industry, as well as that the decision is "contrary to all the principles of GATT", wrote Mail, "none of these circumstances or even all of them put together justify the suggestion of such extreme measures as quitting the Commonwealth."

Quitting the Commonwealth was indeed inadvisable, Free Press Journal allowed. But, taking an entirely different line from the general trend of comment, it maintained that the "dependence

of the home industry on the protected British market is in the long run fatal to its own and India's interests". Also, it should not be impossible for India to "absorb the feared fall in exports" and reorganise production before the full impact of the levy begins to be felt. "India's answer", it concluded, "ought to lie in the modernisation of its industry, in further diversification of its own exports, and in making its products more competitive in the world markets".

Apropos an earlier comment in these columns about certain unprofessional aspects of the Bangla Desh coverage, some observations made by James Cameron, the British journalist, may be of interest. Cameron is quoted by his compatriot, James Cowley, writer of "London Notebook" in the Sunday Statesman, as having said some very unpleasant things about the Indian Press. In an article in New Statesman, written after his recent visit to India, Cameron maintained: "For an old hack like myself, it [Bangla Desh coverage by the Indian Press] was something to make the heart cringe. The whole thing was hysterical dreamland. Hardly anyone went to see what was happening, and those who did were inexperienced in that kind of work—glib and derivative and immature, filling away their half-baked Hemingway in an orgasm of wish-fulfilment, because, one sadly supposed, this was the Indian line." Not very flattering to be sure, but hardly malicious or even patronising.

However, there have been some important exceptions to Cameron's general rule. For example, the Hindustan Times has, since I wrote on the subject (April 17), had much to say about what it called "a fall from grace" (May 2). "Credibility is vital", the Hindustan Times said. And "it is this that has been damaged by the unfortunate lack of professionalism displayed by the Indian print and sound media in their coverage of the fighting in Bangla Desh. Objectivity has too often been overwhelmed by emotion." The result, it noted, was "distortion of public understanding of the overall situation". The paper suggested in conclusion that, while it would be pointless to look "for any particular scapegoat in the Indian Press and radio... the experience should induce deep reflection about the role and responsibility, the training and professionalism of a free Press." All that remains to be posed is that old question: Who will bell the cat?

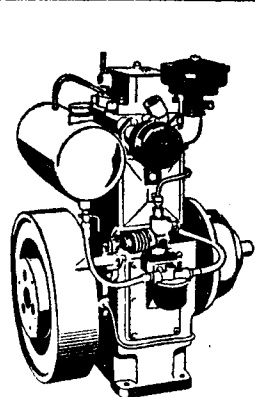
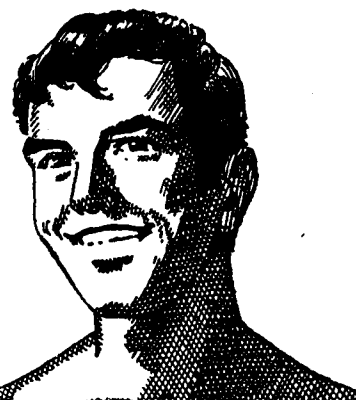
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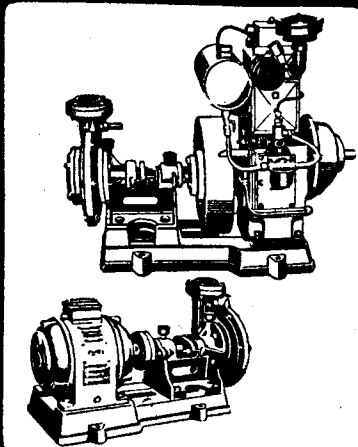
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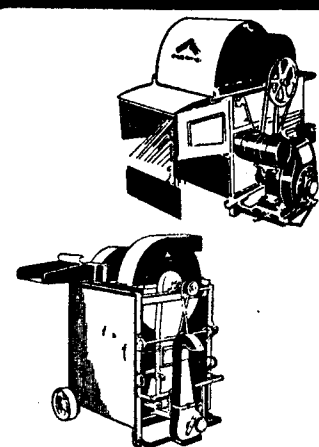
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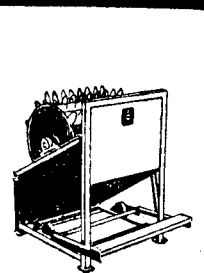
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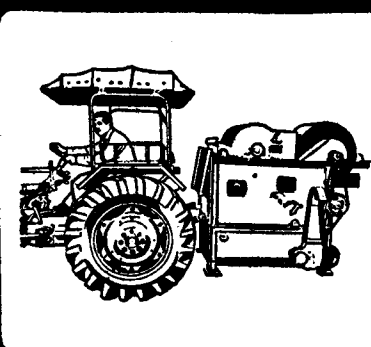
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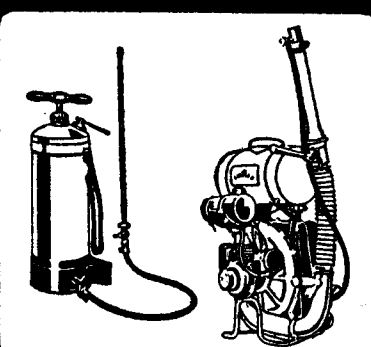
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REVIEW OF AGRICULTURE

June 1971

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Ranjit Kumar Sau

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To Quicken Agricultural Development

B D Shastri

Green Revolution and Agrarian Conflict

T K Oommen

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Yields of Irrigation

THE Fourth Plan irrigation programme was tailored to the needs of an agricultural strategy based on the use of high-yielding varieties. The setting up, recently, of a high-powered Central Ground-Water Board, to replace the erstwhile more modest Exploratory Tubewells Organisation and to assimilate the ground-water wing of the Geological Survey of India, is in keeping with the general guidelines for irrigation set out in the Plan. The Board will, at the all-India level, assess the ground-water resources and their distribution over the country. In the past, absence of adequate investigation and survey work had made the sinking of wells risky and had caused costly delays at different stages of implementation — a fact which led the Plan to put this important responsibility on the Central and State Governments. The States, too, have now been asked to set up their own integrated ground-water organisations to make use of the Central Ground-Water Board's findings and carry on from there to implement their particular irrigation programmes. A Model Ground-Water Control Act has been prepared and circulated among the States, suggesting to them a framework for avoiding overpumping and water wastage.

The rise in the number of tubewells since 1966-67 — the year of breakthrough in HYV — has been very striking. This has been made possible by the easy and cheap availability of finance as a result of the accent on rural banking and the strengthening of other institutional sources of finance. There has been, alongside, reduction in subsidies, stress on community or State works to help small farmers, and accent on proper maintenance of pumping machinery and irrigation tanks. The emphasis in rural electrification too was shifted from electrifying villages to energising pumpsets, and the Rural Electrification Corporation was started to ease the financial burden on the State Electricity Boards.

There is by now little doubt that the minor irrigation programme will have overall success. And the larger and richer market-oriented farmers, at whom the agricultural strategy is primarily aimed, will come forward to maximise their gains. In the rice-growing tracts of Andhra and Tamil Nadu or in groundnut-growing Gujarat, where the HYV technology has not yet gained a sure foothold, the State Governments themselves have been providing the initiative which the farmers have lacked. And there seems, in fact, to be a positive relationship between public expenditure and private investment in irrigation.

With the whole programme thus slanted for the richer farmers, what is to become of the more numerous small farmers? Will they be bypassed or can they be efficiently brought into the mainstream of growth? The many small farmers who are 'oral' lessees (without recorded rights) or sharecroppers may be avoided by financial institutions for their lack of adequate 'security'. This indeed may be why, despite the 'allocation' of funds for minor irrigation in some States with a predominance of such cultivators, the programme has not got off the ground. Since a major portion of the differences in agricultural growth among the States can be related to differences in extension of irrigation, this might further aggravate regional inequalities. On the other hand, in the new euphoria to help the 'potentially viable' small farmer (and under the aegis of the Small Farmers' Development Agencies to whom Rs 64 crores have been allotted in the Plan), finance may be extended to farmers with holdings too small to optimally utilise the irrigation potential of a well or a pump and without the means to maintain them.

For the agriculturists without security to offer, as well as the agriculturists with holdings too small to fully utilise the irrigation potential of a well or a pumpset, the solution must lie in organisational terms. In the first case an effort will first have to be directed towards sealing the loopholes in the land reform laws to establish the *bona fides* of the actual cultivators. The organisational solution must then be oriented to bring together a number of small farmers to pool their resources and to share the irrigation facilities. What is needed for the purpose is not merely a 'co-ordinating' outside agency, such as the Small Farmers' Development Agency, but an on-the-spot officer or body who can be made responsible for working out arrangements for pooling and payment and who can rationalise the use of investment in small irrigation. The Block Development Officer may in fact be suited for this purpose.

Agricultural Revolution by Production Function

Ranjit Kumar Sau

Indian agriculture by now is well-endowed with the estimates of Cobb-Douglas production function. But no one knows as yet whether increasing, decreasing or constant returns to scale prevail in this sector. Rather 'disturbing' is the intertemporal instability of production function for the same farms.

In view of the widely scattered fragmentation of land holdings, land input as incorporated in a production function is not an unambiguous concept, specially in India. This raises serious doubts, in principle, with regard to the validity of the production estimates.

The optimal farm size has to be determined in the light of a multiplicity of objectives such as production efficiency, minimum income for the peasant family, marketed surplus of foodgrains, and so on. In this broader perspective, the role of the production function is quite diminished.

The optimal farm size — however determined — must be politically viable. Hence, it is imperative that the political and economic under-currents are fully recognised, and their future trends carefully analysed. A hypothesis is put forward here to the effect that the land size structure is tending in the long run towards a dualistic system where small peasant farms would peacefully co-exist with the affluent capitalist farms, if the present alignment of political forces continues.

When the question of optimal farm size is subject to the intricate interaction of such dominant factors, it is a pity that some otherwise brilliant economists are naive enough to be lured by the glitter of a Cobb-Douglas production function with the standard errors, correlation co-efficient, and the sum of elasticities as the trimmings, which finally leads to a blind alley of deceptive conclusions in this context.

"I can't believe that!" said Alice.
"Can't you?" the Queen said in a pitying tone. "Try again: draw a long breath, and shut your eyes".
— *Through the Looking-Glass.*

THIS essay was originally intended to be simply a review of an important book by William R Cline, "Economic Consequences of a Land Reform in Brazil".¹ But then it transpired that a critical examination of the corresponding literature on Indian agriculture in this perspective would be both interesting and worthwhile. Thus what started out as a book review turned hopefully into a more comprehensive article.

I

Cline's Approach and Findings

The basic problem as posed by Cline is first to find the *optimal farm size* in Brazilian agriculture; for which the sole criterion is 'production efficiency'. He then goes on to calculate the consequences of two versions of land reform, in terms of their respective effects on the volume of output.

To begin with, the major issue considered by Cline is whether economies of large scale production exist in Brazilian agriculture. For "if increasing returns to scale exist, then from the standpoint of efficiency large... farms would be preferable to the relatively small scale 'family farms'" (p xiii). With a cross-section sample of farms he estimates a Cobb-Douglas production function for each crop with four independent variables, namely, (a) land,

(b) labour, (c) capital, and (d) expenditures on seeds, fertiliser and insecticides. The correlation co-efficient is high. And the sum of elasticities of output with reference to the inputs is approximately unity, which indicates the presence of constant returns to scale. This is confirmed again by an analysis of covariance.

Further, it is recognised that "farm size" as a variable represents entrepreneurial skill, or interest and range of scale. Tenure type also represents entrepreneurial motivation; one would expect the owner to be superior to the renter or sharecropper since the renter has less incentive to make long-term investments and the sharecropper has incorrect 'signals' in that he equates only his share of marginal product with the marginal cost of inputs. In contrast, it is possible that the tenant is under greater pressure to produce than the owner, if the tenant has high rental payments to meet, and that the tenant therefore makes a greater effort and achieves higher production efficiency than the owner" (p 75). Here is an important hypothesis; an empirical test of it would be definitely a significant contribution.

In order to test this hypothesis of the relationship between farm size and ownership status on one hand and resource utilisation in agriculture on the other, Cline adds six dummy variables to the list of independent variables in the production function — one for the ownership status and the remaining five for different farm sizes. Constraining the sum of elasticities of

four inputs of production to unity *a priori*, regression is run again with these ten independent variables in total. The size-group dummy variables as well as the tenure variable turn out to be statistically insignificant at the 5 per cent level. Hence it is concluded that, first, "entrepreneurial skill, in terms of production obtained from inputs actually used, does not appear to vary with farm size"; and secondly, that "owners do not appear more 'efficient' than non-owners" (p 77). This is a somewhat surprising finding.

LAND USE AND FARM SIZE

The second major issue considered by Cline is the relationship of land utilisation to farm size. The data reveal that small farms use their land more intensively — in terms of output and inputs per unit of farm area — than do large farms. Three alternative indices of the intensity of land use are taken into account: (a) the ratio of actually cultivated land to the total available farm area; (b) the value added per unit of farm area; and (c) individual inputs per unit of farm area. It is found that bigger farms actually cultivate a smaller percentage of total farm area; that the value added per acre declines as farm size rises; and finally that each of the inputs, namely, labour, capital and seeds-fertiliser-and-insecticides rises less than proportionately as farm size increases.

In the regression analysis of value added per acre of farm land, a dummy variable representing land ownership

status is also included as an independent variable, in addition to the farm size and land price. Again the regression co-efficient of the former is statistically insignificant. This is claimed to be a further confirmation of an earlier finding that land tenure does not affect the intensity or efficiency of land use. Besides, the land price variable which is taken as a proxy for the quality of land appears to have no significant impact upon the value added per acre of farm land.

Cline now cites seven possible reasons for less intensive use of land in large farms:

(1) *Labour market dualism.* In the agricultural sector, family farms co-exist side by side with capitalist farms. While labour allocation in a family farm is guided by a calculus of the disutility of labour and the utility of additional consumption made possible by the marginal productivity of labour, in a capitalist farm on the other hand employment of labour is determined by the principle of equating marginal productivity of labour to the market wage rate. Usually this phenomenon of dualism implies that labour-intensity per acre of land would be higher in a family farm as compared to a capitalist farm.

Furthermore, Cline argues that the "labour-market dualism" also partly explains the fact that larger farms keep a higher proportion of land uncultivated.

(2) *Land holding for 'portfolio assets'.* Large farmers may hold land just as a portfolio asset rather than as a productive input. With the negligible land tax in Brazil and the unattractiveness of other assets in the face of inflation, land is quite a sound asset, both with regard to risk and return.

(3) *Land market imperfection.* The lack of long-term credit facilities to small farms and other institutional factors stand in the way of equating the productivity of land across various farm sizes through the operation of market forces.

(4) *'Own consumption' on small farms.* In Brazil small farms typically consume a much higher percentage of their own output than do the bigger farms. Hence "the market is more certain for the small farm's output... The small farmer is less affected by the risk of market price fluctuation than is the large farmer" (pp 36-37).

(5) *Monopsony.* Large farms have monopsonistic power over labour. If the labour supply curve is upward sloping, large farms would employ less

labour per unit of land than the competitive small farms.

(6) *Prestige symbol.* Large landlords in Latin America are alleged to hold land as a symbol of prestige and an instrument of political power rather than as a productive asset.

(7) *Land quality.* Sometimes it is suggested that large farms generally have the land of relatively inferior quality.

The census data for 'unproductive land', however, refutes the contention that "land quality is poorer on large farms than on small" (p 45). As such there remain only the first six factors to explain the declining intensity of land use as the farm size rises. Cline has conducted several informal tests to determine the relative importance of these factors. In his own words, "the attempts to discriminate among the [six]... influences on land use are included for the sake of completeness... The attempts... are generally inconclusive, but... no further discrimination among the influences on land use is possible with the data available" (p 116). In any case, he continues, such tests are of "only secondary importance". "For the question of the effect of land redistribution on agricultural production, the primary issue is whether or not low land use on large farms is caused by low quality of land on large farms" (p 116). This particular issue has already been investigated, once with the census data of 'unproductive land' and then also statistically by using land price as a proxy variable for land quality in various regression exercises.

ALTERNATIVE TYPES OF REFORM

Briefly the major conclusions reached so far are as follows: (i) the production function in Brazilian agriculture exhibits constant returns to scale, (ii) entrepreneurial skill does not vary with farm size, (iii) ownership does not significantly affect resource allocation and efficiency of production, (iv) the intensity of land use varies inversely with farm size, (v) land quality is not a significant factor for explaining low land use on large farms; and (vi) in fact, large farms generally do not have inferior quality of land, anyway. Once these conclusions are accepted the rest is rather smooth sailing.

Now two alternative types of land reform are examined in terms of their respective effects on the volume of output. In the so-called 'total reform', the entire land area under any given

crop is to be divided into family farms of equal size. In the 'partial reform', only farms over 300 hectares are considered eligible for expropriation.

A 'family' unit is defined arbitrarily as 2.5 adult-equivalent workers. And the total farm land under the given crop is equally divided among the number of families related to that crop, including the otherwise unemployed workers. Note that the production function has constant returns to scale, and that small farms use relatively more units per acre of farm area. Hence after the 'reform' the volume of agricultural output would rise.

In Cline's own words: "It is important to note that the choice of the family unit is *not* the planner's value judgment, or preference for family farm organisation. Instead, it is a *logical conclusion* since intensity of land use declines as farm size increases. With constant returns to scale, this relationship between land use and farm size implies that *the smallest feasible farm unit will maximise production. The family unit is assumed to be the smallest feasible unit*" (p 136; emphasis added).

II

Comments on Cline's Methods

One need not go over again the well known problems of statistical estimation of a Cobb-Douglas production function and its interpretation. Recently, Ishikawa has thrown up a fresh challenge to the notion of production function particularly in agriculture. He contends that since agricultural inputs are by and large mutually complementary, the concept of a Cobb-Douglas type of production function in agriculture is inadmissible.²

In any case, let it be noted that in Cline's data, farm size has a significant correlation individually with the inputs, namely, actual land area cultivated, capital, labour and expenses on seeds, fertiliser and insecticides. Hence it is quite likely that multicollinearity exists among these four input variables themselves which jointly appear as independent variables in the Cobb-Douglas production function. If so, the statistical estimates of the production function becomes open to question.³ Cline has completely overlooked this aspect.

Furthermore, Cline's test of the hypothesis with regard to the effects of farm size and ownership status on production by adding six dummy variables to the Cobb-Douglas production

function is dubious. The four input variables — land, labour, capital and seed-fertiliser-insecticides — among themselves have already been found to account for 80 per cent of the variations in output. Then six more variables are brought in for explaining the remaining 20 per cent. Bulk of the variations in the dependent variable having been already pre-empted, in effect six variables are being assigned to explain a "relatively stationary series. No wonder, the regression co-efficients of the new-comer dummy variables were doomed from the very beginning to statistical insignificance even before the actual calculations started.

In this connection highly intriguing is a small footnote in page 75. "An earlier version with this [production function] model *unconstrained* found [that] the 'size' dummy variables showed strictly *increasing efficiency* as size rose but the sum of factor elasticities was depressed. Thus, it was unclear whether the size dummy variables represented increasing efficiency with farm size, or merely represented the influence of rising inputs due to misspecification of the model" (emphasis added). Embarrassing as it was, Cline decided to brush aside this matter quietly, and to proceed!

The dummy variable of land ownership status, however, was again found to be statistically insignificant in the regression equation for value added per unit of farm area (pp 89-94). This is invoked as a further 'proof' that land tenure has no influence on resource allocation in agriculture. One may have some reservation about this interpretation. The dummy variable representing land tenure is given a value of either 1 (for owner cultivator) or 0 (if the cultivator is not the owner of the farm land). But there are various forms of land tenancy — sharecropping of different kinds, fixed rent tenancy of a number of categories and so on. A dummy variable which is restricted to either 0 or 1 cannot fully discriminate among all these varieties of land tenancy.

INTENSITY OF LAND USE

Now we turn to the intensity of land use in relation to farm size. Cline has examined as many as seven possible reasons; but he has missed perhaps the most important factor. The distribution of land is notoriously skewed in Brazil. Two-thirds of farms account for less than 10 per cent of the farm land, while more than three-fourths of the farm land area is occupied by less than 10 per cent of the farms at

the top.⁴ Thus the large farms are virtually a monopolist in the agricultural products market. And it is quite plausible that, faced with a downward sloping demand curve, they would follow a deliberate policy of restricted output so as to maximise their total return.⁵ Cline, of course, talks of the relative certainty of the market for the small farm's output, and the absence of "risk of market price fluctuation" for the small farmer as compared to a big farmer; but that is not the same thing as the monopolistic market power exercised by big farms. Monopsonist in the factor market and monopolist in the product market, the big farms would naturally have the syndrome of low output and low input per acre of farm area.

Finally, according to Cline, the optimal farm size is determined by the average farm area per 'family' when the entire land is equally distributed among all the families. First of all, the definition of a 'family' itself is arbitrarily set at 2.5 adult-equivalent workers. Secondly, "the family unit is [again arbitrarily] assumed to be the smallest feasible unit". Meanwhile the rural population, however, is increasing over time, and industrial employment is not growing fast enough so as to absorb all the rural migrants to urban areas (pp 14-15). Thus the number of agricultural families is steadily going up. What would Cline recommend under these circumstances? Should the land be divided progressively into smaller and smaller farms? Or, should the definition of a family be revised upwards keeping with the increasing number of agricultural workers?

III Optimum Farm Size in India

Evidently the search for the Holy Grail — the optimum farm size — has been going on in India as well. The effect of land tenancy on resource allocation also has been a matter of wide controversy.⁶ Cline's work therefore is doubly relevant to us. We have already raised some serious doubts as to whether his approach and similar ventures are at all meaningful. More on this follows, now with special reference to India.

Given that the volume of output is the sole criterion, a production function as such cannot determine the optimum farm size. (Incidentally, this is at the root of Cline's dilemma.) Other considerations have to be brought into the picture in a meaningful way. For if the production function shows

increasing returns to scale, the larger the farm size the better. The converse is true when it shows diminishing returns to scale. And in the case of constant returns, any farm size is as good as any other.

India is fortunate to have a bumper harvest of Cobb-Douglas production functions. For the Andhra Pradesh and Uttar Pradesh farms Heady and Dillon⁷ have found that the sum of elasticities ranges all the way from 0.42 to as much as 1.09, depending upon the crop and irrigation facilities. Rao⁸ reports diminishing returns to scale for the Hyderabad farms, while Wellisz⁹ comes up with increasing returns to scale for the rice farms in Andhra Pradesh.

Still more interesting are the estimates of Raj Krishna¹⁰ in respect of the Punjab farms. A cross-section analysis shows that for the same farms the sum of elasticities increases from 0.87 to 0.97 in just one year (estimate III in Table I), and from 0.93 to 1.06 within a span of two years (estimates I and II). Such intertemporal instability has somehow escaped attention so far.

All these attempts, therefore, have failed to resolve the issue as to whether increasing, decreasing, or constant, returns to scale prevail in Indian agriculture. And what is worse, if the Cobb-Douglas production exists at all, its *intertemporal stability* yet remains to be demonstrated.

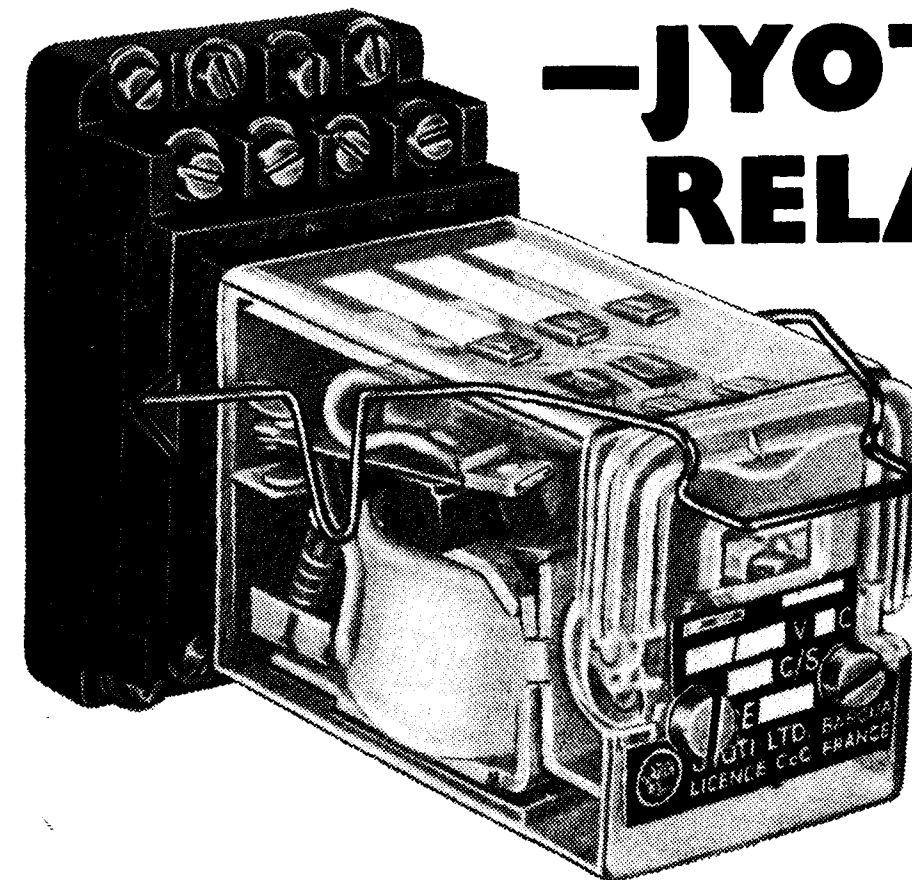
Apart from the objections raised by Ishikawa,¹¹ there is an equally compelling reason to doubt the validity of the concept of production function in agriculture. The reason is very simple: farm size and land input are highly *ambiguous* concepts, thanks to the fragmentation of holdings.

In Madhya Pradesh where "the problem of fragmentation of holdings is all but non-existent", we find that, for example, a farm of 40-50 acres is in effect a collection of some five 'plots', each with an area of 8.2 acres on an average. Table 2 gives more details.

The extent of fragmentation of land holdings is all the more glaring in a sample survey of eleven villages in the dry region of Poona District. As Table 3 shows, a farm of 150 acres is nothing but a group of eleven parcels, each with an area of roughly 14 acres — the only thread of connection among them is provided by the common cultivator alone. According to Table 3, the unit of cultivation in the highest acre-group of 100-500 acres is eleven times the average size of a fragment in that group. "It is not difficult to comprehend the hardships, inconvenience and waste of

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TABLE 1: SUM OF ELASTICITIES OF COBB-DOUGLAS FUNCTION IN THE PUNJAB

Year	Estimates		
	I	II	III
1954-55	0.93	0.93	0.87
1955-56	0.94	0.97	0.97
1956-57	1.06	1.06	0.95

Notes: In estimate I, the independent variables are: land; human labour; bullock labour; expenditure on seeds, manures and fertilisers, the use of implements and interest on working capital; and irrigation. In estimate II, bullock labour is dropped; and the last two independent variables as of estimate I are added up into one, in order to avoid multi-collinearity. In estimate III the only two independent variables are land and human labour which do not have much inter-collinearity between themselves. See Raj Krishna, "Some Production Functions for the Punjab", *op cit*.

energy and money that these fragments entail to the cultivator who has his land in 6 to 11 fragments scattered at long distances. The result is that in the gross yield per acre the cultivator in the bigger acre-groups is not better off than the small and uneconomic cultivator. We would very naturally expect a larger gross yield per acre on a bigger area if the fragments are in one compact block or in two or three blocks. It would then be possible for the cultivator to use better seeds, manure and implements perhaps at the same total cost. The fragmentation of land makes such an advantage impossible.¹²

The Cobb-Douglas production function, as it is usually estimated, recognises only the total size of the holding under a cultivator, without any

regard to the number of fragments and the extent of their spatial scattering.

In view of all these shortcomings, the usual production function — Cobb-Douglas or otherwise — is singularly unsuitable to determine the economies of size particularly in agriculture. As a matter of fact, the Cobb-Douglas production function was initially applied to industry. Since then economists have mechanically applied it to agriculture without pausing for a second to think whether the conditions in agriculture conform to the basic assumptions of the model.

It should be mentioned here that there has been another line of approach towards the question of farm size. In this approach equity criteria have been added to the efficiency objective. As a result, the size of the 'basic holdings', 'economic holdings', etc., are determined by asking how many acres of land will keep a normal family reasonably fully occupied (say, for 200 days or more in the year), or provide a reasonable net income (say, Rs 1200 per annum or more) or keep a pair of bullocks reasonably fully occupied. Khuro has given us an excellent summary of the calculations made along these lines by different land reform committees and the Planning Commission. According to Khuro's own judgment, on the basis of the recent farm management data, holdings of 10 to 15 acres would more or less roughly meet the bullock-pair, family-employment and minimum income tests.¹³

Another crucially important dimension of this problem emerges due to the imperative need of increasing the marketed surplus of foodgrains in order to feed the industrial sector. There are indications to the effect that the marketed proportion of gross cereals production in India has declined bet-

ween 1953-54 and 1961-62, and that the downward trend appears to be continuing thereafter.¹⁴ No doubt, this poses a serious problem. As such, the farm size — call it "optimum", "basic" or "economic", or else — cannot be meaningfully determined without having regard to the overall requirements of the marketed surplus of foodgrains in the country.¹⁵

Finally, let us mention an interesting analysis by Raj Krishna¹⁶ in connection with farm size. He brings out into bold relief the sharp conflict between the norms of the maximum output per acre on one hand and the minimum total cost per unit of output on the other. As Table 4 shows, farms within the narrow range of 13-16 acres include both the sizes which produce respectively maximum and minimum outputs per acre. In sharp contrast, the farm size that minimises the average cost (C) per unit of output is below one acre.

At least one thing clearly emerges from this section. The optimal farm size in India has to satisfy, not just one, but a multiplicity, of criteria of efficiency, equity, and macro-economic growth. In this context the role of a production function — Cobb-Douglas, SMAC, or of any other variety — is quite secondary.

IV

Political-Economic Under-currents

Whatever may be the optimal farm size as recommended by the economists on the grounds of efficiency, equity, and all that, would it be viable in a given political-economic set-up? Yes, this is an unavoidable question. If economists shy away from this question; so much the worse for economics. But the issue cannot be dodged. The answer of course is not easy to find;

TABLE 3: FRAGMENTATION IN LAND HOLDING IN POONA DISTRICT

	Acre Groups (acres)				
	0-5	5-15	15-25	25-100	100-500
Average size of holding (acres)	2.4	10.0	19.8	46.6	150.5
Average no of fragments	1.9	2.7	3.6	6.3	11.2
Area per fragment (acres)	1.2	3.7	5.6	7.3	13.5

Source: Dantwala and W B Dande, "The Uneconomic Cultivator", *Indian Journal of Agricultural Economics*, Vol 4, No 2, reprinted in *Selected Readings IJAE*, p 40.

TABLE 4: MOST EFFICIENT AND LEAST EFFICIENT FARMS IN AHMEDNAGAR (BOMBAY) ACCORDING TO DIFFERENT NORMS

Criterion	Farm Size (acres)	Output per Acre (Rs)	Average Cost A of Output (Rs)	Average Cost C of Output (Rs)
(1) Maximum output per acre	15.67	698.96	0.90	0.92
(2) Minimum output per acre	13.45	0.74	6.37	10.00
(3) Maximum average cost A of output	2.85	21.05	3.12	7.70
(4) Minimum average cost A of output	13.32	41.07	0.19	0.61
(5) Maximum average cost C of output	2.85	21.05	3.12	7.70
(6) Minimum average cost C of output	0.78	225.64	0.44	0.52

Note: Cost A includes the expenditure actually incurred by the farmers and excludes rent paid or imputed, interest on fixed capital and compensation for family labour. Cost C includes, in addition to cost A, rent actually paid and rent for owned land, interest on fixed capital and compensation for family labour as well.

Source: Computed from Table 5 of Raj Krishna, "The Optimum Firm and the Optimum Farm", *op cit*, p 1631.

TABLE 5: DISTRIBUTION OF LAND OWNERSHIP AND OPERATIONAL HOLDINGS BY HOUSEHOLDS IN RURAL INDIA (Per cent)

Size class (acres)	Ownership Holdings				Operational Holdings			
	Households		Area		Households		Area	
	1954-55	1960-61	1954-55	1960-61	1954-55	1960-61	1954-55	1960-61
0-10	87.23	87.87	34.72	38.84	85.92	87.37	35.69	39.74
10-20	7.71	7.56	22.36	23.39	8.47	7.91	22.41	23.20
20-30	2.46	2.36	12.47	12.72	2.71	2.44	12.47	12.66
30+	2.60	2.21	30.45	25.05	2.90	2.28	29.43	24.40
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sources: NSS, *Reports on Land Holdings* (3) and (5), Nos 36 and 74, Table 5.6 of each report; and *Tables with Notes on Some Aspects of Land Holdings in Rural India*, No 159, Table 2.0 and 10.0.

but that is no reason why the question should not be squarely faced either.

Here we shall argue that in India the political and economic forces are at work in such a way as to give rise to a dual farm size system, characterised by an increasing polarisation of land holdings, with the medium-size farms eventually becoming conspicuous by absence. Indeed, this pattern of dualism by and large already obtains in India's industrial sector today.

Table 5 shows that the top 5 per cent of households claim as much as 40 per cent of the rural land, while the bottom 87 per cent account for only 35

per cent of land. The former households cultivate land in relatively big farms,¹⁷ whereas the latter do so in small farms. In any case, Indian agriculture clearly is in the firm grip of a small group of households.

If we broadly classify the farmers in three groups, namely, small, medium, and big, it can be argued that medium and big farmers are mutually competitive in more than one way. The medium farmers, like the big ones, employ wage-labour; and thus they compete in the labour market. Both the groups of farmers usually sell about the same proportion of their respective

outputs in the market. So they meet each other in the product market as well. Furthermore, any fall in the market price of agricultural output would affect their incomes in the same proportion more or less.

By contrast, small and big farmers are mutually complementary in a way. Small farmers use their own family labour; and what is more, their families are a source of labour supply for big farms. Big farmers on the other hand are usually the village money-lenders, wholesale dealers in agricultural output, and hence the only link between the small farmers and the market.

The stability of small peasant farming is almost legendary. In the words of Lenin, "the stability of petty production in agriculture does not depend in any way on its technical rationality, but on the fact that the small peasants work harder than hired workers and reduce their usual necessities to a lower level than that of the latter."¹⁸ "However irrational his parcelled economy may be, no matter what waste of effort it may lead to, he [the small peasantry] clings to it tightly, just as his wife clings to her wretched household economy, which likewise produces infinitely miserable results with an enormous expenditure of labour power."¹⁹ Strange it may sound, but it is a fact that the existence of impoverished small peasant families on the fringe of capitalist farms well serve the interests of the latter. The reason for this is not far to seek. The families of the small cultivators are a hot-house of cheap labour supply to big farms. To quote Lenin again "It would not even be advantageous for the big landlords to force out the small proprietors completely: the latter provide them with hands! ... The landowners and capitalists frequently pass laws that artificially maintain the small peasantry."²⁰

Clearly, in India the small impoverished farmers are here to stay; their ranks may even swell, so long as large capitalist farms are there.

But the medium-size farmers are perhaps on their way out in the long run.²¹ For it would be increasingly difficult for them to survive in fierce competition with big farmers. How big is a big farmer, and how small a small farmer? And what do we mean by a medium farmer? It is difficult to give precise arithmetical figures for areas of landholdings corresponding to these three kinds of farmers. The reports of farm management surveys during 1954-1957, however, give us certain indications in this respect. It

TABLE 2: DISTRIBUTION OF CULTIVATED HOLDINGS BY THE NUMBER OF PLOTS COMPRISING IT IN MADHYA PRADESH

Size of Cultivated Holding (acres)	Number of Plots in the Holdings					Total No of Holdings	Total No of Plots
	1	2	3-5	6-10	Above 10		
0-5	27(2.9)	8(1.6)	—	—	—	35	43(2.4)
5-10	7(6.4)	9(3.7)	7(2.3)	—	—	23	51(3.3)
10-15	4(12.4)	4(6.1)	11(3.6)	—	—	19	50(4.7)
15-20	3(17.7)	7(8.3)	11(4.6)	3(2.5)	—	24	79(4.9)
20-30	—	6(12.1)	18(5.9)	2(3.2)	—	26	102(6.2)
30-40	—	2(15.7)	4(8.8)	5(5.6)	—	11	52(7.4)
40-50	—	2(22.1)	3(8.9)	3(5.6)	—	8	44(8.2)
50+	—	—	3(17.4)	9(11.6)	2(11.5)	14	107(12.2)
Total	41(5.4)	38(7.3)	57(5.9)	22(7.5)	2(11.5)	160	528(6.8)

Note: Average cultivated area in acres per plot in each cell is given in brackets.

Source: Government of India, Ministry of Food and Agriculture, Department of Agriculture, "Studies in the Economics of Farm Management in Madhya Pradesh for Year 1956-57", p 7.

SHRIRAM UREA

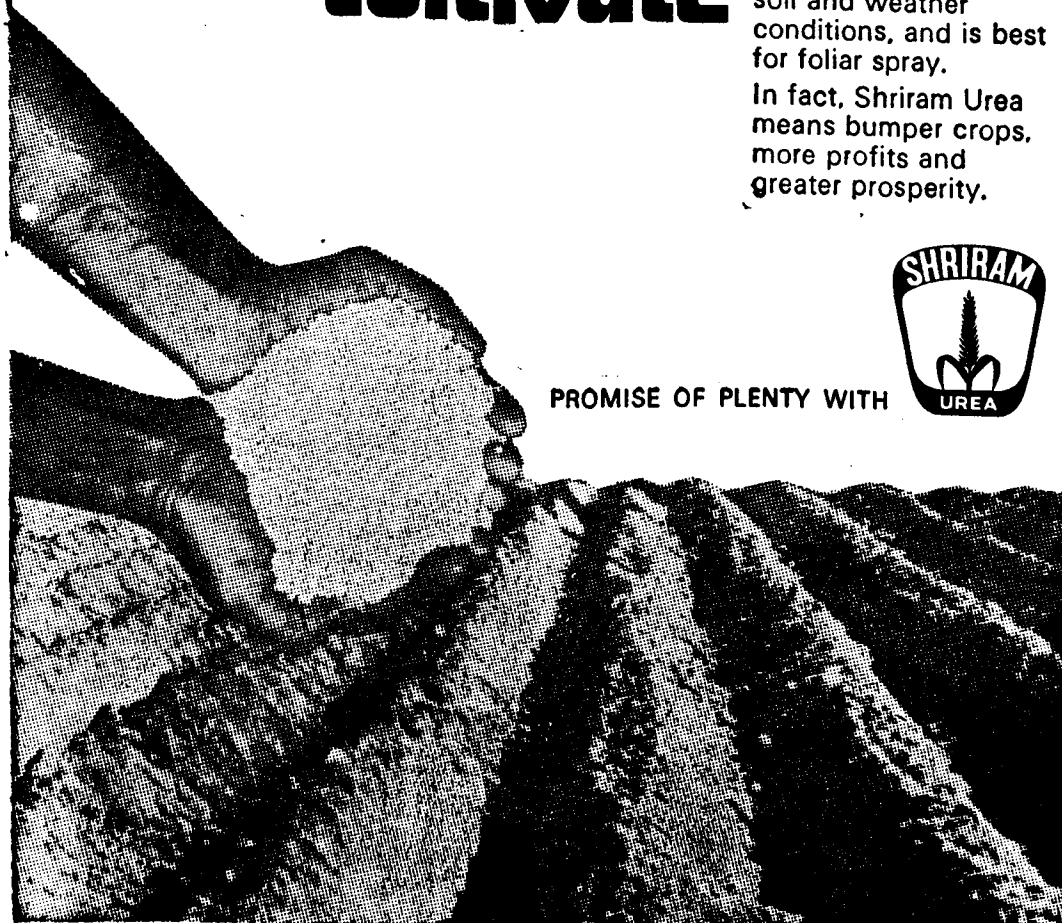
is a good habit to cultivate

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is found that the so-called average farm business income, which is gross of the costs of farm-produced inputs like family labour, owned land and farm-produced capital goods, per acre is a W-shaped curve with reference to farm size. Interestingly, the first lowest point of this W occurs at the farm size of 15 acres, and the next lowest point occurs at 50 acres.²² Hence a farm of, say, 10-20 acres can be called a farm of medium size. For a farm of this size the rate of income per acre is lower than that in a smaller farm; on the other hand, as compared to a bigger farm it lacks the sheer strength of the total land area which would have otherwise redeemed a relatively moderate amount of income for the farmer. A medium farm therefore does not have the advantages of either a small farm or a big farm insofar as income is concerned. On top of that it is in competition with big farms in the labour market as well as product market. The writing is on the wall for such a farm!

land area under medium farms carries within itself the seeds of its own destruction.

One need not take the figure of 10-20 acres as the rigid definition of a medium-size farm. Obviously, the soil conditions, available irrigation facilities, crop, and a host of other factors have to be taken into account in precisely defining the measure of a medium-size farm. Secondly, the new agricultural technology itself may affect the above-mentioned W-shaped average income curve. We may hazard a conjecture that the curve would be shifted to the north-east direction, and then even a farm of upto 25 acres or a little more may have to be included in to the category of medium-size farm.

VI

Conclusions

First, Cline has posed interesting questions; but his approach and methodology leave a lot to be desired. His estimate of the Cobb-Douglas production function needs more careful scrutiny. His empirical test with regard to the effect of land tenure and farm size on production efficiency is at best dubious. His measurement of the optimal farm size is purely arbitrary, and it implies continuous subdivision of land keeping with the increasing rural population. In the entire analysis the monopolist market power of the large farmers is not fully recognised.

Second, Indian agriculture by now is well-endowed with the estimates of Cobb-Douglas production function. But no one knows as yet whether increasing, decreasing or constant returns to scale prevail in this sector. Rather 'disturbing' is the intertemporal instability of production function for the same farms.

Third, in view of the widely scattered fragmentation of land holdings, land input as incorporated in a production function is not an unambiguous concept, specially in India. This raises serious doubts, in principle, with regard to the validity of the production estimates.

Fourth, the optimal farm size has to be determined in the light of a multiplicity of objectives such as production efficiency, minimum income for the peasant family, marketed surplus of foodgrains, and so on. In this broader perspective, the role of the production function is quite diminished.

Fifth, the optimal farm size—however determined—must be politically viable. Hence, it is imperative that the

political, and economic under-currents are fully recognised, and their future trends carefully analysed. Here we have put forward a hypothesis to the effect that the land size structure is tending in the long run towards a dualistic system where small peasant farms would peacefully co-exist with the affluent capitalist farms, if the present alignment of political forces continues.

When the question of optimal farm size is subject to the intricate interaction of such dominant factors, it is a pity that some otherwise brilliant economists are naive enough to be lured by the glitter of a Cobb-Douglas production function with the standard errors, correlation co-efficient, and the sum of elasticities as the trimmings, which finally leads to a blind alley of deceptive conclusions in this context.

In his book "Science in History", J D Berna says: What social science needs is less use of elaborate techniques and more courage to tackle, rather than dodge, the central issues. But to demand that is to ignore the social reasons that have made social science what it is.

This is very much true for economics—in India, today.

Notes

[For the title of this paper, apology to Daniel and Alice Thorner "Agrarian Revolution by Census Redefinition"]

- 1 Amsterdam: North-Holland, 1970; pp xv + 213.
- 2 S Ishikawa, "Economic Development in Asian Perspective" (Tokyo: Kinokuniya Bookstore, 1967), specially p 85.
- 3 See R Krishna, "Some Production Functions for the Punjab", *Indian Journal of Agricultural Economics*, Vol 19, Nos 3 and 4, reprinted in "Selected Readings: IJAE (1940-1964)", pp 173-84.
- 4 K L Bachman and R P Christensen, "The Economics of Farm Size", in H M Southworth and B T Johnston (eds), "Agricultural Development and Economic Growth" (Ithaca: Cornell University Press, 1967), p 241.
- 5 For a similar phenomenon in India, see C Bettelheim, "India Independent" (London: Macgibbon and Kee, 1968), p 29; and Ashok Mitra, "Class Relations and Growth of Output" in Baljit Singh and V B Singh (eds), "Social and Economic Change" (Bombay: Allied Publishers, 1967), pp 451-56.
- 6 B S Minhas and T N Srinivasan, "New Agricultural Production Strategy: Some Policy Issues", *Yojana*, Republic Day 1966, reprinted in

Foodgrains Demand and Supply

Projection of Regional Imbalances

S K Ray

The aim of planning in food crops is to meet internal needs through internal production. Towards this objective, production at the all-India level must increase at a rate to match corresponding overall needs.

Even so, regional problems will exist. Growth in production will be uneven among the States and will cause regional imbalances. The dimensions of India's future food problem must also be measured, therefore, from the angle of the regional imbalances in demand and supply.

In this paper, an attempt is made to estimate the emerging pattern of regional imbalance, under the assumption that, at the all-India level, future production of the different foodgrains will equal domestic needs. The 15-year time-horizon considered, 1969-70 to 1983-84, covers the Fourth, Fifth and Sixth Plans.

The regional growth rates of demand for foodgrains are estimated in Part I. In Part II the prospects of meeting the foodgrains demand through indigenous production are examined. Part III estimates the regional growths in foodgrains production during the 15-year period—on the assumption that at the all-India level production of various foodgrains will equal their respective demands. Part IV considers the problems and requirements of foodgrains management which will arise out of the instability of production and the regional imbalances.

[The author is grateful to A M Khusro for his comments on a draft of this paper.]

THREE distinct situations on the food front can be enumerated for the future years: (i) domestic requirements increasing at a faster rate than production; (ii) domestic requirements increasing at a slower rate than production; and (iii) the two growing at the same rate. Food management problems under each of these situations will be different and will depend on the magnitude of regional imbalances and the instabilities in demand and supply. If production lags behind demand, imports and curb on demand will become necessary. Similarly, if production grows faster than demand, export markets will have to be found or production itself curtailed.

In the long run, production of different food crops will be limited by their effective demand, both domestic and export. We now do not have export commitments. The aim is to meet internal needs through internal production. Towards this objective, production at the all-India level must increase at a rate to match corresponding overall needs. Even so, regional problems will exist; growth in production will be uneven among the States and will cause regional imbalances. The dimensions of India's future food problem can thus be measured from a knowledge of the regional imbalances in demand and supply.

In this paper, an attempt is made to estimate the emerging pattern of regional imbalances under the assumption that, at the all-India level, future production of the different foodgrains

will equal domestic needs. A 15-year time-horizon is considered, viz, 1969-70 to 1983-84, covering the Fourth, Fifth and Sixth Five-Year Plan periods. The discussion is divided into four parts. In Part I, regional growth rates in foodgrains demand over the next 15 years are estimated. Part II reviews the prospects of meeting the foodgrains demand through domestic production. In Part III, regional growths in foodgrains production are estimated under the assumption that, at the all-India level, production of different crops under foodgrains will equal their respective demands. Finally, in Part IV, the regional imbalances and the problems that will arise out of instability in production are discussed.

I

Regional Demands for Foodgrains

Demand projection for human consumption is an exercise based on past trend, current situation, and future outlook. The complicating factor in working out demand projection is that each of the relevant variables — population growth, base-period consumption, per capita income change, and income elasticity of demand — are subject to different weight and emphasis in the components that go to make calculations. The assumptions, in other words, vary.

Much is known about probable future population growth rate, per capita income, and the income elasticity co-efficients at the national level.

However, very little information is available on the basis of which estimates of trends in the different States can be made. The relatively simple income elasticity approach is to be ruled out in determining State-wise demand for food, due to paucity of data. Estimates of State incomes are unsatisfactory. State-wise or regional estimates of income elasticities are either not available or are less dependable than the national figures. In view of these limitations, an indirect method is followed here. Foodgrains demand at the national level is first estimated by the usual income elasticity approach; State-wise estimates are then derived by using their consumption pattern suitably adjusted for corresponding population growths.

The crucial factor influencing growth in India's aggregate foodgrains demand is evidently her population size. The officially accepted population projection of India [1] projects the country's population, respectively, to 527, 596, 666 and 724 million at the end of 1968-69, 1973-74, 1978-79 and 1983-84 (Table 1). Feeding these growing millions, even at current consumption levels will call for substantial increase in production. If per capita foodgrains consumption is kept constant at the 1956-59 average level of 160.6 kg per year,² foodgrains requirements for human consumption at the end of the Fourth, Fifth and Sixth Plan periods would be about 95.6, 106.9, and 116.3 million tonnes, respectively. Against this, and according to present production trends, there

- A M Khusro (ed) "Readings in Agricultural Development" (Bombay: Allied Publishers, 1968), pp 173-85; and A K Sen and T C Varghese, "Tenancy and Resource Allocation", *Seminar*, No 81 (May, 1966), pp 28-33.
- 7 E O Heady and J L Dillon, "Agricultural Production Functions" (Ames: Iowa State University Press, 1961), p 630.
- 8 C H H Rao, "Agricultural Production Functions, Costs and Returns in India" (Bombay: Asia Publishing House, 1965) p 16.
- 9 S Welliz, "Resource Allocation in Traditional Agriculture: A Study of Andhra Pradesh", *Journal of Political Economy* (July/August 1970), pp 655-84.
- 10 R Krishna, *op cit*.
- 11 Ishikawa, *op cit*.
- 12 M L Dantwala and W B Donde, "The Uneconomic Cultivator", *op cit*, p 41.
- 13 A M Khusro, "An Analysis of Agricultural Land in India by Size Holding and Tenure" (mimeo), cited by Raj Krishna, "The Optimum Farm and the Optimum Farm", *Economic Weekly* (October 6, 1962), p 1579.
- 14 P K Bardhan, "Chinese and Indian Agriculture: A Broad Comparison of Recent Policy and Performance", *Journal of Asian Studies* (May 1970), p 534, and P K Bardhan and Kalpana Bardhan, "Problem of Marketed Surplus of Cereals", *Economic and Political Weekly*, Review of Agriculture (June 28, 1969).
- 15 According to Dharm Narain, "Distribution of the Marketed Surplus of Agricultural Produce by Size-Level of Holding in India, 1950-51" (Bombay: Asia Publishing House, 1961), small farms (below 15 acres) provide roughly 50 per cent of the total marketed surplus; but this is not a commercial surplus. Rather it is a *distress surplus* that is necessitated by the basic cash obligations of the small farmers. As productivity of land increases, and the output in these farms improves, this type of surplus may well decline. Perhaps this is what is happening since 1950-51.
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- 17 We have seen that even an operational holding of the biggest size-group of 100-500 acres is in effect a collection of eleven small "farms" of only 14 acres each on an average (Table 3). Thus in a sense the agricultural sector is burdened with the problems of not only "small farmers" but also of "small farms." For a slightly different view, see M L Dantwala, "Small Farmers, Not Small Farms", *Indian Journal of Agricultural Economics*, Vol 14 No 3, reprinted in "Selected Readings: IJAE (1940-1964)", pp 71-73; and Dantwala and Donde, *op cit*.
- 18 V I Lenin, "The Agrarian Question", "Collected Works", Vol 4, p 96. See also his "The Development of Capitalism in Russia", pp 3-5 (emphasis added).
- 19 V I Lenin, "Capitalism in Agriculture", "Collected Works", Vol 4, p 124.
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- 21 See Lenin, "The Agrarian Question and the 'Critics of Marx'" "Collected Works", Vol 5, specially pp 194-205.
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- 23 Cf "The total cash costs of production for the average Filipino rice farmer using traditional methods and varieties is about \$20 per hectare; the cost rises to \$220 when the new high-yielding IR-8 is grown." Clifton J Wharton Jr, "The Green Revolution: Cornucopia or Pandora's Box?", *Foreign Affairs* (April 1969), p 470.
- 24 Francine Frankel, "Agricultural Modernisation and Social Change", *Mainstream* (November 29, 1969), specially p 10. See also Wolf Ladejinsky, "The Green Revolution in Punjab: A Field Trip", *Economic and Political Weekly*, Review of Agriculture (June 28, 1969); and "Green Revolution in Bihar, The Kosi Area: A Field Trip," *ibid* (September 27, 1969); A Rudra and others, "Big Farmers of Punjab", *ibid*; A Rudra, "Big Farmers of Punjab", *ibid*, (December 27, 1969); and D Thorner, "Capitalist Farming in India", *ibid*.
- 25 Ladejinsky, "The Green Revolution in Punjab," *op cit*, p A-75.

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should be a food surplus situation in India. One would wish it be so. Yet, in spite of substantial imports from abroad shortages are still felt. It is the per capita demand that has increased.

Generally speaking, the main factors influencing the growth in per capita demand are income, relative prices of the commodities, and consumer tastes and needs or simply preferences. Plan programmes are now geared to achieve a minimum of 5 per cent growth rate in agriculture and a 5 to 6 per cent growth rate in national income during the next decade [5]. While this optimism about the country's future economic outlook has no semblance to the past, it is obvious that, in a predominantly agricultural economy like India, the growth in overall economy will greatly depend on the performance of the agricultural sector. Given a certain rate of growth in agriculture, how the overall economy will grow is very difficult to say. Nevertheless, based on past performance, it appears that, for a given rate of growth in the agriculture sector, the overall growth in the economy is likely to record at least the same level. It is now generally agreed that, the recent breakthrough in agriculture has opened up wide opportunity by which

a 5 per cent growth in agriculture, necessary to have a higher growth rate in national income, is well within the country's reach.

Assuming a 5 to 6 per cent growth in national income during the next 15 years,³ and an all-India income elasticity co-efficient of 0.55 for foodgrains,⁴ per capita foodgrains demand is estimated to increase from the 1956-59 average of 160.6 kg per year to 169.7, 182.4, 201.1 and 230.6 kg per year respectively in 1968-69, 1973-74, 1978-79, and 1983-84.⁵ (Table 2). Based on these, the aggregate foodgrains demand for human consumption at the end of the Fourth, Fifth and Sixth Plans would be 108, 134 and 167 million tonnes, respectively.

The dimensions of the food problem can be better understood from a breakdown of the above estimates into rural and urban components. Assuming the ratio of per capita income in the rural and urban sectors to remain constant, the estimates of per capita demand, separately for these two sectors, are obtained from the estimated average per capita demand by using the relations

$$X_u = X(e_r - e_u) / v(e_r - e_u)$$

$$\text{and } (1-v)X_r + vX_u = X$$

where v is the proportion of ur-

ban population to total population, X denotes the estimated average per capita foodgrains demand, e is the income elasticity co-efficient and the subscripts r and u stand for the rural and urban sectors respectively.⁶ Using the values of 0.60 and 0.30 for e_r and e_u ,⁷ per capita foodgrains demand for rural India is estimated to grow from 165.2 kg per year in 1956-59, average, to 176.8, 192.4, 214.9 and 249.6 kg per year in 1968-69, 1973-74, 1978-79 and 1983-84, respectively. The corresponding demand for urban India records a slower growth rate; it increases from the 1956-59 average of 140.8 kg per year to 141.4, 144.8, 152.3 and 167.1 kg per year in 1968-69, 1973-74, 1978-79 and 1983-84, respectively⁸ (Table 2).

To derive State-wise foodgrains demand, it is essential to obtain, first, an estimate of their consumption pattern during the base period. The different rounds of the National Sample Survey (NSS) give State-wise indices of the value of consumption per person of foodgrains, separately for the rural and urban areas, and thus provide a comparative picture of the value of consumption per person for the States relative to that for all-India. Table 3, derived from NSS data, provides State-wise consumption indices of foodgrains

TABLE 2: PROJECTED FOODGRAINS DEMAND, ALL-INDIA

		Population (million)	National Income (Revised Series at 1960-61 Prices) (rupees bil- lion)	Per Capita Income (rupees/ year)	Per Capita Demand (Kg/year)	Aggregate Demand (million tonnes)
1956-59 (average)	Rural	326.31	—	—	165.2	53.91
	Urban	77.19	—	—	140.8	10.87
	All-India	403.50	116.83	289.5	160.6	64.78
1968-69	Rural	420.93	—	—	176.8	74.42
	Urban	106.21	—	—	141.4	15.02
	All-India	527.14	168.35	319.4	169.7	89.44
1973-74	Rural	469.64	—	—	192.4	90.36
	Urban	125.91	—	—	144.8	18.23
	All-India	595.55	214.86	360.8	182.4	108.52
1978-79	Rural	518.81	—	—	214.9	111.49
	Urban	146.84	—	—	152.3	22.36
	All-India	665.65	280.81	421.8	201.1	133.85
1983-84	Rural	555.23	—	—	249.6	138.59
	Urban	169.07	—	—	167.1	28.25
	All-India	724.30	375.78	518.8	230.6	166.84

Notes: Population estimates are as given in Table 1.

National Income is assumed to grow at the rate of 5.0, 5.5 and 6.0 per cent per annum (compound) during 1969-74, 1974-79 and 1979-84, respectively.

Regarding per capita demand, see footnotes 5 and 6.

Aggregate demand has been calculated by multiplying per capita demand by population.

TABLE 3: STATE-WISE AVERAGE FOODGRAINS CONSUMPTION, 1956-59

	Index of Food- grains Con- sumption (all-India 1956-59=100)		Per Capita Consumption (in kg/year)		Aggregate Consump- tion (in million tonnes)		
	Rural	Urban	Rural	Urban	Rural	Urban	Total
North							
Jammu and Kashmir	137.7	128.5	227.5	180.9	0.65	0.10	0.75
Punjab and Haryana (including Delhi and Himachal Pradesh)	95.2	93.1	157.3	131.1	2.33	0.92	3.25
Rajasthan	112.8	111.9	186.3	157.5	2.83	0.48	3.31
Uttar Pradesh	104.3	102.4	172.3	144.2	10.28	1.27	11.55
Total					16.09	2.77	18.86
East							
Assam (including Manipur, Tri- pura, NEFA, Nagaland and Bay Islands)	126.7	130.0	209.3	183.0	2.49	0.19	2.68
Bihar	113.9	116.4	188.2	163.9	7.40	0.59	7.99
Orissa	87.9	96.5	145.2	135.9	2.20	0.14	2.34
West Bengal	123.2	124.9	203.5	175.8	4.58	1.57	6.15
Total					16.67	2.49	19.16
West							
Gujarat (including Goa, Da- man, Diu, Dadra and Nagar Haveli)	85.2	86.7	140.7	122.1	2.02	0.62	2.64
Madhya Pradesh	96.2	101.3	158.9	142.6	4.02	0.61	4.63
Maharashtra	82.9	85.7	137.0	120.7	3.39	1.37	4.76
Total					9.43	2.60	12.03
South							
Andhra Pradesh	95.6	102.7	157.9	144.6	4.40	0.84	5.24
Kerala (including Arabian Is- lands)	71.6	82.5	118.3	116.2	1.55	0.28	1.83
Mysore	89.6	91.8	148.0	129.2	2.49	0.63	3.12
Tamil Nadu (including Pondi- cherry)	87.2	95.2	144.0	134.0	3.28	1.26	4.54
Total					11.72	3.01	14.73
All-India	100.0	100.0	165.2	140.8	53.91	10.87	64.78

TABLE 1: PROJECTED RURAL AND URBAN POPULATION AS ON OCTOBER 1*

	(1956-59 average)**		1968		1973		1978		1983	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
North										
Jammu and Kashmir	2.84	0.55	3.25	0.70	3.45	0.78	3.66	0.86	3.77	0.95
Punjab and Haryana (including Delhi and Himachal Pradesh)	14.84	7.04	22.10	9.02	25.28	11.22	28.58	13.64	31.09	16.18
Rajasthan	15.20	3.04	20.86	4.19	23.88	4.90	26.99	5.63	29.54	6.40
Uttar Pradesh	59.60	8.79	75.51	11.88	84.14	13.77	92.83	15.81	90.90	17.98
Total	92.48	19.42	121.72	25.79	136.75	30.67	152.06	35.94	164.30	41.51
East										
Assam (including Manipur, Tripura, NEFA Nagaland and Bay Islands)	11.92	1.04	16.56	1.64	19.08	2.14	21.84	2.70	24.10	3.38
Bihar	39.27	3.63	49.96	5.47	55.79	6.82	61.77	8.34	66.50	10.04
Orissa	15.19	1.03	19.27	1.52	21.47	1.84	23.63	2.21	25.40	2.61
West Benga	22.53	8.92	31.05	11.83	34.98	14.12	38.99	16.61	40.20	19.26
Total	88.91	14.62	116.84	20.46	131.32	24.92	146.23	29.86	156.20	35.29
West										
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	14.36	5.02	16.57	9.54	18.59	11.23	20.66	12.97	22.13	14.82
Madhya Pradesh	25.27	4.29	33.06	6.01	37.07	7.14	41.14	8.35	44.37	9.64
Maharashtra	24.76	11.35	33.28	14.70	36.68	17.63	40.01	20.64	42.26	23.81
Total	64.39	20.66	82.91	30.25	92.34	36.00	101.81	41.96	108.76	48.27
South										
Andhra Pradesh	27.85	5.82	33.01	8.76	36.16	10.16	39.30	11.61	41.74	13.13
Kerala (including Arabian Islands)	13.09	2.37	17.24	3.23	19.44	3.76	21.52	4.32	23.22	4.88
Mysore	16.84	4.88	21.41	6.74	23.74	7.97	26.07	9.28	27.84	10.66
Tamil Nadu (including Pondicherry)	22.75	9.42	27.80	10.98	29.89	12.43	31.82	13.87	33.17	15.33
Total	80.53	22.49	99.46	29.71	109.23	34.32	118.71	39.08	125.97	44.00
All-India	326.31	77.19	420.93	106.21	469.64	125.91	518.81	146.84	555.23	169.07

* Projected populations of the Union Territories are included in the States with which they are climatically homogeneous.

** 1956-59 average urban population is first estimated at the all-India level from the growth rate obtained during 1951-61. It is distributed over the States according to the proportions obtained in the 1961 Census. The Rural population figure is obtained by subtracting the State's estimated urban population from the corresponding total.

averaged over the years 1956-59 and adjusted for prices and population base adopted here.⁹ Since the NSS data do not provide consumption estimates separately for the different Union Territories, it is assumed that the Union Territories are likely to have the same dietary habits as those in the State with which they are climatically homogeneous. Based on these indices, per capita consumption and aggregate consumption of foodgrains in the different States during the base period 1956-59 (average) were estimated and are shown in Table 3. Per capita foodgrain consumption, relative to the all-India average, was very high in Assam and Jammu and Kashmir and very low in Kerala. Consumption in Bihar, Rajasthan, Uttar Pradesh, and West Bengal, were also higher than the all-India average. In the high consuming States, both the rural and urban sectors generally consumed more than the corresponding all-India average. Reverse trend was noticed in the low consuming States.

Demand estimates at the all-India level being known, one can use the base-period State-wise foodgrains consumption indices to determine the corresponding foodgrains requirements for the future years. However, foodgrains consumption in the base period was not uniform over the States. Evidently foodgrains demand will grow at a slower rate in the present high consuming States. A reverse trend is expected in the existing low-consuming States and, so far as foodgrains as a whole are concerned, it would not be unrealistic to expect in the long run the emergence of a uniform consumption pattern for the different States. All this implies that the State-wise foodgrains consumption pattern, estimated for the base period, will not remain invariant over time. To derive the State-wise demand, the additional increase in aggregate foodgrains demand over the base period estimated at the all-India level, separately for the rural and urban sectors, is assumed here to be distributed over the different States' rural and urban sectors in proportion to their corresponding increase in population. The additional increase in foodgrains demand in the different States's rural and urban sectors, thus estimated, are added to their respective base consumption level in order to derive State-wise aggregate demands during 1968-69, 1973-74, 1978-79 and 1983-84 respectively. The results of the calculations are shown in Table 4.

Table 5 based on data collected in the NSS 17th round¹⁰ (draft) provides some insight on the commodity-wise

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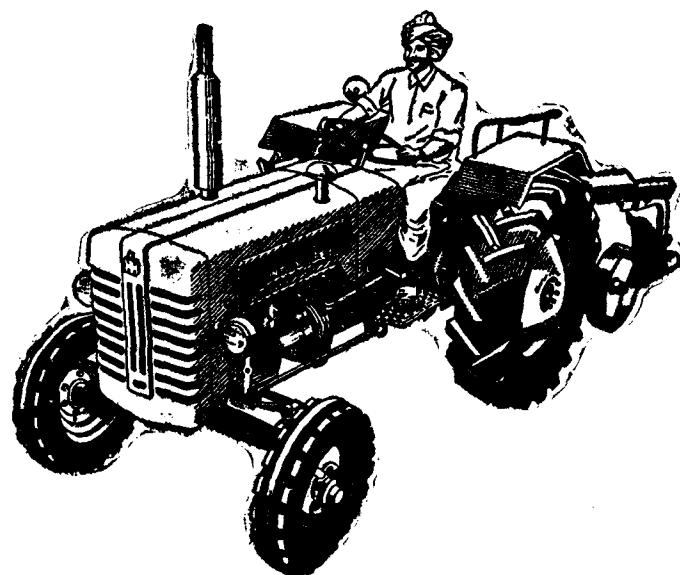


TABLE 4: STATE-WISE AGGREGATE DEMAND FOR FOODGRAINS

(in million tonnes)

	Rural				Urban				Total			
	1968 -69	1973 -74	1978 -79	1983 -84	1968 -69	1973 -74	1978 -79	1983 -84	1968 -69	1973 -74	1978 -79	1983 -84
North												
Jammu and Kashmir	0.74	0.81	0.90	1.00	0.12	0.13	0.15	0.18	0.86	0.94	1.05	1.18
Punjab and Haryana (including Delhi and Himachal Pradesh)	3.90	4.98	6.44	8.34	1.20	1.55	2.01	2.65	5.10	6.53	8.45	10.99
Rajasthan	4.06	5.04	6.35	8.13	0.64	0.76	0.91	1.12	4.70	5.80	7.26	9.25
Uttar Pradesh	13.72	16.52	20.02	25.18	1.71	2.02	2.43	3.01	15.43	18.54	22.45	28.19
Total	22.42	27.35	33.91	42.65	3.67	4.46	5.50	6.96	26.09	31.81	39.21	49.61
East												
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	3.49	4.31	5.46	6.99	0.27	0.36	0.46	0.63	3.76	4.67	5.92	7.62
Bihar	9.72	11.60	14.04	17.48	0.85	1.07	1.37	1.80	10.57	12.67	15.41	19.28
Orissa	3.09	3.80	4.72	5.98	0.21	0.26	0.33	0.44	3.30	4.06	5.05	6.42
West Bengal	6.43	7.75	9.50	11.12	1.99	2.36	2.84	3.53	8.42	10.11	12.34	14.65
Total	22.73	27.46	33.82	41.57	3.32	4.05	5.00	6.40	26.05	31.51	38.72	47.97
West												
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	2.50	3.10	3.90	4.89	1.28	1.56	1.93	2.47	3.78	4.66	5.83	7.36
Madhya Pradesh	5.71	7.02	8.76	11.08	0.86	1.04	1.28	1.62	6.57	8.06	10.04	12.70
Maharashtra	5.24	6.42	7.95	9.86	1.85	2.32	2.90	3.73	7.09	8.74	10.85	13.59
Total	13.45	16.54	20.61	25.83	3.99	4.92	6.11	7.82	17.44	21.46	26.72	33.65
South												
Andhra Pradesh	5.52	6.51	7.83	9.54	1.26	1.50	1.79	2.22	6.78	8.01	9.62	11.76
Kerala (including Arabian Islands)	2.44	3.16	4.07	5.30	0.40	0.49	0.60	0.75	2.84	3.65	4.67	6.05
Mysore	3.48	4.24	5.25	6.57	0.90	1.10	1.36	1.72	4.38	5.34	6.61	8.29
Tamil Nadu (including Pondicherry)	4.38	5.10	6.00	7.13	1.48	1.71	2.00	2.38	5.86	6.81	8.00	9.51
Total	15.82	19.01	23.15	28.54	4.04	4.80	5.75	7.07	19.86	23.81	28.90	35.61
All-India	74.42	90.36	111.49	138.59	15.02	18.23	22.36	28.25	89.44	108.59	133.55	166.84

consumption pattern in the different States's rural and urban sector. Broadly, the Indian States can be divided into three categories according to their dietary habits:

- Predominantly rice eating eastern States of Assam, West Bengal and Orissa; the southern States of Andhra Pradesh, Kerala and Tamil Nadu; and Jammu and Kashmir in the north.
- Basically wheat eating northern States of Punjab, Haryana and Uttar Pradesh.
- Gujarat, Maharashtra, Mysore and Rajasthan where more coarse cereals are consumed.

Bihar and Madhya Pradesh fall as transitory States from Category (i) to Category (ii).

Assuming that State-wise dietary habits (Table 5) remain the same, and using their estimated foodgrains demand as given in Table 4, Tables 6, 7, and 8, provide State-wise aggregate demand for rice, wheat and all cereals respectively. As economic development takes place it is likely that demand for coarse cereals will decline and that for rice and wheat increase. These results can, therefore, be taken only as the lower limit for arriving at demand for rice and wheat.

Demand estimates, thus far, cover

only human needs. A considerable part of foodgrain production is also otherwise used or wasted. To arrive at total domestic requirements, one must, therefore, make allowance for seed, feed, and wastage. The conventional official method is to deduct 12.5 per cent from the gross foodgrain production for uses other than human consumption. Several research workers have challenged this figure and their estimates vary from 10 to as high as 25 per cent.¹¹

The Expert Committee on losses of foodgrains, appointed by the Government of India in 1966,¹² examined in detail the loss suffered during post-harvest handling and storage. Loss was defined by the Committee as the reduction in food supply brought out either by reduction in weight or by deterioration between two handlings—and, on the whole, between production and consumption. Total loss for the threshing yard, transit, processing, rodents, insects and moisture was estimated at about 9.33 per cent of gross production.

The usual official practice followed is to assume the following percentages of gross production for seed and feed: rice (6.5 per cent), wheat (9.1 per cent), jowar (4.6 per cent), bajra (7.1 per cent), maize (8.8 per cent), gram (20.1 per cent) and other pulses (10.0 per cent).¹³ If we retain these figures and assume

a uniform 9.0 per cent reduction for the various food crops for post-harvest and storage losses then the crop-wise disappearance factors would be approximately as follows: rice 15.5 per cent, wheat 18.1 per cent, coarse cereals 15.5 per cent, all cereals 16.0 per cent, pulses including gram (14.6 per cent, and all foodgrains 16.0 per cent.¹⁴ Using these disappearance factors, total domestic requirements, at the all-India level, are estimated on the assumption that crop-wise gross production equals their respective total domestic requirements. The results are shown in Table 9.

The long-term projection made here suggests that India must increase foodgrain production at a rate of at least 4.3 per cent (compound) per annum to meet only domestic needs. In fact, production will have to increase at a still higher rate if the family planning programme of the Government fails to produce the intended impact. Again export possibilities are completely excluded. Finally what is most important, a stochastic free growth rate in foodgrain production is assumed to meet domestic requirements. Even so, the growth rate necessary is much higher than what the country has recorded so far.

The task ahead is a challenge. However, something fundamental and dyna-

TABLE 5 : STATE-WISE AND COMMODITY-WISE CONSUMPTION PATTERN IN RURAL AND URBAN AREAS
(percentage to foodgrains consumed)

	Rural					Urban				
	Rice	Wheat	Coarse Cereals	Pulses	All Foodgrains	Rice	Wheat	Coarse Cereals	Pulses	All Foodgrains
North										
Jammu and Kashmir	55.52	13.98	26.17	4.33	100.00	75.96	17.07	3.86	3.11	100.00
Punjab and Haryana (including Delhi and Himachal Pradesh)	9.91	53.58	24.87	11.64	100.00	5.20	73.80	7.18	13.82	100.00
Rajasthan	1.63	15.71	73.10	9.56	100.00	3.21	52.20	30.62	13.97	100.00
Uttar Pradesh	24.53	24.82	34.01	16.64	100.00	17.08	52.91	12.32	17.69	100.00
East										
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	92.80	1.76	0.11	5.33	100.00	79.77	10.01	0.07	10.15	100.00
Bihar	58.75	13.54	15.16	12.55	100.00	57.94	27.30	2.38	12.38	100.00
Orissa	88.72	0.33	5.12	5.83	100.00	82.43	7.14	1.47	8.96	100.00
West Bengal	91.63	2.55	0.72	5.10	100.00	72.69	17.54	0.14	9.63	100.00
West										
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	13.94	13.19	63.38	9.49	100.00	19.44	39.86	27.18	13.52	100.00
Madhya Pradesh	37.48	22.64	28.53	11.35	100.00	21.28	52.02	10.61	16.09	100.00
Maharashtra	21.39	7.64	61.69	9.28	100.00	29.16	24.87	33.23	12.74	100.00
South										
Andhra Pradesh	60.07	0.28	34.48	5.17	100.00	74.31	3.62	12.43	9.64	100.00
Kerala (including Arabian Islands)	94.86	0.72	0.19	4.23	100.00	92.00	1.56	0.09	6.35	100.00
Mysore	30.48	2.66	59.35	7.51	100.00	44.62	7.06	36.87	11.45	100.00
Tamil Nadu (including Pondicherry)	66.91	0.67	26.71	5.71	100.00	82.78	1.94	6.68	8.60	100.00

mic and with far-reaching consequences has occurred in the Indian agricultural scene in recent years, and has created potential for an accelerated growth in foodgrain production. We will now briefly discuss the prospect of meeting domestic requirement in the context of the recent changing scenario of Indian agriculture.

II

Prospects of 'Self-Sufficiency' in Foodgrains

The long-term perspective, as visualised in the Fourth Five-Year Plan [5], if achieved, would push India's foodgrains production from 94.0 million tonnes in 1968-69 to 167.2 million tonnes in 1980-81. This implies roughly a 5 per cent compound annual growth rate, which is nearly double that obtained during the first three Plan periods. In fact, production during the Fourth Five-Year Plan is estimated to increase at a still higher rate—5.6 per cent (compound) per annum. At the national level, the programme was to make the country 'self-sufficient' in foodgrains by 1970-71.¹⁵

This optimism, based on intensive as opposed to the extensive agriculture of earlier years, has a solid foundation on the recent technological breakthrough with its distinctly visible effect on the country's production. The 'New Agricultural Strategy' introduced into the agri-

cultural scene since 1965 has ushered in a 'Green Revolution' in India. The achievements during the last three years (1967-70) are impressive enough [8, 9, 10, 11] to raise hopes of self-sufficiency in foodgrains within a short period, if not by 1970-71.

What marked a departure from the old ways was the seriousness and sincerity with which the policy recommendations were translated into action. In the summer of 1966, 18,000 tonnes of dwarf wheat seeds were imported from Mexico and distributed to selected farmers with input support. Scarce foreign exchange was liberally released to import chemical fertilisers. Foreign capital participation was actively encouraged to step up domestic fertiliser production. A 'producer-oriented' price policy began to take shape. The action programme was kept flexible; follow-up surveys were made from season to season in order to gain experience and additional guidelines. Simultaneously, other measures to sustain and create further potential were taken on a continuing basis. Banks were nationalised (March 1970) and more credit is now available to the farmers through the nationalised banks and co-operatives. Agricultural extension activities have become more production oriented than the generalised community development approach of earlier years. Agricultural research is now intensified, problem-oriented, and better co-ordinated, under the overall direction of

a reorganised Indian Council of Agricultural Research. Twelve State Agricultural Universities have been established to provide more and better research, education and extension. The proposal is to have one such agricultural university in each State.

The performance of the New Strategy during the last three years is impressive enough to suggest that the country is well along the way toward achieving a higher trend rate of foodgrains production. The potential of the high yielding varieties is favourable and the problems identifiable and correctable. If the present trend is any indication, the possibilities are likely to increase over time. However, there is now a big gap between performance and the potentials created by the new agricultural strategy [11]. Closing this gap itself will enable the country to attain a much higher growth rate in production.

During the last three years, 1967-70, the country witnessed a spectacular increase in wheat production. This was possible because of the readily available advanced wheat technology in the world which could be transplanted directly into the Indian soil. Adaptive improvements, made by Indian researchers on the imported technology, now provide enough confidence to meet the country's demand for wheat.

The performance is less spectacular in rice, which accounts for more than

TABLE 6 : STATE-WISE AGGREGATE DEMAND FOR RICE
(in million tonnes)

	Rural				Urban				Total			
	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84
North												
Jammu and Kashmir	0.41	0.45	0.50	0.56	0.09	0.10	0.11	0.14	0.50	0.55	0.61	0.70
Punjab and Haryana (including Delhi and Himachal Pradesh)	0.39	0.49	0.64	0.83	0.06	0.08	0.10	0.14	0.45	0.57	0.74	0.97
Rajasthan	0.07	0.08	0.10	0.13	0.02	0.02	0.03	0.04	0.09	0.10	0.13	0.17
Uttar Pradesh	3.36	4.05	4.96	6.18	0.29	0.35	0.42	0.51	3.65	4.40	5.38	6.69
Total	4.23	5.07	6.20	7.70	0.46	0.55	0.66	0.83	4.69	5.62	6.86	8.53
East												
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	3.24	4.00	5.07	6.49	0.22	0.29	0.37	0.50	3.46	4.29	5.44	6.99
Bihar	5.71	6.82	8.31	10.27	0.49	0.62	0.79	1.04	6.20	7.44	9.10	11.31
Orissa	2.74	3.37	4.19	5.31	0.17	0.21	0.27	0.36	2.91	3.58	4.46	5.67
West Bengal	5.89	7.10	8.70	10.46	1.45	1.72	2.06	2.57	7.34	8.82	10.76	13.03
Total	17.58	21.29	26.27	32.53	2.33	2.84	3.49	4.47	19.91	24.13	29.76	37.00
West												
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	0.35	0.43	0.54	0.68	0.25	0.30	0.38	0.48	0.60	0.73	0.92	1.16
Madhya Pradesh	2.14	2.63	3.28	4.15	0.18	0.22	0.27	0.34	2.32	2.85	3.55	4.49
Maharashtra	1.12	1.37	1.70	2.11	0.54	0.68	0.85	1.09	1.66	2.05	2.55	3.20
Total	3.61	4.43	5.52	6.94	0.97	1.20	1.50	1.91	4.58	5.63	7.02	8.85
South												
Andhra Pradesh	3.32	3.91	4.70	5.73	0.94	1.11	1.33	1.65	4.26	5.02	6.03	7.38
Kerala (including Arabian Islands)	2.31	3.00	3.86	5.03	0.37	0.45	0.55	0.69	2.68	3.45	4.41	5.72
Mysore	1.06	1.29	1.60	2.00	0.40	0.49	0.61	0.77	1.46	1.78	2.21	2.77
Tamil Nadu (including Pondicherry)	2.93	3.41	4.01	4.77	1.22	1.42	1.66	1.97	4.15	4.83	5.67	6.74
Total	9.62	11.61	14.17	17.53	2.93	3.47	4.15	5.08	12.55	15.08	18.32	22.61
All-India	35.04	42.40	52.16	64.70	6.69	8.06	9.80	12.29	41.73	50.46	61.96	76.99

40 per cent of the country's total foodgrains production. Unlike wheat, imported technology is unlikely to provide a way for increasing rice production as its success depends on many environmental factors. Moreover, sophisticated managerial skill is involved in its production process. Indian breeders are still struggling to evolve suitable strains of rice for different soil-climatic regions of the country. With the recent introduction of some high-yielding varieties of rice and the possibility of further breakthrough in evolving new strains, one can, however, hope for an adequate rice supply in the future.

The most important factor, however, which will influence the future growth rate in foodgrains production in India is probably the very key variable, viz. water supply. In most parts of the country, the natural supply of water, in the form of rain and river waters, is neither dependable nor adequate.

Sen [12] points out that "even if all the surface and ground water potential in the country is exploited (and this may take about three decades), only 82 million hectares will get assured irrigation throughout the year. Thus, out of a total of 194 million hectares of cultivable area in the country, about 112 million hectares will continue to depend wholly and another 20 to 30 million hectares partly on rainfall." With this somewhat disturbing prospect for water supply, it is evident that water management must receive more emphasis.

The debate on Indian agriculture is now focused on the new strategy and its potentials to provide a long-term solution to the country's food problem. Opinion about the future has varied from one of continuing food shortages to one of a comfortable situation of excess supplies and the possibilities of earning foreign exchange through exports of farm surpluses. The

widely talked of growth rate for India's future foodgrains production is now centred on the neat number, '5', notoriously known among the statisticians for its biasedness. It is probably too early to speak with exactitude about the long-run growth in foodgrains production based on recent achievements obtained through the new strategy. Undoubtedly, the new strategy holds sufficient promise for solving India's food problem; whether it can actually provide the solution will depend upon many 'ifs'.

III

Regional Growths in Production under Self-Sufficiency Assumption at the All-India Level

We have mentioned at the very beginning that, in the final analysis, the long-run growth rates in the production of individual crops under foodgrains will be limited by their effective

TABLE 7 : STATE-WISE AGGREGATE DEMAND FOR WHEAT

	(in million tonnes)											
	Rural				Urban				Total			
	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84
North												
Jammu and Kashmir	0.10	0.11	0.13	0.14	0.02	0.02	0.03	0.03	0.12	0.13	0.16	0.17
Punjab and Haryana (including Delhi and Himachal Pradesh)	2.09	2.67	3.45	4.47	0.89	1.14	1.48	1.96	2.98	3.81	4.93	6.43
Rajasthan	0.64	0.79	1.00	1.28	0.33	0.40	0.48	0.58	0.97	1.19	1.48	1.86
Uttar Pradesh	3.41	4.10	5.02	6.25	0.90	1.07	1.59	1.59	4.31	5.17	6.31	7.84
Total	6.24	7.67	9.60	12.14	2.14	2.63	3.28	4.16	8.38	10.30	12.88	16.30
East												
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	0.06	0.08	0.10	0.12	0.03	0.04	0.05	0.06	0.09	0.12	0.15	0.18
Bihar	1.32	1.57	1.91	2.37	0.23	0.29	0.37	0.49	1.55	1.86	2.28	2.86
Orissa	0.01	0.01	0.02	0.02	0.01	0.02	0.02	0.03	0.02	0.03	0.04	0.05
West Bengal	0.16	0.20	0.24	0.28	0.35	0.41	0.50	0.62	0.51	0.61	0.74	0.90
Total	1.55	1.86	2.27	2.79	0.62	0.76	0.94	1.20	2.17	2.62	3.21	3.99
West												
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	0.33	0.41	0.51	0.64	0.51	0.62	0.77	0.98	0.84	1.03	1.28	1.62
Madhya Pradesh	1.29	1.59	1.98	2.51	0.45	0.54	0.67	0.84	1.74	2.13	2.65	3.35
Maharashtra	0.40	0.49	0.61	0.75	0.46	0.58	0.72	0.93	0.86	1.07	1.33	1.68
Total	2.02	2.49	3.10	3.90	1.42	1.74	2.16	2.75	3.44	4.23	5.26	6.65
South												
Andhra Pradesh	0.01	0.02	0.02	0.03	0.05	0.05	0.06	0.08	0.06	0.07	0.08	0.11
Kerala (including Arabian Islands)	0.02	0.02	0.03	0.04	0.01	0.01	0.01	0.01	0.03	0.03	0.04	0.05
Mysore	0.09	0.11	0.14	0.17	0.06	0.08	0.10	0.12	0.15	0.19	0.24	0.29
Tamil Nadu (including Pondicherry)	0.03	0.03	0.04	0.05	0.03	0.03	0.04	0.05	0.06	0.06	0.08	0.10
Total	0.15	0.18	0.23	0.29	0.15	0.17	0.21	0.26	0.30	0.35	0.44	0.55
All-India	9.96	12.20	15.20	19.12	4.33	5.30	6.59	8.37	14.29	17.50	21.79	27.49

demand. If each State in India is considered as a sovereign and independent country, then the State-wise long-run growth rates in production should also follow the same pattern. However, this is not the political map of the Indian sub-continent; the States are united to form one country. Thus, at the all-India level, while the long-run growth in production will be limited by effective demand, State-wise production of individual crops under foodgrains will grow according to comparative advantages and disadvantages. Suppose that, at the all-India level, the country is self-sufficient, in that, domestic production of individual crops under foodgrains equals their respective effective demands. Then, under the self-sufficiency assumption, the long-run production growth rates of individual crops at the all-India level are pre-determined. Given the all-India growth rates in production, what will be the corresponding long-run regional growth rates? Will it follow the past pattern?

The food problem in the different

States is essentially a foodgrains problem. Towards this end, each State in India produces foodgrains; in fact, a major part of the agricultural production in each State of India is made up of foodgrains. Unless there is a dramatic change in food habits (which is very unlikely) this trend will continue. It is, therefore, reasonable to assume that, in the future, each State will continue to produce foodgrains. Production in each State is, however, a function of land, labour, capital, human skill, macro-ecological conditions, and a host of other factors. In the long run, some of these factors will evidently appear as constraints on the production surface and limit further growth in production. The relative share of the different States in the country's total future foodgrains production will, therefore, depend on exploitation, to the extent possible, of the various factors of production.

Since the scope for increasing the land base is now limited in all the States, any increase in future production must necessarily come through in-

tensive cultivation. The high-yielding varieties provide this opportunity through intensive exploitation of land, water, fertiliser and other inputs. The technical skill involved in the cultivation of high-yielding varieties is at present uneven among the cultivators, both between and within the States. With the passage of time, this situation is likely to even out to a large extent. However, water being an important factor for the new technology, the growth in irrigated acreage among the States will be the final limiting and shaping force for long-run regional growth rates.

The experience of the last three years (1967-70) indicates that, although the Green Revolution is perceptible in all the States of India, the adoption of new technology and consequent production increase is generally high in the present high-growth generating States. This is made possible by the already existing large irrigation facilities in these States. The approximate distribution of unexploited irrigation potential in the country ranges from

0.58 per cent in Jammu and Kashmir to 18.48 per cent in Uttar Pradesh (Table 11). The present high-growth generating States are already utilising major proportion of their irrigation potential. Based on current knowledge and existing technology, it appears that these high-growth generating States are fast approaching a technological plateau. On the other hand, States like Uttar Pradesh, Madhya Pradesh, Andhra Pradesh and Bihar have sufficient water resources to be yet tapped. If we assume that, State-wise, the future increase in foodgrain production will be proportional to their respective increases in irrigated acreages (which in turn will be proportional to their unexploited irrigation potential) then the regional growth rates in foodgrain production, estimated for between 1952-53 and 1964-65, are likely to undergo dramatic changes in the future.

The future acreages under different food crops will be largely determined

by their future relative prices and gains in productivity. The new technology has proved beyond doubt higher yield potential for wheat, and with further breakthrough in rice production it is likely that these two superior grains will cover an increasing acreage under cereals.

Such changes are already visible. For instance, some of the eastern and southern States of India now produce wheat contrary to earlier custom. However insignificant such transfer may be to the country's total wheat production, the question is whether these trends recently noticed are likely to increase over time. For example, will Tamil Nadu change from a primary rice-growing area to a wheat-growing State? We feel that such attempts will have only short half-lives; the influence of macro-ecological factors will limit such attempts to the minimum.

The geographical concentration and specialisation of production is largely

influenced by the macro-ecological factors. Variables other than macro-ecological can introduce a dynamic element in the production pattern of a region. However, they are unstable. In contrast, the macro-ecological characteristics of an area are practically stable over a long period of time. In the long run, the macro-ecological factors will force the farm-firms of an area to choose, from among many production alternatives, one or a combination of some. The past foodgrains production pattern in the different States was an outgrowth of these macro-ecological conditions. Future changes are likely to be consistent with this pattern; probably, the new technology will intensify the specialisation.

Following the above arguments, an attempt is made here to project State-wise production of individual crops under foodgrains. It is assumed that, at the all-India level, production of different crops under foodgrains equal

TABLE 8 : STATE-WISE AGGREGATE DEMAND FOR ALL CEREALS

	(in million tonnes)											
	Rural				Urban				Total			
	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84
North												
Jammu and Kashmir	0.71	0.77	0.86	0.96	0.11	0.12	0.14	0.17	0.82	0.89	1.00	1.13
Punjab and Haryana (including Delhi and Himachal Pradesh)	3.45	4.40	5.69	7.37	1.03	1.34	1.73	2.28	4.48	5.74	7.42	9.65
Rajasthan	3.67	4.56	5.74	7.35	0.55	0.65	0.78	0.96	4.22	5.21	6.52	8.31
Uttar Pradesh	11.44	13.77	16.86	20.99	1.41	1.66	2.00	2.48	12.85	15.43	18.86	23.47
Total	19.27	23.50	29.15	36.67	3.10	3.77	4.65	5.89	22.37	27.27	33.80	42.56
East												
Assam (including Tripura, Manipur, Nagaland, NEFA and Bay Islands)	3.30	4.08	5.17	6.62	0.24	0.32	0.41	0.57	3.54	4.40	5.58	7.19
Bihar	8.50	10.14	12.36	15.29	0.74	0.94	1.20	1.58	9.24	11.08	13.56	16.87
Orissa	2.91	3.58	4.44	5.63	0.19	0.24	0.30	0.40	3.10	3.82	4.74	6.03
West Bengal	6.10	7.35	9.02	10.55	1.80	2.13	2.57	3.19	7.90	9.48	11.59	13.74
Total	20.81	25.15	30.99	38.09	2.97	3.63	4.48	5.74	23.78	28.78	35.47	43.83
West												
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	2.26	2.80	3.53	4.42	1.11	1.35	1.67	2.14	3.37	4.15	5.20	6.56
Madhya Pradesh	5.06	6.22	7.77	9.82	0.72	0.87	1.07	1.36	5.78	7.09	8.84	11.18
Maharashtra	4.75	5.82	7.21	8.94	1.61	2.02	2.53	3.25	6.36	7.84	9.74	12.19
Total	12.07	14.84	18.51	23.18	3.44	4.24	5.27	6.75	15.51	19.08	23.78	29.93
South												
Andhra Pradesh	5.23	6.17	7.42	9.05	1.14	1.36	1.62	2.00	6.37	7.53	9.04	11.05
Kerala (including Arabian Islands)	2.34	3.03	3.90	5.08	0.37	0.46	0.56	0.70	2.71	3.49	4.46	5.78
Mysore	3.22	3.92	4.86	6.08	0.80	0.97	1.20	1.52	4.02	4.89	6.06	7.60
Tamil Nadu (including Pondicherry)	4.13	4.81	5.66	6.72	1.35	1.56	1.83	2.18	5.48	6.37	7.49	8.90
Total	14.92	17.93	21.84	26.93	3.66	4.35	5.21	6.40	18.58	22.28	27.05	33.33
All-India	67.07	81.42	100.49	124.87	13.17	15.99	19.61	24.78	80.24	97.41	120.10	149.65

TABLE 9 : TOTAL REQUIREMENTS OF DIFFERENT FOODGRAINS, ALL-INDIA
(in million tonnes)

	1968-69	1973-74	1978-79	1983-84	Average Annual Compound Growth Rate (calculated from 1968-69 level)
Rice					
For Human Consumption	41.73	50.46	61.96	76.99	
Seed, Feed, and Waste	7.65	9.26	11.36	14.12	
Total	49.38	59.72	73.32	91.11	4.17
Wheat					
For Human Consumption	14.29	17.50	21.79	27.49	
Seed, Feed and Waste	3.16	3.87	4.81	6.07	
Total	17.45	21.37	26.60	33.56	4.46
All cereals					
For Human Consumption	80.24	97.41	120.10	149.65	
Seed, Feed and Waste	15.28	18.55	22.88	28.50	
Total	95.52	115.96	142.98	178.15	4.24
All foodgrains					
For Human Consumption	89.44	108.59	133.55	166.84	
Seed, Feed and Waste	17.04	20.68	25.44	31.78	
Total	106.48	129.27	158.99	198.62	4.24

their respective effective demand as given in Table 9. Also, since the weather was below normal in 1968-69, the base-year for calculation here, an adjusted normal-weather all-India foodgrains production estimate of 98.80 million tonnes¹⁶ was used instead of the recorded official estimate of 94.01 million tonnes. Using the State-wise average production of different crops in 1967-69 as weights,¹⁷ the distribution and composition of the normal weather foodgrains production for 1968-69 over the different States are estimated and shown in Table 10.

Some interesting observations can be made from this Table. All the States in India produce both cereals and pulses. The States which occupy relatively higher position in the country's total cereals production also occupy higher position in the country's total pulses production. Pulses are inter-cropped with cereals in all the States. Increase in cereals, production in any State is, therefore, likely to increase its pulses production too. In other words, growth in the production of foodgrains as a whole and cereals as a group in the different States will be influenced by the same factor which, as, pointed out earlier, will be the growth in the State-wise irrigated acreages.

State-wise projections, for foodgrains as a whole and cereals as a group, are first made on the assumption that the additional increase in irrigated acreage and in all foodgrains or all cereals production, anticipated at the all-India level at the end of 1973-74, 1978-79, and 1983-84, respectively, over the

1968-69 level, are distributed over the States in proportion to the State-wise distribution of present unexploited irrigation potential in the country. The State-wise production increments, thus estimated, are added to their respective 1968-69 normal weather production levels to determine their absolute levels of production at the end of 1973-74, 1978-79 and 1983-84. The results are shown in Table 11.

Some very interesting results follow. The long-run growth rate in foodgrains production in Tamil Nadu, currently holding the top rank among the States is very much down and is pushed to the bottom. Andhra Pradesh and Gujarat which recorded medium growth rates in the past improve performance considerably to occupy first and second places, respectively. Assam and Uttar Pradesh, from their present ranks of fourteenth and thirteenth move up to fifth and sixth places, respectively. Division-wise production estimates shown in Table 11 suggest that the foodgrains production, during 1968-69 to 1983-84, will grow at an average annual compound rate of 4.41 per cent in the North, 4.35 per cent in the East, 5.53 per cent in the West, and 5.01 per cent in the South. Similar results are also obtained in State-wise growths in cereals production and given in Table 11.

A similar method cannot be used for estimating State-wise production of different crops under cereals. The growth in irrigated acreage will not have uniform effects in the State-wise production of different crops under cereals; macro-ecological variables will enter as constraints in the State-wise

cereal production pattern.

The 1968-69 State-wise cereals production patterns are expressions of macro-ecological factors. One possibility is to assume that the State-wise future production patterns will remain as obtained in 1968-69. In that event, self-sufficiency will not be attained for all items under foodgrains. Rice will be in short supply, and more wheat and coarse cereals will be available than necessary. Demand pressure will compel the States to produce more of rice and less of wheat and coarse cereals — subject, of course, to regional macro-ecological limitations.

Obviously, the State-wise future cereals production patterns will have some consistency with the present. For the present work, it is assumed that, the weights of different crops in each State's total cereals production will increase proportionately — subject to certain constraints. More precisely, if w_{ij}^0 is the weight of the j^{th}

crop in the i^{th} State's total cereals production then for the year " t " it is assumed that

$$w_{ij}^t = K_j \frac{w_{ij}^0}{\sum_j w_{ij}^0} \text{ for all } i \text{ and } a \text{ given } j$$

subject to the conditions

$$(i) \sum_i w_{ij}^t \cdot P_{ic} = P_j \text{ for all } j$$

$$(ii) \sum_i w_{ij}^t = 100 \text{ for all } i, \text{ and}$$

$$(iii) 0 \leq w_{ij}^t \leq 100 \text{ for all } i \text{ and } j$$

where P_{ic} is the i^{th} State's estimated total cereals production and P_j

is the production of the j^{th} crop in year t anticipated at the all-India level for attaining self-sufficiency in it.

If w_{ij}^t equals 100, then the i^{th}

State will produce only the j^{th} crop under cereals — an extreme case of optimum specialisation of production under macro-ecological conditions. Subject to the above restrictions, some of

the w_{ij}^t s can be kept fixed at pre-assigned levels, if there are *a priori* reasons to do so. The values of w_{ij}^t s can be easily computed by successive iteration.

For the present work, the cereals group in each State is divided into three categories — rice, wheat, and coarse cereals (j running from 1 to 3). Determination of optimum weights for rice and wheat will, therefore,

TABLE 10 : STATE-WISE NORMAL WEATHER PRODUCTION OF DIFFERENT CROPS UNDER FOODGRAINS IN 1968-69

	Estimated Production (million tonnes)		Production of Different Crops under Cereals (Percentage to all cereals production in the State)*		
	All Foodgrains	All Cereals	Rice	Wheat	All Cereals
North					
Jammu and Kashmir	0.93	0.89	44.82	20.59	100.00
Punjab and Haryana (including Delhi and Himachal Pradesh)	10.83	9.38	9.13	63.62	100.00
Rajasthan	5.54	4.30	18.53	30.31	100.00
Uttar Pradesh	17.28	13.84	23.33	45.01	100.00
Total	34.58	28.41	16.08	48.15	100.00
East					
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	2.92	2.88	98.80	0.15	100.00
Bihar	9.14	7.94	64.63	14.29	100.00
Orissa	5.10	4.71	93.67	0.36	100.00
West Bengal	6.74	6.28	95.26	0.57	100.00
Total	23.90	21.81	84.27	6.97	100.00
West					
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	3.05	2.90	15.04	23.81	100.00
Madhya Pradesh	10.29	8.56	37.82	23.74	100.00
Maharashtra	7.32	6.43	22.83	6.42	100.00
Total	20.66	17.89	28.79	17.50	100.00
South					
Andhra Pradesh	7.33	7.05	66.75	0.04	100.00
Kerala (including Arabian Islands)	1.35	1.33	99.17	—	100.00
Mysore	5.08	4.69	42.32	3.27	100.00
Tamil Nadu (including Pondicherry)	5.90	5.80	73.51	0.01	100.00
Total	19.66	18.87	65.02	0.08	100.00
All-India	98.80	86.98	47.22	20.87	100.00

Note: The weight of the coarse cereals in each State is 100 (weights for rice and wheat).

automatically determine the optimum weight for coarse cereals. (For each State it will be 100 minus optimum weights for rice and wheat.) Also, as there is no information available regarding the future cereals production pattern of any State, the weights are allowed to take the extreme values of 0 and 100.

The estimated State-wise rice and wheat production pattern and the corresponding absolute production for attaining self-sufficiency in these two crops at the all-India level for 1973-74, 1978-79, and 1983-84, are shown in Tables 12 and 13. Since the State-wise estimated production of rice, wheat and all cereals are derived on the assumption of overall self-sufficiency State-wise coarse cereals production (which for each State is the estimated total cereals production minus the total of estimated rice and wheat production) will also obviously add up to make the country self-sufficient in it. The system is thus closed at the all-India level, in that, overall domestic production of each item under foodgrains equals its corresponding domestic requirement.

IV Future Problems in Food Management

The State-wise demand and supply estimates being known, one can now examine the various aspects of the food management problems. Assume, first, that demand and supply estimates are known with certainty; that they do not include any stochastic component. At the all-India level, the country is self-sufficient on all items under foodgrains. Whatever is produced is consumed, and there is no carry-over stock. Nor is there any need for carry-over stock, since domestic production is just sufficient to meet the needs, with an absolute guarantee. Thus, no problem exists at the all-India level.

However, there are problems, rather serious ones, at the regional level. Though the country, at the national level, is self-sufficient, the States, individually, are either surplus or deficit. The magnitude of these imbalances are of serious nature, as can be seen from Table 14, requiring careful management to ensure stability. Two extreme situations are obtained from

the Northern and Eastern regions of the country. During the next 15 years, the Northern region will remain surplus on all items under foodgrains while the Eastern region will record completely reverse trends. The Western region will remain surplus on all items except wheat while the Southern region will become deficit on all items except rice. Within each region again, there are imbalances; some States are surplus and some deficit on some items under foodgrains. Rice deficit in the Eastern region will be equal to the corresponding surplus of the three other regions; similarly, wheat surplus of the Northern region will equal the deficits of three other regions. For cereals as a group and foodgrains as a whole, the total surpluses from the Northern and Western regions equal corresponding total deficits of the Eastern and Southern regions.

When inter-State trade is free, grain will move from a surplus State, say A, to deficit State, say B, if price P_B per unit in the State B is greater than price P_A in the State A plus the cost of transporting one unit from the State A to State B. A certain degree of

price variability across the country is, therefore, inevitable and necessary to induce movement from surplus to deficit States. If traders are allowed to operate freely and, if they are assumed to be honest, this price variability among the States will be minimum only if the movements take place along the minimum cost transportation lines. Even in this ideal situation, prices in some States can become too high for the poorer people. The answer then will be government-subsidised fair-price shops at such centres.

So far, the food management problem is relatively simple. The problem is one of identifying the poorer section of the community and taking adequate measures to safeguard its welfare. Suppose private traders are more motivated by profit than by social responsibility, they hoard and speculate. Hoarding, it must be noted, is profitable only to the extent that expected price exceeds the cost of hoarding.

Therefore, the only way to reduce trade speculation is to increase the risk of speculation; i.e., influence the prices in such a way that traders cannot look to windfalls.

There are two alternatives for achieving this end. The first is direct market intervention by introducing statutory price controls. This will obviously land the Government in massive foodgrains management operations. Market imperfections will result and will affect both producers and consumers. Moreover, this approach can provide fruitful results only when price controls are rigorously implemented across the country, which is very difficult to achieve [13]. The machinery necessary for implementation of such a scheme, when costed out, will probably outweigh benefits accrued. In any case this is a short-term measure and cannot continue indefinitely.

The other alternative, more practical and appealing, is to encourage a

free market backed by a position of strength to influence prices. This would require the Government holding adequate stocks. This method will increase the risk of speculation and make hoarding costlier. Stocks with the Government can thus buffer trader speculation. By holding stock the Government itself speculates on maximising public welfare against the probable speculative activities of the traders. Obviously the magnitude of such stock in each State will be a function of the corresponding imbalance [14]. The exact size of the stock can, however, be stated only in probabilistic terms; it will depend upon resource availability and desired level of social welfare.

Food management problems become complicated as soon as the perfect knowledge assumption is relaxed. Consider the situation when for any year, the State-wise imbalances, instead of being fixed and known with certainty, are random and fluctuate with certain

TABLE 11 : STATE-WISE ESTIMATED PRODUCTION OF ALL FOODGRAINS AND ALL CEREALS

Percentage Distribution of Present Unexploited Irrigation Potential									
(1)	(2)	Estimated Production (million tonnes)						Average Annual Compound Growth Rate Estimated from 1968-69 level*	
		All Cereals			All Foodgrains			All Cereals (9)	All Foodgrains (10)
		1973-74	1978-79	1983-84	1973-74	1978-79	1983-84		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
North									
Jammu and Kashmir	0.58	1.05	1.21	1.42	1.11	1.28	1.51	3.16 (14)	3.28 (14)
Punjab and Haryana (including Delhi and Himachal Pradesh)	6.97	11.40	13.28	15.73	12.95	15.03	17.79	3.51 (13)	3.36 (13)
Rajasthan	5.53	5.90	7.40	9.34	7.22	8.87	11.06	5.31 (6)	4.71 (8)
Uttar Pradesh	18.48	19.20	24.20	30.70	22.92	28.41	35.73	5.45 (5)	4.96 (6)
Total	31.56	37.55	46.09	57.19	44.20	53.59	66.09	4.77	4.41
East									
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	3.19	3.80	4.67	5.79	3.90	4.84	6.10	4.76 (8)	5.03 (5)
Bihar	9.14	10.59	13.06	16.27	11.92	14.64	18.26	4.90 (7)	4.72 (7)
Orissa	3.88	5.83	6.88	8.25	6.28	7.44	8.97	3.81 (12)	3.84 (12)
West Bengal	5.20	7.79	9.19	11.02	8.32	9.87	11.93	3.82 (11)	3.88 (11)
Total	21.41	28.01	33.80	41.33	30.42	36.79	45.26	4.35	4.35
West									
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	5.52	4.50	5.99	7.93	4.73	6.37	8.56	6.94 (1)	7.12 (2)
Madhya Pradesh	13.93	12.60	16.36	21.26	14.53	18.67	24.19	6.25 (3)	5.86 (4)
Maharashtra	6.27	8.25	9.94	12.15	9.23	11.09	13.58	4.33 (9)	4.20 (10)
Total	25.72	25.35	32.29	41.34	28.49	36.13	46.33	5.74	5.53
South									
Andhra Pradesh	13.31	10.91	14.50	19.18	11.39	15.34	20.62	6.90 (2)	7.14 (1)
Kerala (including Arabian Islands)	2.00	1.91	2.45	3.15	1.96	2.55	3.35	5.92 (4)	6.25 (3)
Mysore	4.42	5.97	7.17	8.72	6.43	7.74	9.49	4.22 (10)	4.25 (9)
Tamil Nadu (including Pondicherry)	1.58	6.26	6.68	7.24	6.38	6.85	7.48	1.49 (15)	1.29 (15)
Total	21.31	25.05	30.80	38.29	26.16	32.48	40.94	4.83	5.01
All-India	100.00	115.96	142.98	178.15	129.27	158.99	198.62	4.24	4.24

* Number in parentheses denotes the rank of the State.

* Number in parentheses denotes the rank of the State.

TABLE 12 : STATE-WISE PRODUCTION PATTERN OF RICE AND WHEAT AS PERCENTAGE TO STATE'S TOTAL CEREALS PRODUCTION

	Rice				Wheat			
	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84
North								
Jammu and Kashmir	44.82	50.74	50.83	50.97	20.59	18.18	18.33	18.54
Punjab and Haryana (including Delhi and Himachal Pradesh)	9.13	10.34	10.36	10.39	63.62	56.16	56.61	57.26
Rajasthan	18.53	20.98	21.02	21.07	30.31	26.76	26.98	27.29
Uttar Pradesh	23.33	26.42	26.46	26.53	45.01	39.74	40.06	40.52
Total	16.08	21.36	21.61	21.80	48.15	42.08	42.16	42.42
East								
Assam (including Manipur, Tripura, NEFA, Nagaland, and Bay Islands)	98.80	100.00	100.00	100.00	0.15	0	0	0
Bihar	64.63	73.18	73.30	73.51	14.29	12.62	12.72	12.86
Orissa	93.67	100.00	100.00	100.00	0.36	0	0	0
West Bengal	95.26	100.00	100.00	100.00	0.57	0	0	0
Total	84.27	89.86	89.67	89.57	6.97	4.78	4.91	5.06
West								
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	15.04	17.02	17.05	17.09	23.81	21.01	21.18	21.42
Madhya Pradesh	37.82	42.83	42.90	43.01	23.74	20.95	21.12	21.36
Maharashtra	22.83	25.85	25.90	25.97	6.42	5.67	5.72	5.79
Total	28.79	32.74	32.86	33.04	17.50	16.02	16.41	16.79
South								
Andhra Pradesh	66.75	75.59	75.69	75.90	0.04	0.04	0.04	0.04
Kerala (including Arabian Islands)	99.17	100.00	100.00	100.00	0	0	0	0
Mysore	42.32	47.92	48.01	48.14	3.27	2.89	2.91	2.94
Tamil Nadu (including Pondicherry)	73.51	83.22	83.37	83.61	0.01	0.01	0.01	0.01
Total	65.02	72.77	72.86	73.02	0.08	0.07	0.07	0.07
All-India*	46.41	51.50	51.28	51.14	21.25	18.43	18.60	18.84

probability distribution. The problems arising from these fluctuations then engulf the whole country. The aggregate production might be above or below the total requirement. What will be the magnitude of such deviation or, when and where will it occur, is not known with certainty and can at best be stated in probabilistic terms. Managerial decision-making for an efficient and effective operation in foodgrains will, therefore, have to take into account the uncertainty in the demand-supply gap.

If year-to-year fluctuation is wide and unpredictable, price stabilisation and quantity stabilisation objectives of the Government would not be fulfilled by the private trade alone. Private trade has limited storage capacity and operates on a private profit maximisation basis in which social and humanitarian considerations are of less importance. Food management under such a situation, if left alone to private trade, will increase speculation and further accentuate problems. Accordingly, some form of governmental programme is a necessity. Food stocks with Government can play a very positive role. These stocks with the Government can be defined as 'buffer

stocks'. Their main function will be to even out supply irregularities.

Production fluctuation and trade speculation can cause supply irregularities. However, the causation of the latter is primarily a by-product of the former and, to the extent adequate reserve is maintained to guard against shortfalls, speculating activities of the traders can be kept to a minimum [14]. For all practical purposes, therefore, the need for maintaining stocks with the Government arises out of the necessity to face inevitable year to year fluctuations in output. To be effective, the scheme should be such that the stock self-generates over time with limited interference to the existing market mechanism.

A buffer stock operation is something that most people will agree with. The difficult task is to work out the operational rules within which to work it. One must answer specific issues like size and composition of the stock; how, when, and where, to procure and store; and by how much. Some of the managerial problems can be illustrated here. By advocating an 'adequate' level of reserve stock we are suggesting the government to gamble with nature against future shortages. Suppose we have a long production data series to compute the distribution function $F(x) = \text{Prob}(X \leq x)$, where X is actual production as percentage of the trend. Knowledge of $F(x)$ will also provide the probabilities of 'runs' of low production or high production. A typical situation which the policy makers face after setting the future production goals to match the corresponding requirements is the uncertainty of the former. Both understocking and overstocking are costly. Otherwise there is no problem. Economic considerations thus enter into deciding the size of the stock.

Again consider another aspect. A policy decision as whether to increase or decrease existing stock or to keep it at the same. Here again it is a gamble and, depending upon allowable risk, one can provide the answer. We assume that the probabilities of production being above or below the target by stated amounts are known. Now, market prices will depend upon availability. Per capita availability in any year t is:

where

$$w_t = z_t + (p_{t-1}/p_t)v_{t-1} - v_t$$

z_t = per capita production

TABLE 13 : STATE-WISE ESTIMATED PRODUCTION OF RICE AND WHEAT

	(in million tonnes)							
	Rice				Wheat			
	1968-69	1973-74	1978-79	1983-84	1968-69	1973-74	1978-79	1983-84
North								
Jammu and Kashmir	0.40	0.53	0.62	0.72	0.18	0.19	0.22	0.26
Punjab and Haryana (including Delhi and Himachal Pradesh)	0.86	1.18	1.38	1.63	5.97	6.40	7.52	9.01
Rajasthan	0.80	1.24	1.56	1.97	1.30	1.58	2.00	2.55
Uttar Pradesh	3.23	5.07	6.40	8.15	6.23	7.63	9.69	12.44
Total	5.29	8.02	9.96	12.47	13.68	15.80	19.43	24.26
East								
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	2.84	3.80	4.67	5.79	Neg	—	—	—
Bihar	5.13	7.75	9.57	11.96	1.13	1.34	1.66	2.09
Orissa	4.41	5.83	6.88	8.25	0.02	—	—	—
West Bengal	5.98	7.79	9.19	11.02	0.04	—	—	—
Total	18.36	25.17	30.31	37.02	1.19	1.34	1.66	2.09
West								
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	0.44	0.77	1.02	1.36	0.69	0.95	1.27	1.70
Madhya Pradesh	3.24	5.40	7.02	9.14	2.03	2.64	3.46	4.54
Maharashtra	1.47	2.13	2.57	3.16	0.41	0.47	0.57	0.70
Total	5.15	8.30	10.61	13.66	3.13	4.06	5.30	6.94
South								
Andhra Pradesh	4.71	8.25	10.98	14.56	Neg	Neg	Neg	0.01
Kerala (including Arabian Islands)	1.32	1.91	2.45	3.15	—	—	—	—
Mysore	1.98	2.86	3.44	4.20	0.15	0.17	0.21	0.26
Tamil Nadu (including Pondicherry)	4.26	5.21	5.57	6.05	Neg	Neg	Neg	Neg
Total	12.27	18.23	22.44	27.96	0.15	0.17	0.21	0.27
All-India	41.07	59.72	73.32	91.11	18.15	21.37	26.60	33.56

(random fluctuations around a specified mean)

P_t = population

and v_t = per capita stock

Thus, price = $F(\dots, w_t)$. Current price is known with certainty but next year's price is uncertain and subject to a random fluctuation due to the variable z_t . One can, therefore, speak with some probability about next year's price.

Since the Government's aim is to stabilise prices, it enters the market as a buyer. It can, however, purchase that amount for which the social cost equals social benefit. The criteria on which to evaluate the social cost and benefit for ensuring price stability in the market is itself a difficult question to answer. The cost of storing and the interest rate on working capital tied up in the stored grain together will have to weigh against the social benefit that will accrue.

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Notes

- [1] This corresponds to the 'medium' projection made by the Expert Committee set up by the Planning Commission. The Expert Committee's medium projection overshoot by 14 million the actual population revealed by the recently conducted 1971 census [2]. There are, however, several good reasons to suspect the provisional population estimate thrown

TABLE 14 : STATE-WISE IMBALANCES IN DIFFERENT CROPS UNDER FOODGRAINS*

	(Surplus (+) or deficit (—) in million tonnes)											
	1973-74				1978-79				1983-84			
	Rice	Wheat	All Cereals	All Food-grains	Rice	Wheat	All Cereals	All Food-grains	Rice	Wheat	All Cereals	All Food-grains
North												
Jammu and Kashmir	—0.12	+0.03	—0.01	—0.01	—0.10	+0.02	+0.02	+0.03	—0.11	+0.05	+0.08	+0.11
Punjab and Haryana (including Delhi and Himachal Pradesh)	+0.51	+1.75	+4.57	+5.18	+0.50	+1.50	+4.45	+4.97	+0.48	+1.16	+4.24	+4.71
Rajasthan	+1.12	+0.13	—0.30	+0.32	+1.41	+0.19	—0.36	+0.23	+1.77	+0.28	—0.55	+0.05
Uttar Pradesh	—0.14	+1.32	+0.83	+0.85	+0.03	+1.99	+1.75	+1.68	+0.23	+2.86	+2.76	+2.17
Total	+1.37	+3.23	+5.09	+6.34	+1.84	+3.70	+5.86	+6.91	+2.37	+4.35	+6.53	+7.04
East												
Assam (including Manipur, Tripura, NEFA, Nagaland and Bay Islands)	—1.28	—0.15	—1.44	—1.66	—1.77	—0.18	—1.97	—2.21	—2.48	—0.22	—2.77	—2.97
Bihar	—1.05	—0.93	—2.60	—3.16	—1.20	—1.12	—3.08	—3.71	—1.42	—1.40	—3.81	—4.70
Orissa	+1.59	—0.04	+1.28	+1.45	+1.60	—0.05	+1.24	+1.43	+1.54	—0.06	+1.07	+1.33
West Bengal	—2.65	—0.74	—3.50	—3.72	—3.53	—0.90	—4.62	—4.82	—4.40	—1.10	—5.34	—5.52
Total	—3.39	—1.86	—6.26	—7.09	—4.90	—2.25	—8.43	—9.31	—6.76	—2.78	—10.85	—11.86
West												
Gujarat (including Goa, Daman, Diu, Dadra and Nagar Haveli)	—0.09	—0.31	—0.44	—0.82	—0.07	—0.29	—0.20	—0.57	—0.01	—0.28	+0.12	—0.20
Madhya Pradesh	+2.03	+0.04	+4.16	+4.93	+2.82	+0.22	+5.84	+6.72	+3.83	+0.45	+7.95	+9.07
Maharashtra	—0.30	—0.84	—1.08	—1.17	—0.45	—1.05	—1.66	—1.83	—0.63	—1.35	—2.36	—2.60
Total	+1.64	—1.11	+2.64	+2.94	+2.30	—1.12	+3.98	+4.32	+3.19	—1.18	+5.71	+6.27
South												
Andhra Pradesh	+2.31	—0.09	+1.95	+1.85	+3.85	—0.10	+3.74	+3.89	+5.83	—0.12	+6.03	+6.62
Kerala (including Arabian Islands)	—2.17	—0.04	—2.25	—2.38	—2.77	—0.05	—2.87	—3.01	—3.62	—0.06	—3.73	—3.85
Mysore	+0.75	—0.06	+0.15	+0.07	+0.82	—0.08	—0.04	—0.13	+0.92	—0.09	—0.33	—0.38
Tamil Nadu (including Pondicherry)	—0.51	—0.07	—1.32	—1.73	—1.14	—0.10	—2.24	—2.67	—1.93	—0.12	—3.36	—3.84
Total	+0.38	—0.26	—1.47	—2.19	+0.76	—0.33	—1.41	—1.92	+1.20	—0.39	—1.39	—1.45
All-India	0	0	0	0	0	0	0	0	0	0	0	0

*State-wise requirements for different items under foodgrains are obtained by adding the corresponding requirements for seed, feed and waste to the estimated demand for human consumption given in Tables 4, 6, 7 and 8 respectively.

up by the 1971 Census. Census operations in the past generally recorded an undercount of one per cent or more. This time the Census schedule was quite complicated and conducted in the political fervour of mid-term general election. The timing of the 1971 Census operation also coincided with the harvesting season in several States. It is, therefore, quite possible that the undercount in this Census is likely to be more than usual.

Details of the 1971 Census are not yet available. Since it will take considerable time to make a new official population projection based on 1971 Census data, we have used here the Expert Committee's medium projection which still has the official standing. Extrapolated figures for 1983-84 are obtained on the assumption that the population in the different areas will continue to grow at the same rate as anticipated by the Expert Committee for the last year of their projected period, 1981. Trend line projection for urban population is obtained first, and the rural population is derived by deducting the estimated urban population from the projected total. For details about the various assumptions made in the Expert Committee's population projection, see [1].

2 Most demand projections so far made are based on per capita availability rather than on actual level of consumption. The concept of per capita availability is a hypothetical approximation to the actual level of consumption which can only be obtained from household consumption surveys. The most reliable per capita foodgrains consumption estimate that we have so far come across is the one provided by Panse [3] for the period 1956-59. Sukhatme [4] further revised Panse's estimate and derived the 1956-59 average per capita foodgrains consumption at the all-India level as 160.6 kg/year. The present work uses Sukhatme's estimate as the base for computing future foodgrains demand.

3 For computing the foodgrains demand, we have assumed national income to grow at different rates during the Fourth, Fifth and Sixth Plan periods. During the Fourth Plan, national income is assumed to grow at 5.0 per cent per annum (compound) from the estimated income of Rs 168.35 billion in 1968-69 (revised series at 1960-61 prices) and will rise to 5.5 and 6.0 per cent (compound) per annum during the Fifth and Sixth Plan periods (Table 2).

4 An extensive survey of the avail-

able literature on elasticity coefficients is made by Ray [6]. The study covering the period upto 1968 provides also a fairly exhaustive bibliography of research papers on estimating elasticity coefficients.

5 The estimate of the per capita demand is determined from the relation,

$$X_t = X_0 + e \left(\frac{I_t - I_0}{I_0} \right)$$

where X_0 and X_t are the per capita consumption and demand for foodgrains in the base period and in year t , I_0 and I_t are the corresponding values of per capita income and e is the elasticity co-efficient for foodgrains. The basic hypothesis used to derive the per capita demand estimates at the all-India level are:

- (i) relative prices are assumed to remain constant, and
 - (ii) consumer's tastes and preferences for the various food crops would remain unaltered during the projection period.
- For a detailed discussion about the limitations of this approach, see Ray [6].

Profitability of HYV Paddy Cultivation

Shyamal Roy

Rice is India's most important foodgrain crop, accounting for nearly 40 per cent of total foodgrain production. The success of the Green Revolution and the achievement of the Fourth Plan's foodgrains targets will, therefore, depend to a large extent on whether or not a major transformation takes place in rice production. A primary condition for such transformation is that the area under HYV paddy be pushed up substantially.

For, the fact is that the area under HYV rice has failed to pick up to the same extent as the area under HYV wheat. In 1969-70, for example, while 37 per cent of the total area under wheat was covered by high-yielding varieties, only 12 per cent of the total rice area was so covered.

A number of researches have already attempted to identify the factors responsible for this slow pace. While none of them questions the yield potentials claimed for HYV paddy, the studies generally cast doubt on the suitability of the new rice, on biological, institutional, and economic grounds.

In this paper, the relative profitability of HYV paddy and wheat is examined with the object of determining whether some cost factors give HYV wheat an advantage over rice. The analysis suggests that, it is the lower net profits per acre for HYV paddy relative to HYV wheat that mainly account for the slower spread of area under HYV paddy.

It is indicated here that profits from HYV paddy cultivation can be raised by further improvement in technology, reduction in unit costs of inputs, and higher crop prices.

[The views expressed in this paper are those of the author and should not be taken to represent the views of the organisation for which he works.]

I

DURING the agricultural year 1970-71, the output of foodgrains in India was expected to touch a new high of 105 million tonnes. This would mean a gain of 5 per cent over the record output of 100 million tonnes in 1969-70 achieved under the new technology, and of 18 per cent over the earlier record level of 89 million tonnes achieved under unusually favourable weather conditions in 1964-65 with the use of the old technology.

The increase in foodgrains production has been made possible mainly by the introduction of high-yielding varieties of crops which, under a given package of practices, are found to give a much higher yield than the traditional varieties. The area under high-yielding varieties has shown a steep rise over the years — from 5 million acres in 1966-67 to 31 million acres in 1969-70.

While the increase in area under high-yielding varieties over a short span of three to four years has been remarkable, this spread is not evenly distributed in respect of all the crops. Of the two major crops — wheat and rice — the performance of wheat has been much more impressive than that of rice. In 1969-70, for example, while 37 per cent of the total area under wheat was covered by high-yielding varieties, only 12 per cent of the total rice area was under this programme.

Rice is India's most important food-

grain crop; it accounts for nearly 40 per cent of the total production. The success of the Green Revolution and the achievement of the Fourth Plan foodgrains production targets will, therefore, depend to a large extent on whether or not a major transformation takes place in rice production in the coming years. This will be possible only if the area under HYV paddy is pushed up substantially above the present level.

A number of articles by research workers have appeared in leading journals, which have attempted to identify and analyse the factors responsible for the slow rate of growth of area under HYV rice vis-a-vis HYV wheat. While none has questioned the high yield potentials of these new varieties compared to the old ones (the varieties were released after widely scattered tests which indicated their really wide adaptability, high yield potential, responsiveness to fertilisation and stiff straw), doubts have been expressed about the suitability of their adoption on biological, institutional and economic grounds. It has been argued by some analysts that, the main reasons for the slow progress are that the new varieties are highly susceptible to pests and diseases, are slow in maturing, and are of poor grain quality. Others feel that, since the rice-growing areas have predominantly small holdings, the cultivators find it uneconomical to cultivate these new varieties.

Some others think that inadequate water facilities and failure of extension agencies are primarily responsible for their slow diffusion. Some also maintain that lack of price incentives and inadequate marketing facilities are largely responsible for the low coverage of area under HYV rice.

On the other hand, there are research workers who feel that most, if not all, of the above criticisms are untenable; they mention that the disadvantages inherent in these new varieties have been largely overcome and that the varieties are now increasingly gaining popularity with the cultivators.

The fact remains, however, that the area under HYV rice has not picked up to the same extent as the area under HYV wheat and, so long as this is so, all research efforts must be directed towards identification of the relevant factors.

II

In this paper, the relative profitability of HYV paddy and wheat cultivation has been examined with the help of the cost of cultivation data reported in the Programme Evaluation Organisation's (PEO) Survey of Kharif and Rabi, 1968-69. The object is to determine whether or not some of the cost factors give the high-yielding varieties of wheat an advantage over those for paddy.

Before we proceed with the analysis, a line or two on the quality of the

6 This follows from differentiating both sides of the identity

$$(1 - v) + v \left(\frac{X_u}{X_r} \right) = \frac{X}{X_r}$$

with respect to average per capita income I and then multiplying both sides of the result thus obtained by I , which on simplification gives

$$v \cdot X_u \left(\frac{1}{X_u} \cdot \frac{dX_u}{dI} - \frac{1}{X_r} \cdot \frac{dX_r}{dI} \right) = X \left(\frac{1}{X} \cdot \frac{dX}{dI} - \frac{1}{X_r} \cdot \frac{dX_r}{dI} \right)$$

Assuming the ratio of per capita income in the rural and urban sectors to remain constant, the above relation reduces to

$$X_u = X (e_r - e) / v (e_r - e_u)$$

7 Estimates of elasticity co-efficient for foodgrains derived from the various consumer expenditure surveys were always found to be significantly higher in the rural than the urban sector. The above values were chosen after carefully examining the estimates of elasticity co-efficients derived from the various rounds of the National Sample Survey (NSS) and those obtained by the National Council of Applied Economic Research [6]. Madalgi [7] has also used the above values for deriving the foodgrains demand for rural and urban sectors.

8 The derived per capita demand for the rural sector is considerably

higher than the urban sector. This is, however, consistent with the consumption pattern generally obtained from the various rounds of NSS. Following a different method and using the ratio of per capita expenditure on foodgrains in the rural and urban sectors, Ray [8] derived foodgrains demand for the rural and urban sectors for the above mentioned years which were very close to the estimates derived here.

9 These are obtained by deflating first the NSS indices by the corresponding all-India foodgrain price index for that year and then averaged over the period to obtain the consumption index Q_j for the j^{th} State. The indices are further adjusted for the population base adopted here by using a correction factor $\leq Q_j P_j / \leq P_j P_j$ being

the average 1956-59 population for the j^{th} State. In the absence of retail foodgrains price index in India, wholesale price index is used as the deflator.

10 The reference period for NSS 17th round was September 1961 to July 1962.

11 A survey of the available literature on this topic is given by Ray [6]. The Committee, headed by V. G. Panse, submitted only a summary report of its findings.

12 These details were obtained from discussions with the officials of the Planning Commission and the

Directorate of Economics and Statistics, Ministry of Food, Agriculture, Community Development and Co-operation. Seed and feed requirements estimated from the Farm Management Surveys were very close to the above figures.

14 For coarse cereals, all cereals, pulses including gram and all foodgrains, the disappearance factors are estimated by using the 1967-69 average production of different crops within the respective groups as weights.

15 Estimated foodgrains requirement to make the country 'self-sufficient' will obviously depend on the definition of 'food self-sufficiency'. What this actually means is not made explicit in the Plan document. We will use here the word 'self-sufficiency' to imply that net domestic production available for human consumption is just sufficient to satisfy income-oriented human demand.

16 See [10] for a detailed discussion about the 1968-69 foodgrains production and also for the mathematical model used for deriving normal weather production estimate.

17 Weather in 1967-68 was above normal and in 1968-69 it was below normal. We are using the average production of these two years for deriving State-wise distribution and composition of normal weather foodgrain production as it fairly represents normal weather production pattern [9, 10].

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TABLE 1 : PROFITABILITY OF HYV PADDY CULTIVATION, 1968-69

State	Average Yield (quintals/acre)	Price of Paddy (Rs/quintal)	Expenditure (Rs/acre) on					Profitability (Rs/acre)
			Seed	Fertiliser	Plant Protection	Labour	Irrigation	
1	2	3	4	5	6	7	8	9
Andhra Pradesh	17.74	46.00	18.48	215.58	29.64	140.61	21.83	426.14
Madras	12.91	47.00	20.36	158.41	10.73	166.82	7.26	363.58
Uttar Pradesh	15.04	54.00	26.50	214.20	48.20	164.90	72.20	526.00
West Bengal	15.85	56.00	20.46	141.51	44.56	198.51	22.97	428.01
Average	15.38	50.75	21.45	182.42	33.28	167.71	31.06	435.93

Notes: Column 2 Represents the average yield of HYV paddy during 1967-68 and 1968-69.
 Column 3 The price figures correspond to the 1968-69 procurement prices fixed for this crop.
 Columns 4-9 These have been arrived at by weighting the per acre expenditure figures in rabi and kharif by the respective acreages under this crop in these two seasons.
 Column 10 Estimated as follows: (Column 2 x Column 3) — Column 9.

Sources: [1, 2, 3].

PEO data may be in order. The PEO data omit some cost items — such as value of farm furnished supplies of materials and labour, depreciation, interest charges and fixed expenditures. Again, they have been obtained by the 'survey method' as opposed to the 'cost accounting method', which is generally considered better under Indian conditions.

The omission of other than variable cash costs is not particularly crucial in terms of opportunity cost considerations. As for the survey method, the PEO report states: "The visits were made regularly every alternate month during the crop season and the investigation staff made arrangements (wherever possible) with the sample participants to record the various items of expenditure during the intervening period so as to minimise the lapses of memory and also to ensure better reliability of the data. The field staff assigned with this inquiry are trained and experienced post-graduates in the field of social sciences and hence the data obtained may be considered fairly reliable and objective."

Even so the findings of this paper are offered as 'suggestive' rather than conclusive.

Profitability of HYV Paddy and Wheat Cultivation:

Subject to the foregoing limitations, the relevant cost data are presented in Tables 1 and 2 for the agricultural year 1968-69. The cost of cultivation and the yield data have been taken directly from the PEO reports. For HYV paddy, the per acre expenditure figures in rabi and kharif have been combined by weighting these figures by the respective acreages under this crop in these two seasons. The yield figures¹ represent the average of the years 1967-68 to 1968-69 for these two crops, and the price data corres-

pond to the 1968-69 procurement prices fixed for these two crops.²

The Tables reveal two interesting features about HYV paddy and wheat cultivation. First, there are wide differences among States with regard to per acre expenditures on various inputs on the same crop, and second, the cost of cultivation of HYV paddy is substantially higher than that of HYV wheat with the result that under the existing cost-price-yield relationships the net profits per acre from HYV paddy cultivation are much lower than those from HYV wheat cultivation.

The inter-State variations in per acre expenditure figures may be attributed to differences in cultivation practices, irrigation practices, duration of the crops, etc. For example, in West Bengal, Aman paddy is transplanted while in the case of Aus paddy the seed is only broadcast. In Madras and Andhra Pradesh, paddy is mostly transplanted. Again, irrigation is done mostly through canals and tanks in West Bengal, UP, and Andhra Pradesh; while in Madras, the main source has been wells. Similar examples can be cited for wheat also. However, in order to make a more thorough study of these factors, pilot studies covering various regions of the country may have to be conducted.

The cost of cultivation also varies considerably as between these two crops. As Tables 1 and 2 reveal, the per acre expenditure on plant protection measures is much higher on paddy than on wheat. While the average expenditure per acre on plant protection measures was only Rs 0.47 on wheat, it was as high as Rs 33.28 on paddy. This finding is consistent with the view that HYV paddy varieties are more susceptible to pests and diseases than HYV wheat varieties.

What is not so widely appreciated,

however, is that per acre expenditures on labour and fertilisers are also substantially higher for the cultivation of HYV paddy than for HYV wheat. The reasons for these are not far to seek.

For the traditional varieties it may be seen, from the NSS data on cost of cultivation of various crops relating to 1951-52 and 1952-53 and also from the farm management and PEO studies, that the per acre expenditures on certain inputs like labour and fertilisers have always been higher on paddy than on wheat. Similarly, it seems the cultivation practice of HYV paddy requires a more intensive use of labour than is the case with HYV wheat. Fertiliser application also, both in terms of percentage use and actual dosages, appears to be higher on HYV paddy than on HYV wheat. For example, the PEO report for rabi 1968-69 shows that the average dose of total nitrogenous fertiliser applied was higher on paddy plots (157.65 kg per acre in terms of ammonium sulphate). The percentage of plots treated with fertilisers was also higher for paddy than for wheat (98.1 per cent as against 94.4 per cent). Also, when we compare the fertiliser application on HYV paddy in kharif with fertiliser application on HYV wheat in rabi, we find for certain States, like UP and Bihar, that both in terms of percentage use and actual dose, fertiliser application was higher on HYV paddy than on HYV wheat.

The high cost of cultivation of HYV paddy puts paddy, cost-wise, in a disadvantageous position *vis-a-vis* wheat. Further, nearly two-thirds of the total HYV paddy area is sown in the kharif season when the water supply cannot be controlled. As a result, the PEO studies indicate, in almost all the States there are wide variations between the yield figures obtained in

TABLE 2 : PROFITABILITY OF HYV WHEAT CULTIVATION, 1968-69

State	Average Yield (quintals/acre)	Price of Wheat (Rs/quintal)	Expenditure (Rs/acre) on					Profitability (Rs/Acre)
			Seed	Fertiliser	Plant Protection	Labour	Irrigation	
1	2	3	4	5	6	7	8	9
Haryana	11.24	76.00	41.39	82.19	0.00	25.69	40.30	189.57
Punjab	11.82	76.00	39.21	93.88	0.00	40.30	32.49	205.88
Rajasthan	11.48	76.00	66.08	113.90	1.49	89.71	5.90	277.08
Uttar Pradesh	10.50	76.00	39.09	70.61	0.40	90.89	27.19	228.18
Average	11.26	76.00	46.44	90.14	0.47	61.64	26.47	225.17

Notes: Column 2 Represents the average yield of HYV wheat during 1967-68 and 1968-69.
 Column 3 The price figures correspond to the 1968-69 procurement prices fixed for this crop.
 Column 10 Has been estimated as follows: (Column 2 x Column 3) — Column 9.

Sources: [1, 3, 5].

kharif and rabi seasons, the latter sometimes exceeding the former by as much as 10 quintals per acre. Previously the higher costs of paddy cultivation were somewhat compensated by higher prices of paddy *vis-a-vis* wheat but, of late, the wheat/paddy price ratio has shifted in favour of wheat. The benefits due to higher yields of paddy are thus more than offset by the adverse effects of both costs and prices leading to a lower profitability per acre for paddy than for wheat.

Profitability of HYV Paddy and Wheat Cultivation vis-a-vis Traditional Varieties:

In order to examine the reasons for the slow spread of area under HYV paddy *vis-a-vis* HYV wheat, the line of analysis followed above will not, however, be sufficient. If wheat and paddy were substitutable crops, one could have straightaway argued from the above that, since under the existing cost-price-yield relationships, it is more profitable to cultivate HYV wheat than HYV paddy, there has been a shift in acreage in favour of HYV wheat. But as these two crops do not compete with each other for acreage, one will have to study, in addition to what has been done above, the profitability of HYV paddy and wheat cultivation in relation to non-HYV paddy³ and wheat cultivation, to provide an answer to the question 'why the spread in area under HYV paddy has been slow compared to that under HYV wheat'. In other words, one needs to study whether or not the additional profit as a result of switch-over from non-HYV to HYV is higher for wheat than for paddy.

The relative profitability of HYV and non-HYV paddy and wheat in the important paddy- and wheat-growing States in India have been estimated

with the help of cost of cultivation⁴ data reported in PEO studies. The main results of this exercise are shown in Table 3.

From this Table it will be seen that, while the additional net profit per acre as a result of switch-over from traditional varieties to high-yielding varieties ranges from Rs 306.24 in UP to Rs 325.45 in Rajasthan for wheat, for paddy the marginal net profit per acre as a result of switch-over to new varieties varies only between Rs 178.85 (Andhra Pradesh) to Rs 262.12 (Orissa). In Madras, the profits are found to be negative⁵. On an average, it will be seen that, while the wheat cultivator from the cultivation of HYV wheat makes an additional net profit of Rs 317.34 per acre, the paddy cultivator from the cultivation of HYV paddy makes an additional net gain of only Rs 152.83 per acre. This shows that the profitability of HYV wheat cultivation is twice that of HYV paddy cultivation. If appropriately discounted for risk and uncertainty, which are in fact related to cost levels, the net profit per acre for paddy relative to wheat would be even lower. The spread in the area under HYV paddy has not, therefore, been comparable to that under HYV wheat.

III

From the foregoing, it is the lower net profits per acre that mainly account for the slower spread of area under HYV paddy *vis-a-vis* HYV wheat.

Profits from paddy cultivation can be raised from the existing level by lowering the per unit cost of production which, in turn, can be achieved through (a) further improvement in technology; (b) reduction in the unit costs of inputs; and (c) higher crop prices.

(a) Improvement in applied technology can be brought about by developing still higher-yielding varieties of paddy of the same grain quality and by minimising the large year-to-year fluctuations in yield. The problem of developing new varieties will have to be taken up by the agronomists and geneticists and we shall leave this question to them for consideration and necessary follow up. The large, year-to-year variations in paddy yields, as has been seen, are primarily due to lack of adequate water control in the kharif season. To solve this problem it has been suggested by many research workers that more HYV paddy be grown in the rabi season. However, such possibilities are limited by the area under irrigation. Besides, paddy is still the most profitable crop for many farmers in the kharif season. All efforts will, therefore, have to be directed towards the speeding up of minor irrigation programmes and the provision of adequate safeguards against floods and other natural calamities in the kharif season.

Vigorous efforts on the part of the extension agencies to impart the necessary knowledge to the farmers about the balanced use of fertilisers and other inputs through mass trials and demonstrations will also considerably reduce yield fluctuations at the farm level.

(b) Among the measures that will reduce the unit costs of inputs, the most important are increase in the efficiency of production and distribution of important agricultural inputs, the use of input subsidies and/or removal of penalties or taxes. Efforts will have to be made to see that crucial inputs, like fertilisers and seeds, are made available to the farmers in adequate quantity and in time. Lowering of per unit

TABLE 3 : PROFITABILITY OF HYV PADDY AND WHEAT VIS-A-VIS TRADITIONAL VARIETIES

State	Additional Net Profit ^s (Rs/Acre) Consequent to Switchover to New Varieties
Wheat	
Haryana	324.83
Punjab	312.85
Rajasthan	325.45
Uttar Pradesh	306.24
Average	317.34
Paddy	
Andhra Pradesh	178.85
Madras	-13.48
Uttar Pradesh	183.86
West Bengal	262.12
Average	152.83

costs through subsidies and/or abolition of taxes on agricultural inputs, especially in those areas where they are subject to various penalties, also needs to be given careful consideration.

(c) Profits can also be increased by adopting any one of a variety of measures that would increase the prices paid to the farmers. These include (i) development of varieties with grain quality superior to present high-yielding varieties of paddy; (ii) removal of any institutionally established price penalties imposed on farmers and fixation of prices at or above equilibrium levels; and (iii) improvement in the efficiency of marketing and processing operations.

Development of high-yielding varieties of paddy, with a better grain quality, will fetch the paddy cultivators a better price for their produce and thus help raise the area under these varieties. The current high-yielding varieties of paddy are generally found to be of inferior grain quality compared to the traditional varieties and they, therefore, fetch a relatively lower price.

Removal of institutionally established price controls and fixation of prices at, or above, equilibrium levels would have a direct effect on the profitability of paddy cultivation. Owing to the overall shortage of supply in relation to demand, the prices offered by the procurement authorities for paddy are much lower than those obtainable in the open market. For instance, whereas the average procurement price of coarse paddy in 1969-70 was about Rs 51 per quintal, the average wholesale market price of the same variety of paddy was in the neighbourhood of Rs 70 per quintal. This gap between procurement and market prices provides a disincentive to the paddy grower in his production plans.

The current restriction in the inter-

State movement of paddy also adversely affects the interest of the producers. Even the efficient producers in the surplus States get a lower price for their produce because of the curb on the free flow of supplies to deficit areas.⁶ The producers in the deficit areas, on the other hand, get a higher price because of shortage of supply in relation to demand. This leads to inefficient cultivation.

In these circumstances, whether the existing purchase and movement policies should be allowed to continue or a policy of open market purchases at or above market price and removal of zonal restrictions should be followed [6, 7] deserves to be carefully looked into.

Improvement in the efficiency of marketing and processing operations is also likely to have a healthy effect on rice prices. In this connection, Lele's suggestion [4] that "a facilitative rather than inhibitive price policy which would stabilise off-seasonal price movements and market supplies from year to year would considerably reduce rather than increase uncertainty in the trading operations, thereby increasing utilisation of effective milling capacity, and thus decreasing average costs, and increasing competition", should be given careful consideration.

The overall conclusion that emerges from this study is that the slow spread of acreage under HYV paddy, as compared to wheat, is the result mainly of the lower net profits earned from the former. In order to realise fully the high yield potentials of the new cereal varieties, therefore, some of the policy issues raised in our study deserve to be given careful thought.

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Notes

- 1 For arriving at the average HYV yield figures, while we have mainly depended on PEO studies, studies conducted by other organisations were also given careful consideration in order to remove some of the biases that might have crept into the PEO estimates.
- 2 In the estimation of 'profitability', ideally, one should have taken the market price. Since we do not have data on market price, we have taken procurement price. Procurement prices (or wholesale prices), nevertheless, bring out the broad differences that exist between paddy and wheat prices.
- 3 One could also study the profitability of HYV paddy cultivation in relation to other substitutable crops. But in the absence of adequate data, this is not attempted in this paper.
- 4 The cost of cultivation data for the high-yielding varieties are shown in Tables 1 and 2. The data on traditional varieties have not been reproduced here as we thought that might be very cumbersome. The interested reader may, however, refer to [3] for this purpose. We may mention that for paddy in our exercise we have combined the data for kharif and rabi by weighting them by their respective acreages. The yield figures taken are the average yields of the years 1961-62 to 1964-65 and the price figures correspond to the procurement prices of paddy and wheat during 1968-69.
- 5 The negative profits for Madras may seem to be implausible in view of the fact that the spread in area under HYV is the highest in this State. However, a close look at the variety-wise breakdown will reveal that the area under HYV in Madras upto 1968-69 consisted mainly of improved varieties and ADT-27, which give a much lower yield compared to IR-8. In future, increased use of IR-8 in Madras may raise the net profits from paddy cultivation; but this should not affect our conclusions, because even the average of three States gives a net profit per acre of only Rs 208.27 for paddy as compared to Rs 317.34 for wheat.
- 6 Recent crash in paddy prices in Andhra Pradesh and a consequent glut in the market, mainly because of inter-State movement restrictions,

Holding Size, Productivity, and Some Related Aspects of Indian Agriculture

G R Saini

The inverse relationship between farm size and productivity is a confirmed phenomenon in Indian agriculture and its statistical validity, the author argues, is adequately established by an analysis of disaggregated farm management data.

Indian agriculture is ruled in general by 'constant returns to scale'.

The inverse relationship between size and productivity is perfectly consistent with the three phases of the returns to scale and can be explained simply in terms of the law of variable proportions.

The analysis presented here strongly suggests that the explanation for the unremunerativeness of Indian agriculture, as shown by the reported loss in some size-classes of farms, lies not in the valuation of family labour at the ruling wage rate, but in the imputation of a value to owned land. This, along with positive figures of profit observed even in the smallest size-group of holdings, provides ample justification for the valuation of family labour at the ruling wage rate.

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THE existence of some economic relationships in the field of Indian agriculture, revealed by recent studies in Economics of Farm Management [1], have been provoking economists to attempt alternative explanations of the observed phenomenon.¹ The main issues raised by these studies are summed up in the following observations made by Amartya Sen:²

- (1) "When family labour employed in agriculture is given an 'imputed value' in terms of the ruling wage rate, much of Indian agriculture seems unremunerative".
- (2) "By and large, the profitability of agriculture increases with the size of holding, 'profitability' being measured by the surplus (or deficit) of output over costs including the imputed value of labour."
- (3) "By and large productivity per acre decreases with the size of holding."

INVERSE RELATIONSHIP BETWEEN FARM SIZE AND PRODUCTIVITY

Sen [16] had expressed doubts about the statistical basis of the observations around which the discussion on farm size and productivity has been taking place. Rudra [12] subjected the Farm Management data to statistical analysis, to confirm the doubts raised by Sen. He observed: "As the aggregate farm management data are claimed to reveal an inverse relationship, maybe one should examine whether there is something in the aggregation process that has given rise to a spurious statistical relationship. On proceeding to undertake that task (i.e.,

of studying the disaggregated data of the Farm Management surveys and comparing them with the aggregated tables published in the reports) we have received a very rude shock. What we find is that there is no need to look beyond or below the farm management data; these very data do not permit of the generalised conclusions that have been drawn, the inferences having been made without adequate examination of tables themselves."

Rudra's analysis³ was an important turning point in the 'size and productivity' controversy. But it did not bring the discussion to a conclusive stage. Rudra himself reported 15 out of the 17 rank correlation co-efficients between farm size and productivity per acre to have a negative sign, and 9 of these to have a negative co-efficient statistically significant too. Moreover, Rudra used in his analysis [12] farm class averages⁴ as against the disaggre-

TABLE 1 : STATISTICS RELATING TO "INVERSE RELATIONSHIP"

State	Year	N	Constant log C	β	T-Value of Deviation of β from Unity	F-Value
Andhra Pradesh	1957-58	104	2.59	.90	.05	2.11
Andhra Pradesh	1958-59	97	2.60	.80	.06	3.25
Andhra Pradesh	1959-60	84	2.60	.85	.10	1.49*
Bihar	1958-59	98	2.55	.71	.08	3.77
Madras	1954-55	198	2.08	.69	.10	3.14
Madras	1955-56	181	2.22	.63	.09	4.24
Maharashtra	1955-56	160	2.06	.70	.07	4.31
Maharashtra	1956-57	160	2.15	.66	.07	5.10
Madhya Pradesh	1955-56	159	1.71	1.03	.05	0.51*
Madhya Pradesh	1956-57	159	2.12	.86	.04	3.37
Orissa	1957-58	98	2.15	.86	.06	0.72*
Orissa	1958-59	160	2.12	.92	.03	2.35
Orissa	1959-60	99	2.05	.90	.04	2.53
Punjab	1955-56	200	2.28	.90	.04	2.28
Punjab	1956-57	200	2.45	.85	.04	3.88
UP	1955-56	147	2.55	.78	.05	5.05
UP	1956-57	196	2.52	.85	.04	3.38
West Bengal	1955-56	190	2.13	1.08	.08	0.99*
West Bengal	1956-57	192	2.33	1.10	.06	1.79*
UP (Muzaffar Nagar)	1955-56	97	2.56	.76	.05	4.85
UP (Muzaffar Nagar)	1956-57	96	2.57	.82	.05	3.44
UP (Muzaffar Nagar)	1966-67	150	3.55	.84	.04	3.69
Punjab (Ferozepore)	1955-56	100	2.19	.95	.06	0.81*
Punjab (Ferozepore)	1956-57	100	2.45	.84	.06	2.66
Punjab (Ferozepore)	1967-68	150	3.28	.94	.08	0.73

* Deviation not significant at the 5 per cent level.



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gated farm level observations. Again, Rudra's result [12] are based on productivity per unit of gross cropped area. Even if one gets a constant productivity relationship on the basis of gross cropped area, the results will still be consistent with an inverse relationship between farm size and productivity⁵ — 'productivity' being defined in terms of acreage under the operational holding. We feel that the latter (productivity per acre of operational holding) is basic to the issues involved in the controversy. For these reasons, too, Rudra's results, based on productivity per unit of gross cropped area, are not conclusive to the controversy. We feel that there still remains the need for testing the statistical validity of the relationship between farm size and productivity⁶ and some explanation of the observed phenomenon.

We proceed, therefore, to present an analysis of the *disaggregated* farm management data and examine the statistical validity of the relationship between farm size and productivity. We have fitted the following function by the method of ordinary least squares to the farm level observations pertaining to 25 sets of data obtained for 9 States of India.

$$\log Q = \log C + \beta \log A$$

where

Q = Gross value of output of crops

A = Size of the operational holding.

The estimated parameters and related statistics are shown in Table 1. For the existence of an inverse relationship between farm size and productivity, it is necessary that the β co-efficient for A should be less than unity. We observe it to be so in 22 out of the 25 cases. For this phenomenon to be valid on the basis of statistical significance too, it is necessary that the β co-efficient should be significantly less than unity. On testing the significance of deviation of the β co-efficient from unity, we find that inverse relationship between farm size and productivity strongly holds in 18 out of 25 cases. In only three cases (*viz.*, Madhya Pradesh in 1955-56 and West Bengal in 1955-56 and 1956-57) we find that the β co-efficient turns out to be greater than unity, though not statistically significantly different from unity. In terms of confidence limits, these cases also do not exclude the possibility of the existence of inverse relationship between farm size and productivity. Thus, by and large, the inverse relationship between farm size and pro-

TABLE 2: RETURNS TO SCALE IN INDIAN AGRICULTURE

State	Year	Sum of Regional Co-efficients	Deviation from Unity	Standard Error	T-Value	R ²	F-Value	Returns to Scale Indicated by T-Value
Andhra Pradesh	1957-58	1.03	.03	.04	.85	.90	181.66	C
Andhra Pradesh	1958-59	.99	-.01	.05	.17	.86	111.52	C
Andhra Pradesh	1959-60	1.18	.18	.06	2.96	.87	102.32	I
Bihar	1958-59	.94	-.06	.05	1.09	.88	163.87	C
Madras	1954-55	1.12	.12	.07	1.60	.60	67.93	C
Madras	1955-56	1.07	.07	.05	1.32	.77	147.81	C
Maharashtra	1955-56	1.11	.11	.05	2.40	.81	163.48	I
Maharashtra	1956-57	1.12	.12	.05	2.57	.81	161.73	I
Madhya Pradesh	1955-56	1.16	.16	.05	3.33	.79	147.23	I
Madhya Pradesh	1956-57	.89	.11	.09	2.91	.78	137.45	D
Orissa	1957-58	.97	-.03	.04	.80	.89	183.54	C
Orissa	1958-59	.97	-.03	.02	1.25	.95	414.46	C
Orissa	1959-60	.95	-.05	.04	1.33	.89	188.42	C
Punjab	1955-56	1.06	.06	.04	1.65	.83	188.01	C
Punjab	1956-57	1.05	.05	.04	1.33	.80	154.46	C
UP	1955-56	.96	-.04	.04	1.16	.83	140.85	C
UP	1956-57	.99	-.01	.04	.30	.78	132.08	C
West Bengal	1955-56	.92	-.08	.11	.77	.87	243.55	C
West Bengal	1956-57	11.9	.19	.14	1.32	.72	93.70	C
UP (Muzaffar Nagar)	1955-56	.88	-.12	.05	2.58	.83	90.93	D
UP (Muzaffar Nagar)	1956-57	.91	-.09	.09	1.77	.81	77.33	C
UP (Muzaffar Nagar)	1966-67	.95	-.05	.05	1.15	.78	103.49	C
Punjab (Ferozepore)	1955-56	1.09	-.09	.06	1.47	.83	90.06	C
Punjab (Ferozepore)	1956-57	1.00	-.00	.06	.06	.78	66.11	C
Punjab (Ferozepore)	1967-68	.99	-.01	.09	.10	.59	42.01	C

TABLE 3: PROFIT (OR LOSS) AND RENTAL VALUE (OR INTEREST) OF LAND ACCORDING TO SIZE-GROUPS

		ANDHRA PRADESH (Rs per unit of land)					
Farm Size-Group		1957-58		1958-59		1959-60	
		A	B	A	B	A	B
I		-5.48	171.79	13.55	164.89	8.89	166.94
II		-20.59	136.47	-38.67	146.73	12.30	153.26
III		-23.60	119.22	12.31	117.05	28.48	127.60
IV		-13.08	92.39	-43.39	114.11	-19.27	75.07
V		-39.16	137.16	-46.27	79.31	-72.58	134.17
VI		20.72	95.45	-54.28	110.18	41.11	87.32
VII		-33.65	121.48	22.09	94.07	0.20	64.75
VIII		17.37	123.76	-18.73	148.99	16.50	149.48
IX		-4.36	117.23	-22.51	122.39	9.35	123.11

		BIHAR (1958-59)					
Farm Size Group		North Monghyr		Central Monghyr		South Monghyr	
		A	B	A	B	A	B
I		218.68		-32.45		-58.66	
II		274.54		61.30		37.89	
III		211.91		-37.32		-17.13	
IV		160.31		87.53		-3.25	
V				-24.09		-13.58	
VI		150.78		208.85		33.42	
VII		152.01		60.38		18.56	
VIII							
IX		190.19		53.80		16.78	

Note: Size classification differs from State to State. Data are reported for as many size groups as are given in Farm Management reports. The last row in each case gives the average figures for the sample of farms. For Punjab and Madras figures under column B are rent or/and rental value of owned land.

A = Profit (or Loss)

B = Rental Value of Owned Land

(Continued)

TABLE 3: CONTINUED

MADRAS						
Farm Size-Group	1954-55		1955-56		1956-57	
	A	B	A	B	A	B
I	-61.5	44.3	-65.8	49.3	-23.2	50.4
II	-30.4	39.9	22.3	44.9	64.8	55.4
III	-10.5	33.5	10.6	33.9	48.2	44.8
IV	-6.3	37.0	-2.6	36.3	83.5	49.3
V	-38.1	36.7	-16.9	23.9	49.1	30.3
VI	-6.4	20.5	-4.7	20.4	-3.7	21.1
VII	-14.7	10.0	12.6	19.9	-3.1	39.5
VIII	14.4	24.7	21.2	17.0	17.2	13.4
IX	2.2	29.1	4.0	28.5	36.8	36.6

AHMEDNAGAR				
Farm Size-Group	1955-56		1956-57	
	A	B	A	B
I	-9.5	14.6	-35.74	15.48
II	17.5	7.5	-14.22	9.84
III	2.6	11.7	-14.40	12.34
IV	54.8	11.1	-3.63	9.33
V	7.1	5.2	-9.15	7.17
VI	21.4	3.8	-4.38	5.32
VII	13.4	6.0	2.77	6.03
VIII	9.1	3.0	1.65	3.56
IX	13.4	6.2	-3.90	6.90

PUNJAB						
Farm Size-Group	1954-55		1955-56		1956-57	
	A	B	A	B	A	B
I	-52.0	72.00	-42.91	71.00	-23.08	76.00
II	-19.0	63.00	-10.85	59.00	-21.11	79.00
III	-9.0	51.00	-8.72	59.00	-4.27	68.00
IV	-9.0	48.00	4.62	54.00	4.31	63.00
V	1.0	45.00	28.56	53.00	18.55	49.00
VI						
VII						
VIII						
IX	-8.0	50.00	0.28	56.00	-0.11	65.00

UTTAR PRADESH						
Farm Size-Group	1954-55		1955-56		1956-57	
	A	B	A	B	A	B
I	-30.63		18.0		3.0	
II	47.82		31.0		38.0	
III	49.91		19.0		43.0	
IV	66.93		27.0		64.0	
V	100.78		60.0		92.0	
VI						
VII						
VIII						
IX	60.14		35.0		55.0	

WEST BENGAL						
Farm Size-Group	1954-55		1955-56		1956-57	
	A	B	A	B	A	B
I	-7.38		15.4		2.94	
II	15.25		13.7		38.66	
III	7.82		-2.1		62.15	
IV	8.51		34.2		13.06	
V	21.43		31.7		70.24	
VI	57.21		35.8		74.33	
VII	4.79		50.9		19.90	
VIII	36.21		25.6		40.38	
IX	18.18		26.8		44.49	

(Continued)

ductivity is a confirmed phenomenon in Indian agriculture and its statistical validity is adequately established by an analysis of the disaggregated data.

Under the impact of the 'green revolution', one would expect the inverse relationship to undergo a change and to cease to be true at least in the areas which have experienced the 'green revolution'. The data relating to Punjab (Ferozepore) and Uttar Pradesh (Muzaffarnagar), however, do not provide any evidence of such a change. It is, perhaps, too early to expect a change in the first two or three years of the setting in of the 'green revolution'. We will have to wait for some time more before we can make any definite observations on the impact of the 'green revolution' in this context.

RETURNS TO SCALE IN INDIAN AGRICULTURE

Before we proceed to examine the first of the three observations made by Amartya Sen, it is pertinent to estimate the returns to scale in Indian agriculture and distinguish them from the phenomenon of 'inverse relationship' which clearly is a matter of relationship between output (output per acre) and a single input (acreage) without holding other inputs constant. For this, we are confronted with the choice of the algebraic form of the function which reflects the postulated production relationship. We feel that a multiplicative model seems to be logically quite appropriate and adequate for the purpose. We, therefore, choose the function stated in the following equation:

$$Q = CA^a L^{b_1} B^{b_2} F^{b_3} I^{b_4}$$

We use the long linear transformation of this production function and state it as:

$$\log Q = \log C + b_1 \log A + b_2 \log L + b_3 \log B + b_4 \log F + b_5 \log I$$

where

Q = Gross value of output of crops (Rs)

A = Land (gross cropped area)

L = Human labour (adult man-days)

B = Bullock labour (pair-days)

F = Farm manures and fertilisers (Rs)

I = Irrigation expenditure (Rs)

We have estimated the equation by the method of ordinary least squares for each of the 25 sets of disaggregated Farm Management data. The value of R^2 turns out to be quite high in all but two cases. The included variables explain between 59 and 95 per cent of

the variations in the logarithm of the gross value of output (see Table 2).

The regression co-efficients in our production function are the production elasticities and their sum, S indicates the returns to scale.

$$S = \sum_{i=1}^n b_i$$

Returns to scale are increasing, constant or decreasing, according as S is greater than, equal to, or less than unity. Table 3 gives the sum of regression co-efficients for each of the sets of Farm Management data. The sums of regression co-efficients were tested for their deviation from unity. The t-test indicated constant returns to scale in 19 out of 25 cases. Of the remaining six cases, four indicated increasing while two indicated diminishing returns to scale. These cases demand a closer scrutiny. In the case of Andhra Pradesh we encounter constant returns in two out of three years. Increasing returns in the third year in Andhra Pradesh could as well have occurred by chance. This is true also of UP (Muzaffarnagar). The evidence in Madhya Pradesh is not conclusive in either direction. Taking an overall view, we can safely infer that, in general, constant returns to scale rule the scene of Indian agriculture.

EXPLANATION OF THE INVERSE RELATIONSHIP

Our estimates of the returns to scale are of considerable interest in the context of our discussion on an inverse relationship between farm size and productivity. We find that the 'inverse relationship' — which clearly is a matter of relationship between output (output per acre) and only a single input (acreage) without holding other inputs constant — is consistent with all the three phases of the returns to scale, viz, increasing, constant, and decreasing. It is now clear that the inverse relationship has to be explained in terms of the operation of the law of variable proportions only.

In the discussion that followed the publication of Amartya Sen's analysis, economists ascribed size-productivity differences to the differences in the level of different inputs which can be listed as ranging from the directly quantifiable inputs like human labour to factors like soil fertility and management which are rather difficult to measure. There appears to be a good deal of weight, however, in Dipak Mazumdar's observation that "higher output per acre in smaller farms is really a function of higher input of labour per acre — the other factors varying more or

TABLE 3: CONCLUDED

TABLE 57. CONTINUED

NASIK					
Farm Size- Group	1955-56		1956-57		
	A	B	A	B	
I	1.29	13.62	-75.2	21.9	
II	13.58	12.41	-10.0	11.1	
III	-7.92	8.96	-7.4	7.5	
IV	2.14	10.22	-8.1	14.4	
V	6.57	5.26	-2.7	4.8	
VI	15.56	5.36	8.7	6.8	
VII	-2.39	4.57	9.9	5.9	
VIII	8.38	3.96	-1.5	4.1	
IX	4.33	6.82	-1.4	7.6	

MADHYA PRADESH					
Farm Size- Group	1955-56		1956-57		
	A	B	A	B	
I	-9.34	17.76	43.43	29.55	
II	-7.97	15.48	27.34	21.58	
III	3.08	14.22	32.61	17.37	
IV	5.10	11.65	22.03	20.00	
V	4.56	12.16	35.50	19.82	
VI	6.91	14.04	30.97	24.28	
VII	32.57	15.00	16.71	27.83	
VIII	13.97	15.65	29.48	24.18	
IX	11.01	14.41	29.22	22.84	

ORISSA						
Farm Size- Group	1957-58		1958-59		1959-60	
	A	B	A	B	A	B
I	44.45	18.29	2.31	17.56	-8.41	17.47
II	34.28	16.38	12.53	16.34	-0.30	16.61
III	41.22	15.50	11.09	14.17	-14.75	16.36
IV	48.21	10.57	-8.18	10.75	2.32	10.35
V	30.43	20.17	41.73	16.15	10.25	17.06
VI						
VII						
VIII						
IX	37.45	16.73	16.61	14.94	-2.01	16.08

less in the same proportion as labour".⁷ As we had pointed out earlier [13], the observed intensity of cultivation on the smaller farms is generally higher than on the larger farms. Larger inputs of labour on these (small) farms is, thus, expended not on one crop alone but on more than one crop grown during the period of production on the same piece of land. This may further explain the higher productivity on smaller farms, productivity being defined in terms of acreage under the operational holding.

LABOUR PRODUCTIVITY WAGE RATES AND FARM PROFITABILITY

On the basis of an *a priori* reasoning, Amartya Sen offered a general explanation for the observed phenomenon in terms of low opportunity cost of (family) labour in a labour surplus economy and the resultant variations in the input of human labour over different size-classes of farms which range from essentially family-labour based small farms to large farms employing a relatively greater

proportion of wage-paid labour — the proportion of family labour to hired labour generally falling with an increase in the farm size.⁸ Sen's analysis implies a marginal product of labour below the wage rate for some classes of farms (usually small farms) which have a relative abundance of family labour. Analysing the Farm Management data for Uttar Pradesh and Punjab, we [14] had earlier reported that the marginal value product of labour was not only positive but was also higher than the labour cost — though in some cases, the two were not statistically significantly different from each other. An analysis based on the classification of farms according to (a) size and (b) the extent of their dependence on family labour corroborated these findings.⁹

Thus, there appeared ample justification for the valuation of family labour at the ruling wage rate. The explanation for 'unremunerative' character of Indian agriculture must, therefore, lie elsewhere. Our analysis had also shown that the implicit earnings

of bullock labour, an input factor characterised by specificity and indivisibility, fell much short of its actual cost to the farms. This suggested that the explanation for the observed behaviour of net revenue lay, not in the valuation of family labour at the ruling wage rate, but, perhaps, in the value productivity of bullock labour (and variations therein over different size-classes of farms) coupled with its excess capacity maintained on the farms (which the Farm Management Studies clearly bring out).

Scrutiny of profit and loss figures (see Table 3) for different size-classes of farms in different regions, however, demands a fresh look at Sen's first of the three observations cited above. On the basis of an examination of these figures, we wish to make the following observations:

- The number of cases (11 out of 27) in which even the smallest size-group shows positive profit, is not insignificant.
- Losses are not only observed in smaller size-groups of holdings but also in bigger size-groups of farms.
- Size-classes reporting losses in one year quite frequently report profit in other year.

Our first reaction is that, even when family labour is given an imputed value at the ruling wage rate, a sizeable proportion of our agriculture does not turn out to be unremunerative. What explains then the negative figures of profit reported in a large number of cases? We wish to seek the answer not in the valuation of family labour at the ruling wage rate, but in the imputation of a value to owned land either in terms of rental value or in terms of interest on the value of owned land. We wish to assert that imputation of a value to owned land (which is almost invariably inherited by farmers from their forefathers) is highly arbitrary and usually does not enter into a farmer's calculations and decision-making. (To some extent, interest on fixed capital also tends to fall in the same category.)

If we deduct the rental value of owned land from cost C^{10} and then compute the figures of profit¹¹ we find that the negative figures turn into positive ones in the case of Andhra Pradesh, Madhya Pradesh, Orissa and Punjab. The problem does not seem to exist in Uttar Pradesh and West Bengal. In the case of Maharashtra (Ahmednagar and Nasik districts) the losses are completely wiped out in one year and reduced to insignificant levels in the other. In Madras, rent and rental value of owned land, together with interest on fixed capital,¹² take

care of the reported losses. The evidence strongly suggests that the observed remunerative character of Indian agriculture can be traced to and explained in terms of imputation of a value to owned land rather than the valuation of family labour at the ruling wage rate. In arriving at this conclusion, we are particularly strengthened by our findings on the marginal value product of labour and the existence of positive figures of profit (as computed on the basis of cost C) even in the smallest size-groups of holdings. If we hold the uneconomic nature of bullock-labour maintained on the farms (particularly on the smaller farms where it remains highly underutilised) responsible for losses on the farms, the implicit earnings of land appear to be sufficient to wipe out such losses. In any case, the valuation of family labour at the ruling market-wage rate need not be held responsible for the observed losses.

In the end we wish to sum up the observations made by us in the foregoing analysis:

- We have found that, by and large, the inverse relationship between farm size and productivity is a confirmed phenomenon in Indian agriculture and that its statistical validity is adequately established by an analysis of the disaggregated Farm Management data.
- We also found that the scene of Indian agriculture is ruled in general by 'constant returns to scale'.
- The inverse relationship is perfectly consistent with the three phases of the returns to scale, viz, increasing, constant and decreasing, and can be explained simply in terms of the law of variable proportions.
- Our analysis strongly suggests that the explanation for unremunerativeness of Indian agriculture as shown by the reported losses in some size-classes of farms, lies not in the valuation of family labour at the ruling wage rate but in the imputation of a value to owned land. This, along with positive figures of profit observed even in the smallest size-groups of holdings, provides ample justification for the valuation of family labour at the ruling wage rate.

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Notes

- See Amartya Sen [15, 16] Morton Paglan [7], Dipak Mazumdar [5, 6], A M Khusro [4] C H Hanumantha Rao [9, 10], A P Rao [8], Ashok Rudra [11, 12], G R Saini [13], T N Srinivasan, [17]. For an excellent summary and critical observations see J Bhagwati and S Chakravarty [3].
- Amartya Sen [15], p 243.
- Ashok Rudra [12], p A-33.
- These averages are based on three

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years' data. Because of the reported changes in the sample of holdings in some cases, the averages may not be entirely free from some bias. Farm Management Studies show that intensity of cultivation declines with an increase in the farm size. In a Seminar held in the University of Delhi as late as January 1971, and attended by almost the entire galaxy of top economists who contributed to the discussion on farm size and productivity from time to time, doubts about the statistical basis of the relationship still echoed.

- Dipak Mazumdar [6]. Mazumdar's observation could be interpreted as assuming a technology under which inputs are combined in a fixed proportion. This is not quite borne out by the data. It would be more appropriate to state that higher output per acre in smaller farms is really a function of higher input of labour per acre — the other factors varying in the same direction as labour, rather than in the same proportion.
- See Amartya Sen [15, 16]. Dipak Mazumdar's explanation based on the 'supply price of labour' ap-

pears basically similar to the one offered by Sen. See Dipak Mazumdar [5, 6].

- A similar analysis for other regions is in progress and shall be reported in the near future.
- For definition of costs, see Government of India [1].
- Comparative figures of profit (or loss) and rental value are given in Table 3. Since figures of rental value were not directly available for Bihar in the published sources, no comments are offered in this case.
- Not reported here in the Tables.

Size of Farm and Productivity

Usha Rani

This paper seeks to investigate the relationship between size of farm and yield per acre. Like other efforts in this direction so far, it uses data from the Farm Management Studies. But whereas the earlier studies have used aggregated data for different size-groups of farms, the present exercise uses data for individual farms.

Further, in order to study the relationship between productivity and size of farms in the context of the new trends developing in Indian agriculture, the study is confined to IADP districts.

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THE Farm Management data has often been utilised to study the relationship between size of farm and yield per acre. Several such studies — for instance, those of Khusro,¹ Hanumantha Rao,² and the Directorate³ itself — have tried to show an inverse relationship between size of holding and yield per acre. All of them have utilised the size-class data of the Farm Management Surveys. On the other hand, Rudra⁴ and A P Rao⁵ have, on the basis of their studies based on the disaggregated data of 'Continuous Village Surveys' conducted by the Agricultural Economics Research Centre, questioned the validity of this widely accepted formulation of an inverse relationship between size of farm and yield per acre. Both of them have found that, yield per acre remains constant irrespective of differences in size of farms. Theoretical explanations have been given in support of both types of observations.

The objective of this paper is to find out the relationship between size of farm and yield per acre based on the use of individual holdings data of Farm Management Surveys (i.e., disaggregated), and to test some of the hypothetical explanations offered from both sides. Thus the present study of size of farm and productivity is also based on the data of Farm Management Surveys conducted by the Directorate of Economics and

Statistics. But whereas all the earlier studies have utilised the aggregated data of the different size groups of farms of Farm Management Surveys, the present exercise is based on the data about individual farms rather than on data about the size groups. Secondly, in order to study the relationship between productivity and size of farms in the context of the new trends developing in Indian agriculture, the study is confined to the IADP districts. All the IADP districts for which the FMS data is available have been covered. The period and the districts covered in the study are as follows: Pali (Rajasthan) 1962-65, West Godavari (Andhra Pradesh) 1957-60, Sambalpur (Orissa) 1957-60, Raipur (Madhya Pradesh) 1962-65, and Alleppey (Kerala) 1962-65. The data on each of the three years of surveys has been taken up separately for all the five districts and, therefore, in all, there are 15 series of data. The total number of observations are 1431.

METHOD OF ANALYSIS

To study the relationship between size of farm and yield per acre, an exponential function of the form Y is equal to AX^b (which is the same as $\log Y$ is equal to $\log A$ plus $b \log X$, in the linear form), where Y and X are dependent and independent variables respec-

tively, has been utilised. The regression co-efficient 'b' would have a negative sign if output per acre declines along with an increase in the size of farm. The results are as shown in Chart A.

In Chart A equations, Y stands for yield per acre (i.e., gross value of output divided by the size of farm) and X stands for the size of farm. The regression co-efficient in 14 out of the 15 cases is negative. Hence, in consideration of the sign of regression of the sign of regression co-efficient, it could be concluded as Khusro did,¹ that yield per acre has a tendency to decrease along with an increase in the size of farm. But if the 't' test is applied for testing the significance of regression co-efficient, then the conclusion varies considerably according to the level of significance at which the test is applied. A test at 10 per cent level of significance reflects that, in 9 out of 15 cases, the regression co-efficient is significant and hence the formulation of inverse relationship between yield per acre and size of farm is found still valid. But if the 't' test is applied at the 5 per cent level of significance, then the regression co-efficient is found significant only in 7 out of 15 cases, and hence no generalisation regarding the relationship can be made. Further, if the test at 1 per cent level of significance is applied, the regression co-efficient is found significant

only in one out of the 15 cases. Hence one can even conclude that yield per acre remains constant over different size groups of farms.

These findings are contrary to the results obtained by Hammantha Rao² on the basis of his analysis of FMS data of individual holdings for Bombay for 1955-56. These results were used by him to give further support to the validity of the prevalence of an inverse relationship between size of farm and yield per acre.

It has been said in FMS report that the intensity of cropping is high on small farms as compared to on large farms which leads to higher output per acre on small farms. To find out whether there is any significant variation in the intensity of cropping (Intensity of cropping = Gross cropped area divided by the size of farm) over different size groups of farms, a simple regression equation of the form $Y = A + bX$ has been used. Here Y stands for intensity of cropping and X for the size of farm. The results are as shown in Chart B.

The sign of regression co-efficient is negative in all the cases. Hence it can be concluded that intensity of cropping is high on small farms and decreases along with the increase in the size of farm. But when 't' test is applied at 10, 5 and 1 per cent levels of significance it is found that the regression co-efficient is significant only in 7, 6 and 3 out of 15 cases, respectively. Hence no firm generalisation can be made about the variation of intensity of cropping over different size groups.

DECLINING INPUTS

In the FMS report, higher output per acre on small farms is attributed to high but declining inputs per acre as the size of farm increases. To find out the relationship of inputs per acre (inputs refer to total cost of production including the imputed value of family labour and rental value of owned land) and size of farm a simple regression equation has been utilised. The results are as shown in Chart C.

In Chart C equations, Y stands for inputs per acre and X for size of farm. The sign of regression co-efficient is found to be negative in all the cases. Hence it can be concluded that, inputs per acre decrease as the size of farm increases. When the "t" test is applied at 10 or 5 per cent levels of significance, the regression co-efficient is significant in 7 and 6 out of 15 cases, respectively. Hence no generalisation can be made. If this test is applied at the 1 per cent

CHART A				
Pali	1962	$\log Y = \log 2.069 - 0.1955 \log X$ $t = -2.18310^{**}$, $R^2 = 0.0478$, $N = 97$		
	1963	$\log Y = \log 2.400 - 0.1073 \log X$ $t = -1.8745^*$, $R^2 = 0.0357$, $N = 97$		
	1964	$\log Y = \log 2.361 + 0.1276 \log X$ $t = 2.0172^{**}$, $R^2 = 0.0408$, $N = 98$		
West Godavari	1957	$\log Y = \log 2.592 - 0.11194 \log X$ $t = -2.401^{**}$, $R^2 = 0.0535$, $N = 104$		
	1958	$\log Y = \log 2.601 - 0.1804 \log X$ $t = -3.133^{**}$, $R^2 = 0.0855$, $N = 107$		
	1959	$\log Y = \log 2.638 - 0.1653 \log X$ $t = -2.562^{**}$, $R^2 = 0.0605$, $N = 104$		
Sambalpur	1957	$\log Y = \log 2.149 - 0.0348 \log X$ $t = -0.6342$, $R^2 = 0.0041$, $N = 99$		
	1958	$\log Y = \log 2.126 - 0.0868 \log X$ $t = -2.5709^{**}$, $R^2 = 0.0632$, $N = 100$		
	1959	$\log Y = \log 2.035 - 0.0886 \log X$ $t = -2.1316^{**}$, $R^2 = 0.0443$, $N = 100$		
Raipur	1962	$\log Y = \log 2.606 - 0.0403 \log X$ $t = -0.8439$, $R^2 = 0.0072$, $N = 100$		
	1963	$\log Y = \log 2.662 - 0.0526 \log X$ $t = -1.299$, $R^2 = 0.0169$, $N = 100$		
	1964	$\log Y = \log 2.681 - 0.0571 \log X$ $t = -1.2138$, $R^2 = 0.0148$, $N = 100$		
Alleppey	1962	$\log Y = \log 2.480 - 0.0339 \log X$ $t = -0.5079$, $R^2 = 0.0035$, $N = 75$		
	1963	$\log Y = \log 2.972 - 0.0051 \log X$ $t = -0.0917$, $R^2 = 0.0001$, $N = 75$		
	1964	$\log Y = \log 3.208 - 0.074 \log X$ $t = -1.978^*$, $R^2 = 0.0509$, $N = 75$		

Note: * = the regression co-efficient is significant at 10 per cent level of significance

** = The regression co-efficient is significant at 10 as well as at 5 per cent levels of significance.

*** = The regression co-efficient is significant at 10, 5 and 1 per cent levels of significance.

R^2 stands for the variation in the dependent variable Y explained by the independent variable X and N stands for the number of observations.

level of significance, the regression co-efficient is significant only in 1 case out of 15 cases. Hence it can be said that there are no significant variations in the inputs per acre over different size groups of farms.

One of the explanations given by Rao³ for the constant yield per acre over different size groups of farms is that 'net cultivated area' (size of farm minus current fallow land) should be used, because he assumed that current fallow land increases more than proportionately as the size of farm increases. To see whether the exclusion of current fallow land from the size of farm makes a significant difference to the relationship of

size of farm and yield per acre, an exponential function of the form, $Y = AX^b$, has been utilised where Y stands for yield per acre and X for the size of farm minus current fallow land. A test which is applied to test "the equality of regression co-efficients" is applied and the result is that the exclusion of current fallow land from the size of farm does not make a significant difference to the relationship of yield per acre over different size groups of farms.

AREA IRRIGATED

Another explanation given by Rao³ for the constant yield per acre over

CHART B				
Pali	1962	$Y = 4.026 - 0.5826 X$ $t = -4.3215^{***}$, $R^2 = 0.0416$, $N = 97$		
	1963	$Y = 3.657 - 0.0425 X$ $t = -2.635^{**}$, $R^2 = 0.0681$, $N = 97$		
	1964	$Y = 3.924 - 0.0465 X$ $t = -2.042^{**}$, $R^2 = 0.0416$, $N = 98$		
West Godavari	1957	$Y = 1.629 - 0.0132 X$ $t = -2.697^{**}$, $R^2 = 0.0666$, $N = 104$		
	1958	$Y = 1.956 - 0.0284 X$ $t = -1.644$, $R^2 = 0.0251$, $N = 107$		
	1959	$Y = 1.586 - 0.0141 X$ $t = -2.249^{**}$, $R^2 = 0.0473$, $N = 104$		
Sambalpur	1957	$Y = 1.0266 - 0.0012 X$ $t = -0.2502$, $R^2 = 0.0006$, $N = 99$		
	1958	$Y = 0.9921 - 0.0033 X$ $t = -2.1344^{**}$, $R^2 = 0.0444$, $N = 100$		
	1959	$Y = 0.9878 - 0.0006 X$ $t = -0.5776$, $R^2 = 0.0034$, $N = 100$		
Raipur	1962	$Y = 1.7506 - 0.0314 X$ $t = -1.7707^*$, $R^2 = 0.031$, $N = 100$		
	1963	$Y = 1.4872 - 0.0082 X$ $t = -0.9328$, $R^2 = 0.0088$, $N = 100$		
	1964	$Y = 1.4767 - 0.0123 X$ $t = -1.425$, $R^2 = 0.0203$, $N = 100$		
Alleppey	1962	$Y = 1.102 - 0.0012 X$ $t = -0.8378$, $R^2 = 0.0095$, $N = 75$		
	1963	$Y = 1.4137 - 0.0001 X$ $t = -0.0114$, $R^2 = 0.0009$, $N = 75$		
	1964	$Y = 1.1787 - 0.0016 X$ $t = -1.583$, $R^2 = 0.0332$, $N = 75$		

CHART C

Pali	1962	$Y = 127.09 - 1.324 X$ $t = -2.078^{**}$, $R^2 = 0.0435$, $N = 97$		
	1963	$Y = 352.54 - 8.15 X$ $t = -2.295^{**}$, $R^2 = 0.0525$, $N = 97$		
	1964	$Y = 333.48 - 4.4215 X$ $t = -0.6958$, $R^2 = 0.0001$, $N = 98$		
West Godavari	1957	$Y = 449.74 - 3.653 X$ $t = -1.854^*$, $R^2 = 0.0326$, $N = 104$		
	1958	$Y = 532.11 - 5.434 X$ $t = -0.8677$, $R^2 = 0.0071$, $N = 107$		
	1959	$Y = 623.98 - 2.732 X$ $t = -0.1987$, $R^2 = 0.0004$, $N = 104$		
Sambalpur	1957	$Y = 116.97 - 1.444 X$ $t = -1.619$, $R^2 = 0.0263$, $N = 99$		
	1958	$Y = 127.49 - 1.997 X$ $t = -2.856^{***}$, $R^2 = 0.0768$, $N = 100$		
	1959	$Y = 114.94 - 1.299 X$ $t = -2.499^{**}$, $R^2 = 0.0599$, $N = 100$		
Raipur	1962	$Y = 423.56 - 9.176 X$ $t = 2.127^{**}$, $R^2 = 0.0441$, $N = 100$		
	1963	$Y = 415.03 - 4.858 X$ $t = -0.656$, $R^2 = 0.0044$, $N = 100$		
	1964	$Y = 412.01 - 3.284 X$ $t = -1.391$, $R^2 = 0.0193$, $N = 100$		
Alleppey	1962	$Y = 342.45 - 2.162 X$ $t = -1.504$, $R^2 = 0.0177$, $N = 75$		
	1963	$Y = 965.86 - 2.376 X$ $t = -1.146$, $R^2 = 0.0177$, $N = 75$		
	1964	$Y = 1374.36 - 10.147 X$ $t = -2.37^{**}$, $R^2 = 0.0714$, $N = 75$		

different size groups of farms is that the proportion of area irrigated in each holding should be same (i.e., the percentage irrigated area over different size groups should be the same). To test this hypothesis, all the holdings which had the same percentage irrigated area were selected from each series of data. For this purpose, an exponential function of the form, $Y = AX^b$, has been utilised and the results are as shown in Chart D.

WEAK STATISTICAL BASIS

The sign of regression co-efficient is negative in 12 out of 15 cases. Hence it can be said that yield per acre decreases with an increase in the size of farm. When the "t" test is applied at 10, 5 and 1 per cent level of significance, the regression co-efficients are significant in 9, 7 and 3 out of 15 cases. Considering the values of R^2 in this case and comparing them with the R^2 values arrived at when all the holdings were considered, it is found that in this case the values of R^2 are higher but still not so significant as to enable one to attribute a significant proportion of variations in yield per acre over different size groups to variations in irrigation alone. Hence it cannot be concluded that, if the proportion of area irrigated is same in different size groups of farms, yield per acre will not vary from one size group to another. Hence differences in the yield per acre over different size groups of farms cannot be attributed to the differences in irrigation alone. On the basis of the present exercise, it could be concluded that, though in general the tendency of an inverse relationship between size of farm and yield per acre is observed, it has a weak statistical basis. The same is true for the explanations offered, viz., variations in (i) the intensity of cropping (ii) total inputs per acre (iii) current fallow land (iv) proportion of irrigated area of each holding over different size groups of farms.

Till now we were dealing with yield per acre and size of the farm. Khusro brought two more categories of 'farm business income per acre' and 'profits per acre' into the discussion, to support and explain the conclusion of inverse relationship between size of farm and yield per acre. Hence it will not be out of place to deal with these as well.

Khusro observed an inverse relationship between the farm business income per acre and the size of farm, i.e., as the size of farm expands, farm business income per acre declines. To find out the relationship between farm business income over different size groups of

farms a simple regression equation has been utilised and the results are as shown in Chart E.

In Chart E equations, Y denotes the farm business income per acre (i.e., gross value of output minus cash expenditure divided by size of farm). The regression co-efficient is negative in all the 12 cases (all the 15 cases could not be considered due to the non-availability of the necessary detailed data of Pali District), indicating an inverse relationship between farm business income and the size of farm. If the "t" test is applied at 10 per cent level of significance, the regression co-efficient in 8 out of 12 cases is significant. Hence the conclusion, of an inverse relationship between the two variables under consideration, is found to be valid. But if the "t" test is applied at 5 or 1 per cent levels of significance, the number of significant regression co-efficients comes down to 4 and zero, respectively. Hence it could be concluded on this basis that, there is no significant variation between farm business income over different size groups of farms.

Khusro observed a positive relationship between profits per acre and size of farm. Here, a simple regression equation has been utilised to find out the variations of profits per acre over different size groups of farms. The results are as shown in Chart F.

In these equations Y stands for profits per acre (i.e., gross value of output minus total inputs including the imputed value of family labour divided by the size of farm). The regression co-efficient is found to be positive in 10 out of 15 cases. Hence it could be concluded that profits per acre are positively related to the size of farm. But when "t" test is applied, none of the regression co-efficients is found to be significant at any level of significance. Hence it could be concluded that there is no significant variation between profits per acre over different size groups of farms. Hence the same conclusion holds good regarding the observation of an inverse relationship between farm business income per acre over different size groups of farms, and a positive relationship between profits per acre over different size groups of farms — viz that, though these observations are found to be generally valid they are based on weak statistical verification.

CONCLUSIONS

This controversy of relationship between the size of farm and yield per

CHART D				
Pali	1962	log Y = log 2.046 — 0.2829 Log X t = — 1.7027*, R ² = 0.0676, N = 42		
	1963	log Y = log 2.302 — 0.1823 log X t = — 1.959*, R ² = 0.0963, N = 38		
	1964	log Y = log 2.239 + 0.1669 log X t = 1.3304, R ² = 0.0495, N = 36		
West Godavari	1957	log Y = log 2.663 — 0.3041 log X t = — 4.8768***, R ² = 0.3509, N = 46		
	1958	log Y = log 2.7103 — 0.2316 log X t = — 3.7993***, R ² = 0.2429, N = 47		
	1959	log Y = log 2.6944 — 0.2555 log X t = — 2.7455***, R ² = 0.1586, N = 42		
Sambalpur	1957	log Y = log 2.132 — 0.0643 log X t = — 1.939, R ² = 0.119, N = 75		
	1958	log Y = log 2.133 — 0.068 log X t = — 1.6477, R ² = 0.0364, N = 74		
	1959	log Y = log 2.049 — 0.0953 log X t = — 1.997*, R ² = 0.0487, N = 80		
Raipur	1962	log Y = log 2.685 — 0.1323 log X t = — 2.328**, R ² = 0.1143, N = 44		
	1963	log Y = log 2.699 — 0.1802 log X t = — 2.557**, R ² = 0.1741, N = 33		
	1964	log Y = log 2.724 — 0.0125 log X t = — 0.1256, R ² = 0.0005, N = 35		
Alleppey	1962	log Y = log 2.429 + 0.0137 log X t = 0.0904, R ² = 0.0004, N = 25		
	1963	log Y = log 2.834 + 0.1207 log X t = 0.8616, R ² = 0.0376, N = 21		
	1964	log Y = log 3.339 — 0.1201 log X t = — 2.5231**, R ² = 0.2725, N = 19		

CHART E				
West Godavari	1957	Y = 216.43 — 2.9828 X t = — 2.0027**, R ² = 0.0378, N = 104		
	1958	Y = 228.02 — 3.5417 X t = — 1.7532*, R ² = 0.0284, N = 107		
	1959	Y = 293.55 — 5.0959 X t = — 1.8067*, R ² = 0.031, N = 104		
Sambalpur	1957	Y = 143.65 — 2.4942 X t = — 2.4223**, R ² = 0.0576, N = 99		
	1958	Y = 117.95 — 1.5303 X t = — 2.4515**, R ² = 0.0578, N = 100		
	1959	Y = 93.85 — 1.3561 X t = 1.7178*, R ² = 0.0292, N = 100		
Raipur	1962	Y = 278.46 — 4.8522 X t = — 1.1559, R ² = 0.0135, N = 100		
	1963	Y = 462.08 — 8.0923 X t = — 1.6619, R ² = 0.0278, N = 100		
	1964	Y = 486.07 — 12.8334 X t = — 2.413**, R ² = 0.0561, N = 100		
Alleppey	1962	Y = 98.34 — 0.9361 X t = — 0.666, R ² = 0.006, N = 75		
	1963	Y = 385.19 — 1.5939 X t = — 0.4025, R ² = 0.0022, N = 75		
	1964	Y = 741.55 — 1.5476 X t = — 0.3255, R ² = 0.0014, N = 75		

acre was based on the aggregated data of FMS and on disaggregated data from some other sources, but the results were not put to statistical tests. After taking

care of these factors, the conclusion which emerges from the present exercise is that, this whole controversy and all the explanations offered to support

CHART F				
Pali	1962	Y = — 2.54 — 0.474 X t = — 0.5882, R ² = 0.0036, N = 97		
	1963	Y = — 70.11 + 1.9523 X t = 0.7779, R ² = 0.0063, N = 97		
	1964	Y = — 32.02 + 3.2175 X t = 0.9761, R ² = 0.0098, N = 98		
West Godavari	1957	Y = — 19.92 + 0.3813 X t = 0.3153, R ² = 0.0009, N = 104		
	1958	Y = — 49.36 — 1.2245 X t = — 0.5212, R ² = 0.0026, N = 107		
	1959	Y = — 48.13 + 2.1598 X t = 0.4867, R ² = 0.0023, N = 104		
Sambalpur	1957	log Y = 36.42 + 0.1468 X t = 0.1564, R ² = 0.0003, N = 99		
	1958	Y = 3.8825 + 0.8213 X t = 1.1456, R ² = 0.0132, N = 100		
	1959	Y = — 6.886 + 0.4769 X t = 0.7661, R ² = 0.0059, N = 100		
Raipur	1962	Y = 27.81 + 2.9189 X t = 0.5942, R ² = 0.0036, N = 100		
	1963	Y = 88.12 — 0.6599 X t = — 0.0756, R ² = 0.0001, N = 100		
	1964	Y = 141.58 — 7.45 X t = — 1.633, R ² = 0.0265, N = 100		
Alleppey	1962	Y = 1.1178 + 0.2141 X t = 0.1746, R ² = 0.0004, N = 75		
	1963	Y = 83.60 — 0.8693 X t = — 0.2381, R ² = 0.0008, N = 75		
	1964	t = 290.63 + 3.0149 X t = 0.6353, R ² = 0.0055, N = 75		

the different observations had a very weak statistical basis. Whatever the situation might have been in the early sixties when the FMS were conducted, the whole controversy loses much of its importance in view of the developments which are taking place in Indian agriculture because, even if the small farmer had certain advantages over large farmers in labour-intensive techniques, these are likely to be wiped out as capital-intensive techniques gain popularity among farmers.

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Employment Patterns in Large Farms of Punjab

Ashok Rudra

This article presents some results pertaining to permanent farm servants and casual labourers employed on big farms in Punjab. These results suggest that

- (i) permanent labour and casual labour are substitutes for family labour;
- (ii) pumps and tubewells create demand for casual labour and replace permanent servants;
- (iii) tractors create demand for permanent servants and replace casual labour.

[Results presented here were obtained in the survey conducted by the author in collaboration with A Majid and B D Talib on behalf of the Agro-Economic Research Centre of Delhi University to look into the economics of large-scale farming in Punjab. The author is very grateful to Usha Kiran for her help in the statistical analysis presented here.]

In this brief article are presented some results pertaining to permanent farm servants and casual labourers employed on the big farms of Punjab defined as above 20 acres in size of operation. Tables 1A and 2A present districtwise variations with regard to permanent servants. In most districts, there are farmers that have more than one permanent servant; but Gurdaspur and Jullundur seem to have many big farms run entirely on family labour and casual labour, for, the average number of permanent farm servants is less than

TABLE 1-A : PERMANENT SERVANTS' EMPLOYMENT AND WAGES PATTERN IN DISTRICTS

District	Number of Permanent Servants per Farm	Gross Acreage per Servant (Acres)	Cash Payment per Permanent Servant (Rs)	Kind Payment per Permanent Servant (Rs)	Proportion of Cash Payment to Kind Payment
Gurdaspur	0.75	59	130	1055	0.13
Amritsar	2.45	24	470	1080	0.93
Kapurthala	1.09	45	595	605	0.98
Jullundur	0.93	51	780	755	1.03
Hoshiarpur	1.13	45	740	680	1.08
Rupar	0.08	393	540	500	1.08
Ludhiana	1.95	28	895	1595	0.58
Ferozepur	1.40	38	985	570	1.72
Bhatinda	1.66	34	1395	675	2.07
Sangrur	1.52	31	625	665	0.94
Patiala	2.28	23	415	1185	0.35
Total	1.65	32	810	835	0.97

one in these districts. In the State as a whole, 18 per cent of the big farms do without any permanent servants; the proportion is as high as 92 per cent in Rupar, more than 50 per cent in Hoshiarpur and Gurdaspur, and more than 30 per cent in Kapurthala, Jullundur and Ludhiana. In most districts other than Gurdaspur, Rupar and Hoshiarpur, the prevalent pattern is to have one servant per farm. In Amritsar and Patiala, the average goes beyond 2; and in most others it is between one and two. Rupar is a case apart. There seem to be very few farms in the district with permanent servants.

The use of permanent servants in relation to land cultivated varies from 23 gross acres per servant in Patiala to 59 per servant in Gurdaspur (keeping out Rupar from the comparison). This does not necessarily indicate any differences in natural conditions calling for more or less labour. For that, we would require some measure of total labour including family labour, permanent servants' labour, and casual labour. We have not attempted to arrive at any such measure of total labour input.

Cash payment per servant varies very largely from district to district; but the variation reduces when one considers cash wages and kind wages combined. The combined wage rate everywhere is more than Rs 1,000 per annum, and in the case of Ludhiana and Bhatinda it is above 2,000 per year.

While we are not in a position here to account for the variations in the proportions of cash and kind wage payment, the extent of variations is, indeed, noteworthy. Thus cash wages are as low as 35 per cent and 43 per cent of kind wages in Patiala and Amritsar, more than double of the latter in Bhatinda, and nearly double in Ferozepur.

Very much more intelligible patterns emerge when the classification is by size groups. As can be seen in Table 2B, and as may be expected, there is a positive association between the number of permanent servants and farm size. In the population as a whole, less than 20 per cent of the farms have no farm servants and less than 10 per cent have more than 3. The pattern of 1 to 3 servants per farm dominates size groups up to 75 acres. Beyond 75 acres, however, the prevalence is of 3 to 6 servants. Up to the size 150 acres, the relation between number of servants and farm size can be approximated by the linear formula

TABLE 1-B: PERMANENT SERVANTS' EMPLOYMENT AND WAGES PATTERN FOR SIZE GROUPS

Size-Group (Acres)	Number of Permanent Servants per Farm	Gross Cultivated Area per Servant (Acres)	Cash Payment per Servant (Rs)	Kind Payment per Servant (Rs)	Proportion of Cash to Kind Payment
20-25	1.12	28	595	965	0.62
25-30	1.13	32	640	780	0.82
30-40	1.25	37	755	860	0.86
40-50	1.96	29	590	940	0.62
50-75	1.98	34	785	840	0.93
75-100	3.60	29	1695	665	2.54
100-150	4.00	30	965	580	1.67
150 and above	5.68	32	970	520	1.86
Total	1.65	32	810	837	0.97

TABLE 2-A: RELATIVE FREQUENCY DISTRIBUTION OF FARMS BY NUMBER OF FARM SERVANTS IN DISTRICTS

District	Number of Permanent Servants					Total
	0	1	2	3	4 and above	
Gurdaspur	0.56	0.25	0.14	0.03	0.03	1.00
Amritsar	—	0.32	0.35	0.13	0.21	1.00
Kapurthala	0.33	0.41	0.15	0.04	0.07	1.00
Jullundur	0.31	0.45	0.25	—	—	1.00
Hoshiarpur	0.50	0.15	0.21	0.04	0.10	1.00
Rupar	0.92	0.08	—	—	—	1.00
Ludhiana	0.38	0.05	0.20	0.21	0.16	1.00
Ferozepur	0.30	0.29	0.30	0.07	0.04	1.00
Bhatinda	0.06	0.50	0.17	0.28	—	1.00
Sangrur	0.11	0.46	0.24	0.20	—	1.00
Patiala	0.12	0.25	0.18	0.26	0.19	1.00
Total	0.18	0.35	0.24	0.17	0.07	1.00

TABLE 2B: RELATIVE FREQUENCY DISTRIBUTION BY NUMBER OF SERVANTS IN DIFFERENT SIZE GROUPS

Size-group (Acres)	Number of Permanent Servants					Total
	0	1	2	3	4 and above	
20-25	0.21	0.51	0.24	0.05	—	1.00
25-30	0.25	0.50	0.13	0.10	0.02	1.00
30-40	0.03	0.30	0.26	0.13	0.01	1.00
40-50	0.12	0.28	0.22	0.28	0.10	1.00
50-75	0.06	0.29	0.42	0.14	0.09	1.00
75-100	0.09	—	0.14	0.43	0.34	1.00
100-150	—	—	—	0.67	0.33	1.00
150 and above	—	—	—	—	1.00	1.00
Total	0.18	0.35	0.24	0.17	0.07	1.00

TABLE 3A: RELATIVE FREQUENCY DISTRIBUTION OF FARMS BY MANDAYS OF CASUAL LABOUR EMPLOYED

District	Number of Mandays of Casual Labour						Total
	0-100	100-200	200-300	300-400	400-600	600 and above	
Gurdaspur	0.32	0.14	0.08	0.15	0.17	0.14	1.00
Amritsar	0.37	0.25	0.14	0.07	0.17	—	1.00
Kapurthala	0.65	—	—	0.17	0.17	—	1.00
Jullundur	0.14	0.14	0.18	0.02	0.33	0.18	1.00
Hoshiarpur	0.33	0.16	0.03	0.03	0.29	0.22	1.00
Rupar	0.14	—	0.27	—	0.59	—	1.00
Ludhiana	0.26	0.10	0.21	0.16	0.22	0.05	1.00
Ferozepur	0.20	0.40	0.22	0.09	0.08	0.02	1.00
Bhatinda	0.05	0.51	0.31	—	0.06	0.07	1.00
Sangrur	0.07	0.41	0.49	0.03	—	—	1.00
Patiala	0.47	0.28	0.13	0.08	0.05	—	1.00
Total	0.21	0.36	0.25	0.06	0.08	0.03	1.00

TABLE 3B: RELATIVE FREQUENCY DISTRIBUTION OF FARMS BY MANDAYS OF CASUAL LABOUR EMPLOYED FOR DIFFERENT SIZE GROUPS

Size-group (Acres)	Number of Mandays of Casual Labour						Total
	0-100	100-200	200-300	300-400	400-600	600 and above	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
20-25	0.27	0.31	0.34	—	0.06	0.01	1.00
25-30	0.15	0.42	0.31	0.04	0.06	0.01	1.00
30-40	0.18	0.50	0.20	0.06	0.04	0.01	1.00
40-50	0.26	0.24	0.26	0.12	0.09	0.01	1.00
50-75	0.14	0.41	0.16	0.10	0.12	0.06	1.00
75-100	0.20	0.34	0.09	—	0.21	0.15	1.00
100-150	—	—	0.67	—	—	0.33	1.00
150 and above	0.32	—	—	—	0.68	—	1.00
Total	0.20	0.37	0.25	0.06	0.08	0.03	1.00

TABLE 4A: RELATIVE FREQUENCY DISTRIBUTION OF THREE CLASSES OF FARMS OVER NUMBER OF PERMANENT SERVANTS

Number of Permanent Servants	Categories			Total
	Farmers Having Neither Pumps and Tubewells nor Tractors	Farmers Having only Pumps and Tubewells	Farmers Having Tractors	
(1)	(2)	(3)	(4)	(5)
0	0.32	0.30	0.17	0.27
1	0.36	0.25	0.21	0.28
2	0.25	0.29	0.41	0.31
3	0.02	0.14	0.13	0.09
4	0.01	0.01	0.05	0.02
5	0.01	0.00	0.01	0.01
6	—	—	0.02	0.01
7	0.02	0.01	—	0.01
Total	1.00	1.00	1.00	1.00
Average per farm	1.21	1.34	1.78	1.42
No of farm acres per servant	28	26	29	

TABLE 4B: RELATIVE FREQUENCY DISTRIBUTION OF THREE CLASSES OF FARMS OVER MANDAYS OF CASUAL LABOUR EMPLOYED

Number of Mandays	Categories			Total
	Farmers Having Neither Pumps and Tubewells Nor Tractors	Farmers Having Only Tubewells and Pumps	Farmers Having Tractors	
(1)	(2)	(3)	(4)	(5)
0-100	0.16	0.28	0.17	0.20
100-200	0.42	0.24	0.44	0.37
200-300	0.33	0.25	0.16	0.25
300-400	0.06	0.06	0.06	0.06
400-600	0.01	0.10	0.15	0.08
600 and above	0.02	0.06	0.02	0.03
Total	1.00	1.00	1.00	1.00
Average per farm	194	230	223	215
Average per acre	5.7	6.6	4.4	

$$a y = \frac{11}{31} + \frac{x}{31} \text{ — i.e., one adds a pe}$$

manent servant for every 31 acres of farm land to a rock bottom of about 1 permanent servant for every 3 farm (Diagram 1).

There is also much variation in the intensity of use of casual labour from district to district (Table 3A). For the State as a whole, more than 80 per cent of the farms employ casual labour to the extent of 300 or less man-days per year. In most districts, most farms tend to employ casual labour to the extent of 100 to 300 man-days per farm. But in Gurdaspur, Kapurthala, Hoshiarpur, and Patiala, the modal pattern is to employ less than 100 man-days of such labour.

Table 3B presents the frequency distribution of farmers by number of man-days of casual labour employed for different size groups. As may be expected, there is a positive association between size of farm and employment of casual labour. As a matter of fact, up to 150 acres the requirement of casual labour seems to increase with farm size linearly at the rate of 4 man-days of such labour per additional acre of farm land (Diagram 2).

Tables 4A and 4B present frequency distributions of farms by number of permanent servants and number of man-days of casual labour, respectively, for three mechanisation categories of farms, viz, those having tractors, those having tubewells and pumps but no tractors, and those having none. As can be seen, the mechanised farms employ more labourers, both permanent and casual, than do the non-mechanised ones; and among the mechanised farms, those having tubewells and pumps but no tractors employ less of permanent servants than those having tractors, although they employ the same amount of casual labour. If, however, one compares in per-acre terms, one finds that there is not much variation in the intensity of use of permanent servants but that the mechanised farms use less of casual labour than the non-mechanised ones; and among the mechanised ones, those having tractors use less of casual labour than those having only tubewells and pumps.

It is to be remembered in this connection that, average sizes of these three categories of farms are different, so the mechanisation effect is mixed up with the size effect.

Diagrams 3 and 4 suggest certain interesting quantitative relations between family workers, permanent hands,

DIAGRAM 1: NUMBER OF PERMANENT SERVANTS AS A FUNCTION OF FARM SIZE

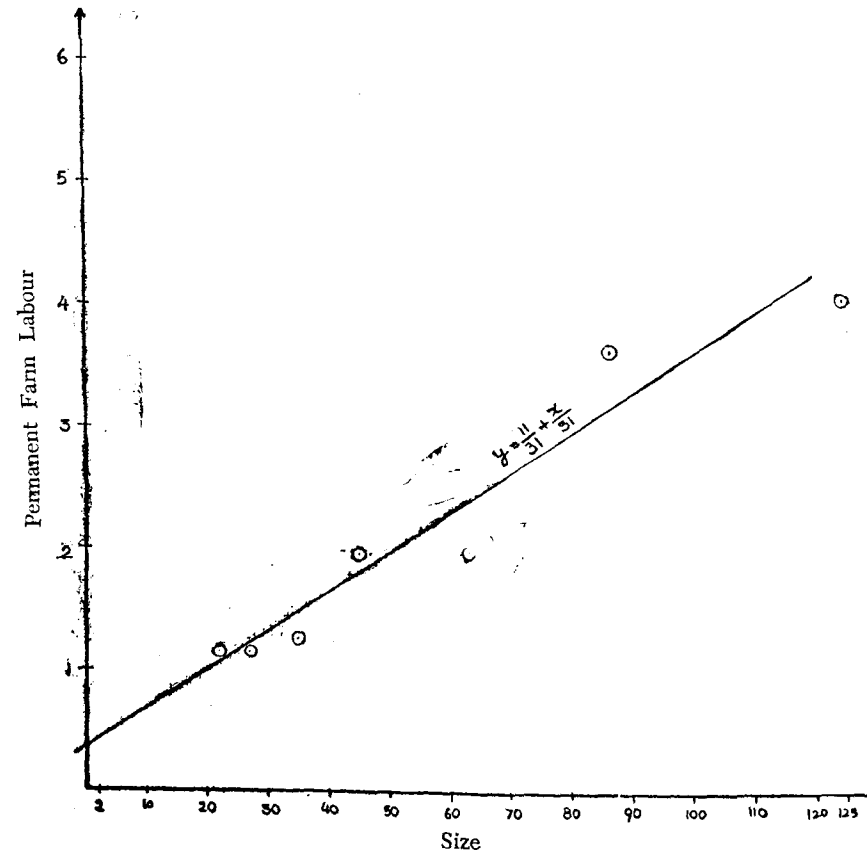


DIAGRAM 2: DEMAND FOR CASUAL LABOUR AS A FUNCTION OF FARM SIZE

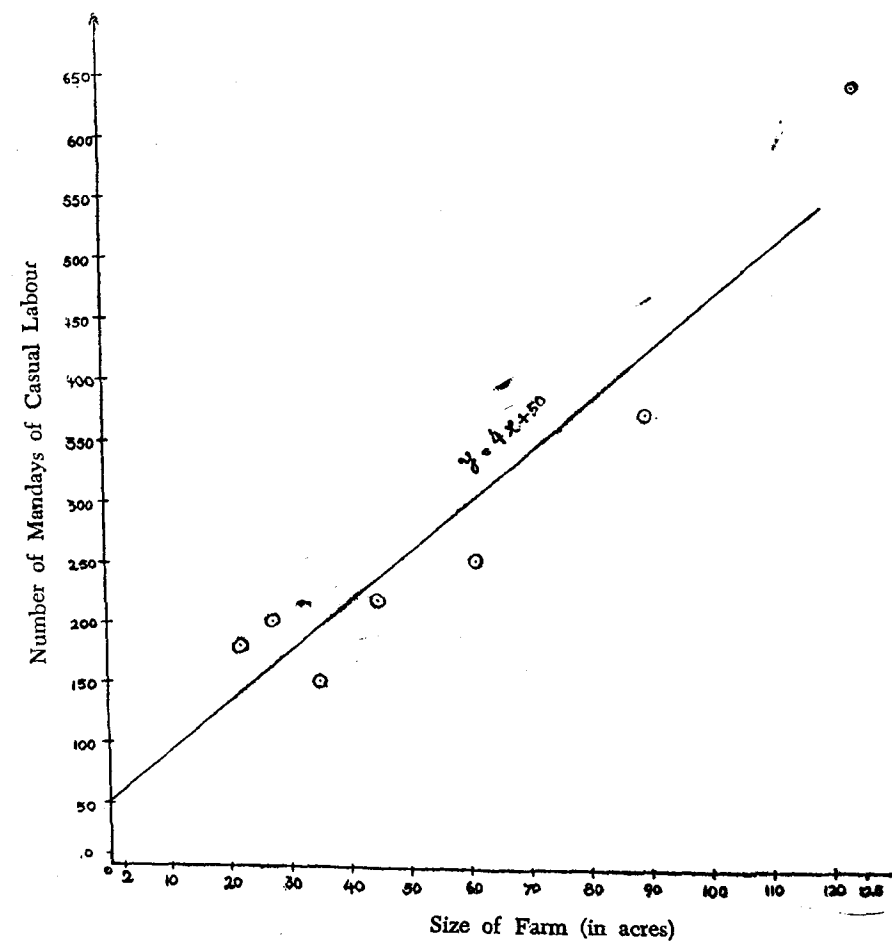


DIAGRAM 3: DEMAND OF PERMANENT SERVANTS AS FUNCTION OF NUMBER OF MALE FAMILY WORKERS

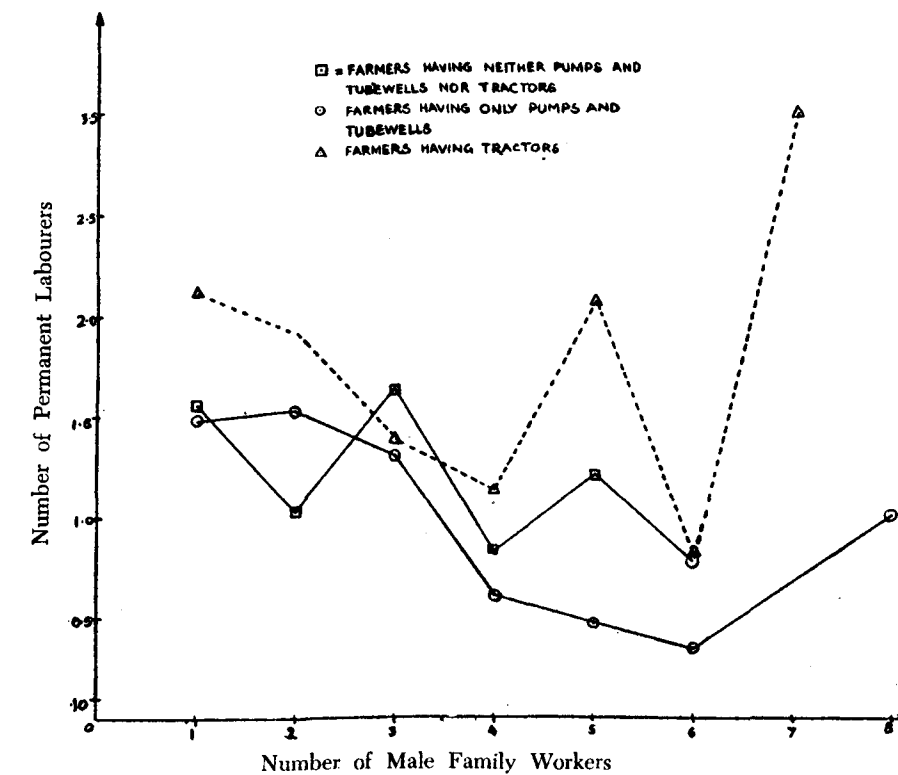


DIAGRAM 4: DEMAND OF CASUAL LABOUR AS FUNCTION OF MALE FAMILY WORKERS

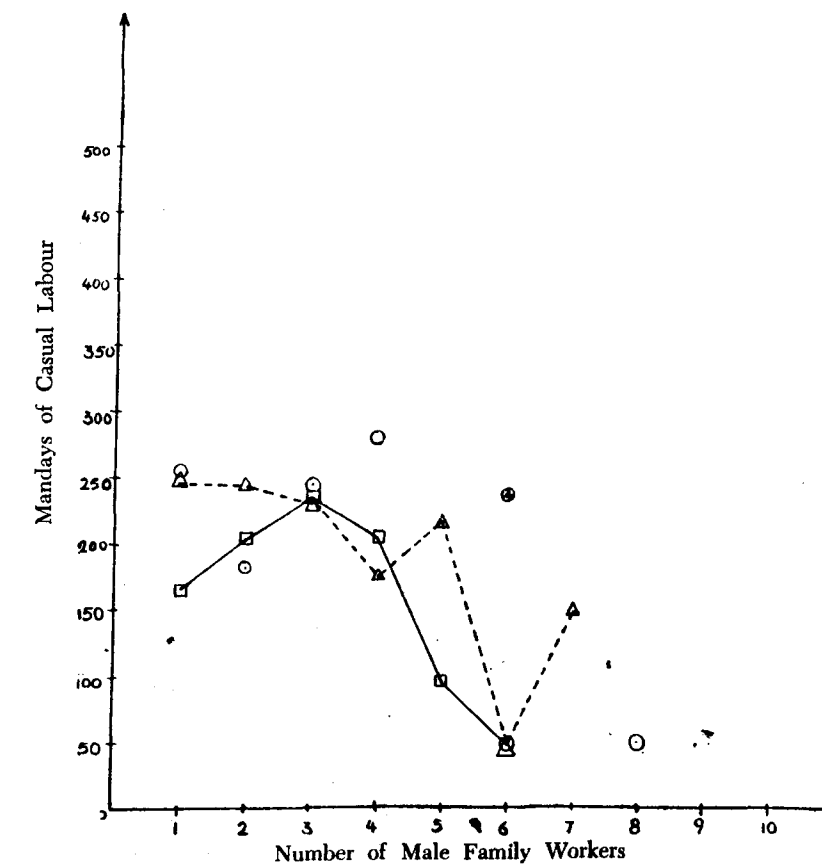
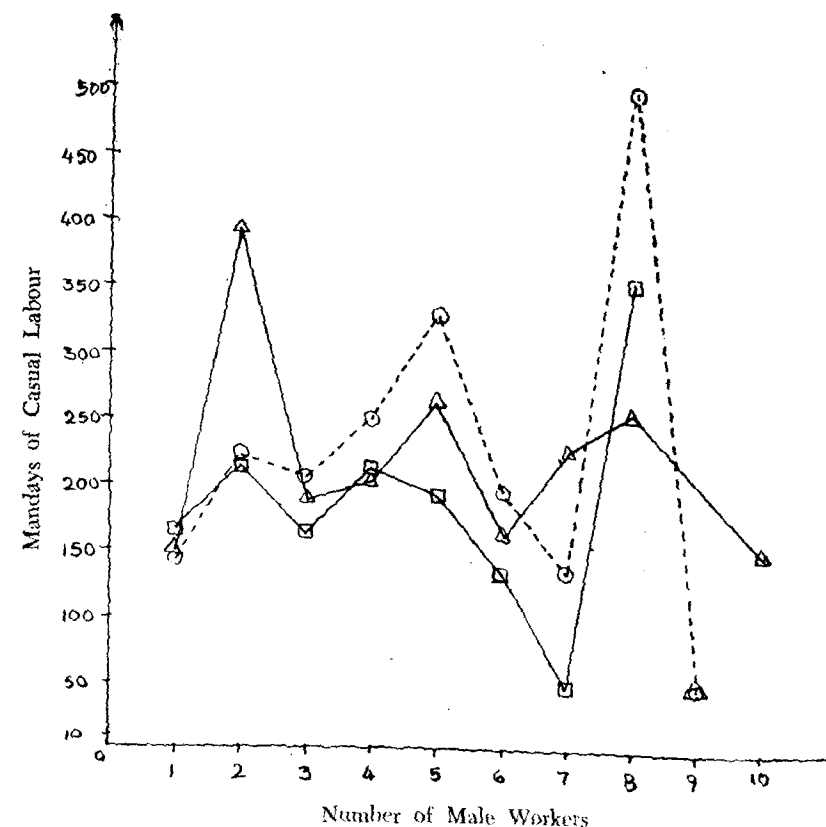


DIAGRAM 5: DEMAND FOR CASUAL LABOUR AS FUNCTION OF NUMBER OF MALE WORKERS

(Both Family Workers and Permanent Servants)



and casual labour, calling for some explanation. We have not yet got any economic model that would explain all the observations. Our purpose, in presenting the observations all the same, is to provoke possible suggestions from readers. It would appear that, given a certain number of male family workers in a farm, the addition of tubewells and pumps to a farm not having them reduces somewhat the demand for permanent servants but that it increases the demand for casual labour. Whereas the addition of a tractor to a farm with a given number of male family workers increases the demand for permanent servants, the effect, if any, of increased demand for casual labour is marginal. It should be remembered in this connection that, most farms having tractors have also pumps and tubewells. Hence a correct interpretation of Diagram 4 is that the increased demand for casual labour created by pumps and tubewells is cancelled by the decrease caused by tractors.

Demand for permanent servants reveals a tendency to decline as the number of male family workers increases, for all the three classes. A

similar tendency operates in the demand for casual labour by farmers having tractors and by farmers having neither tractors nor tubewells and pumps; but such a tendency does not reveal itself in relation to farmers having pumps and tubewells but no

FIVE new development projects in India will begin this year with United Nations assistance. The United Nations Development Programme (UNDP) has allocated \$3.4 million to the five projects. The Indian Government will make available the equivalent of about \$3.6 million in counterpart contributions. The five projects are: development Surveys of 10 fishing ports, assistance to the Central Water and Power Research Station, testing facilities to measure "creep" in heat-resistant steel, groundwater survey in Rajasthan and Gujarat and mineral survey in Uttar Pradesh.

To help boost India's off-shore fishing fleet the UNDP has allocated \$ 510,000 in supplementary assistance for development surveys of ten harbours. The UNDP has also allocated \$ 936,300 over a four-year period to help provide ad-

tractors. This, along with other observations, suggests that:

- permanent labour and casual labour are substitutes for family labour;
- pumps and tubewells create demand for casual labour and replace permanent servants;
- tractors create demand for permanent servants and replace casual labour;

The fact of addition of tubewells and pumps creating additional demand for casual labour, and the fact of addition of tractors having the opposite effect, are brought about in a different way in Diagram 5 wherein is plotted the number of man-days of casual labour against the total number of adult male workers, family workers, and permanent servants taken together. It can be seen that the points representing demand for casual labour by tractorised farms mostly lie in between those representing the same for farms with no machinery at all and those having only pumps and tubewells.

The most frequently observed combination of permanent servants and casual labour is one permanent servant and between 100 and 200 man-days of casual labour for non-mechanised farms; 0 permanent servant and between 100 and 200 man-days of casual labour for farms with pumps and tubewells but no tractors; and 2 permanent servants and between 100 and 200 man-days of casual labour for tractorised farms.

UNDP Projects

vanced equipment and training of specialists for hydraulic and allied engineering research. The aid will help the Central Water and Power Research Station at Poona to deal with increasingly sophisticated problems in port and estuary development, dredging and coastal engineering. Efforts by Indian heavy industry to produce more heat-resistant steel will be boosted by a three-year United Nations aided project to increase "creep" testing facilities at the National Metallurgical Laboratory at Jamshedpur. "Creep" is a slow distortion or change of shape that occurs in steel due to heat and stress. A survey for groundwater in the drought and famine prone States of Rajasthan and Gujarat will also begin this year with UN assistance. The UNDP has allocated \$ 664,900 to the new project.

Quickening the Pace of Agricultural Development

B D Shastri

The most decisive factor in agricultural development is the farmer. His behaviour and attitudes towards change can either retard or accelerate the pace of agricultural development. In an experimental programme in Raipur district of Madhya Pradesh, an attempt was made to work with farmers in such a way that they accepted changes readily.

In the villages under the programme, the great majority of farmers—small, medium and large—participated; village differences were set aside, and significant agricultural development was brought about in a short period of three years; overall, farmers' participation doubled, small farmers' participation nearly tripled, acreage under high-yielding varieties increased six times, consumption of fertilisers tripled, co-operative membership went up by 84 per cent, the small farmers increased their yield by about 60 per cent and the bigger ones by about 67 per cent.

The significance of the Raipur experiment is that it indicates human involvement and human development as essential to quickening the pace of agricultural development. The needed investment in human resources is negligible when compared to the benefits of substantial additional production and improvement of socio-economic condition, particularly of the weaker sections of the farming community.

IN order to quicken the pace of agricultural development, three things seem essential: first, to continuously evolve new and more profitable technology and to field-test it widely on farms; second, to provide the farmer the needed economic climate, input supplies, credit, etc., so as to enable him to adopt new technology rapidly; and third, to move away from the target-oriented schematic approach and evolve effective ways of working with the farming community as a whole—to serve all farmers, big or small.

A T Mosher¹ lists adequate marketing facilities for farm products, availability of new technology, local availability of supplies and equipment, adequate production incentives for the farmers, and adequate transport facilities, as the essential for agricultural development. Given these five essentials, agricultural development does take place. But the process, by itself, is rather slow. Involvement of the farmers in the process is the key factor which determines the pace of agricultural development.

Agricultural development results from the changes adopted by millions of farmers—changes that transform traditional agriculture into a modern one. The pace of development is set, to a great extent, by the rate of change taking place in the attitudes and skills of the farmers. The rate of change taking place among the farmers is, in its turn, influenced to a great extent by the rate of change taking place in the attitudes and actions of policy-makers, traders, legislators, research workers, extension workers, and a host of other

persons directly or indirectly concerned with agricultural development.

"To increase the agricultural production of a country is a complex task. It is frequently a baffling task as well. It is complex because so many different conditions have to be created or modified, by different persons and groups of people. It is baffling because the spirit of a people is involved also. Techniques are not enough. They have to be combined and used with intelligence, imagination, experimentation, and continuing hard work. Agricultural development is as dependent on how effectively people work together as it is on the natural resources with which they begin".¹

MODERNISATION WITHOUT CHANGED APPROACH

The agricultural modernisation process has just begun in India. Some of the essentials for agricultural development are being provided for. Attention is being paid increasingly to development of technology, supply of technical inputs and improvement of credit facilities. But the developmental efforts continue to follow, more or less, the same approach as under traditional agriculture. No significant change has yet taken place in the ways of working with the farmers.

Target-oriented schemes or programmes, mostly formulated at the national or State levels and handed down up to the village level for execution, constitute the bulk of our developmental efforts today. Several studies and evaluation reports have pointed out the inadequacies of such an approach. In a report, May

1969, on Modernising Indian Agriculture, S R Sen, Chairman of the Expert Committee² states:

"The tendency to formulate a 'scheme' for each new activity often results in overlapping use of personnel and other resources. What is necessary is to organise a system or process for continued agricultural modernisation which uses new components of development as they become available and adapts itself to the changing needs of the development process at the local level.... In a dynamic modernisation programme, what is needed is not "direction and supervision" from the top, but guidance, help, and assistance in formulation and execution of local programmes."

Schemes or programmes aimed at covering 'x' acres under an improved practice, or distribution of 'y' tonnes of fertilisers (or other inputs), or making credit available for 'z' acres under a programme, narrow down the sights of extension workers. Acres, tonnes, or rupees constitute their targets, and the farmer for whom all these are but tools, is lost sight of. It is often argued that the physical targets are the measurable indicators of the progress made by the farmers. Are they? Distribution of 'y' tonnes of fertilisers does not necessarily indicate that the farmers are being properly guided to make optimum use of fertilisers and that the expected production increase is taking place through use of the fertiliser; 'x' acres under an improved practice does not indicate that most of the participating farmers have understood, learnt, and correctly adopt-

ed, the new practice and that, on the reported acreage, the anticipated production increase would take place; similarly, the disbursement of the targeted amount of loan, subsidy or grant does not indicate that the amount has been fully put to productive use as envisaged by the scheme.

TARGET APPROACH LIMITS FARMERS' PARTICIPATION

In a target-oriented approach, the farmers become just tools for achievement of the physical targets which constitute the primary objective of the extension worker. In such an approach, only a limited number of farmers, mostly those who have resources and established contact with the extension agency and the needed input supplies, reap the benefits of agricultural modernisation. The gains do not spread very much from this group of farmers to others, as is commonly believed. Achievements, as measured by physical targets, do not indicate what proportion or what section of the farming community is benefited by the help given under the schemes. Very often, a small section consisting of bigger farmers continues to make progress, whereas the major part of the farming community stagnates in the traditional ways of farming. In other words, achievement of target area planted to HYV (high-yielding varieties) does not measure the involvement of small farmers, nor is it a good index of production.

The attitude and approach of the village level worker greatly influences the rate of agricultural modernisation. The Village Level Worker, today, is charged with fulfilment of physical targets, given to him from above, and is permitted very little initiative and local decision-making. His prime concern is the achievement of the physical targets on which his work is evaluated by superiors.

When he visits a village, he approaches his contact farmers (who are only a few in number and are generally the bigger farmers) and tells them what he wants to achieve in the village and what concessions, facilities, or help, are available through the operating schemes. After working with the small group of farmers, he does not bother to contact the remaining farmers as he realises that the achievement of his physical targets would not substantially go up with his efforts with the large group of traditional farmers. He is aware of the law of diminishing returns for his efforts and, therefore, moves on to the next village. Thus, he continues

his efforts with the easy-to-approach farmers, till his physical targets are fulfilled.

The result of the way in which the Village Level Worker operates today is that, more or less the same small group of big farmers in a village is contacted year after year; all the benefits of the developmental schemes are availed of mostly by these bigger farmers.

There is growing concern in the country over the widening gap between the big and small farmers. It is believed by many that the benefits of modern technology have gone mainly to the big farmers. The Sen Committee² states:

"Unless policies are carefully formulated and development programmes are specially directed to achieve a less uneven spread of the gains of progress, economic disparities between regions and between groups of rural population will arise and new alignments and organisation between economic groups will continue to give rise to serious economic and social strains."

Some measures have recently been taken to remedy this situation. Small Farmers' Agencies have been set up in selected districts of the country to help exclusively the small farmers. This is a commendable step but this, in itself, may not lead to the betterment of the whole community. Some views on these efforts state:³

"A scheme has been launched in selected areas of the country exclusively involving small farmers, with a view to encouraging them to adopt scientific farming. Valuable as this effort is, its exclusive approach may itself turn out to be a weak point as it is seen that efforts to tackle the problems of a particular group of farmers in isolation of the other groups, generally result in lukewarm reception at their hands. Perhaps a better approach would be to attempt tackling the village farming community as a whole, which would also ensure participation of small farmers."

It is evident that, if agricultural development has to progress rapidly, the whole farming community must move rapidly — whether big farmers, medium farmers, small farmers or landless labourers. Otherwise, one section of the community may prove to be a drag on the progress of the rest of the community. Agricultural development programmes, even if designed to serve a specific purpose or a particular class of farmers, must mesh together and synchronise into a total agricultural modernisation process.

Agricultural modernisation comes

about as a part of a total process that includes many related parts, viz, modernisation of the government sector as it deals with agriculture and farmers, modernisation of the market sector both in the services it offers and the mechanism of the market, modernisation of the agricultural finance sector, modernisation of the research and education sector, and modernisation of the agricultural process at the farm and village level, including the practices, methods and processes used in the management and technical skills of farmers and farm workers, attitudes of the farmer to his farm as a business and as a food-supplying unit for his family.

Agricultural modernisation ultimately takes place at the farm and village levels; the pace of agricultural modernisation is determined to a large extent by the development efforts operating at these levels. Very few farmers in India live in isolated homesteads. The fact that this agrarian settlement — the village — has a socially meaningful set of relations that can be identified as a 'village community' cannot be ignored. Agricultural development efforts, therefore, should aim at developing the village community. Above the farm level, the village appears to be the logical unit for development.

KEY CHANGE-AGENT

The Village Level Worker (VLW), who works directly with the farmers, is the most important change agent. His task extends much beyond technical agriculture. This is little realised. Not only his technical knowledge and skills, but also his ability to work with, influence, and change a large number of farmers, determine the extent to which he can accelerate agricultural development. At present he is neither trained nor equipped for this type of work. Furthermore, he is given little opportunity to develop such skills through his work assignment; nor is he rewarded for reaching the small, along with the big, farmers.

If the *target-oriented* schematic approach gives place to a *farmer-oriented* approach, demanding development and execution of local programmes, the present VLW, with some support and training, could be the real key change agent. Given the opportunity, he could initiate the process of village development and village involvement in rapid agricultural improvements. This has been convincingly demonstrated in the Intensive Village Development Programme in operation in a few Intensive Agricultural

District Programme (IADP) districts in the country.

THE RAIPUR EXPERIENCE

An example of a shift from the generalised or schematic approach to the localised village action programme, developed by and with village leadership, is provided by the Intensive Village Development Programme of Raipur district in Madhya Pradesh.

A report⁴ based on a survey of 36 villages and on case studies of six villages of Raipur district shows that the total approach to village community helped all farmers — big, medium and small — to move and act together in agricultural development. The results achieved were dramatic.

The area covered under package of practices increased from 34 per cent in the pre-programme year 1963-64 to 86 per cent in 1968-69. While overall participation of farmers increased from 41 per cent to 86 per cent in the same period, that of small farmers rose from 33 per cent to 87 per cent. Consumption of nitrogenous fertilisers increased from 496 to 1,640 tonnes and of phosphatic fertilisers from 416 to 1,528 tonnes. The small farmers increased their per unit yield by 59.8 per cent and the bigger ones by 66.7 per cent.

That, except for adopting a farmer-oriented village approach and providing the full time services of a Village Level Worker, no extra grants, subsidies, or other monetary incentives were offered to the farmers of the intensive villages, only goes to highlight the value of the new approach.

Under the Intensive Village Development Programme one Village Level Worker was selected for each of the Intensive Village when the programme was launched. In subsequent years, more than one village was allotted to a worker. The selected workers were given a preliminary training. No physical targets were given to the Village Level Workers; their assignment was to help all the farmers in their villages in stepping up agricultural production. They were given broad outlines of possible technical innovations, such as better use of irrigation resources, promotion of multiple cropping, introduction of better varieties, etc, but they were not tied down to any specific targets. Their targets, if any, were the villages in their charge and the farmers therein. They were assured of supplies of inputs, credit, etc, according to the needs of the programmes developed locally by them.

The prime concern of the Village Level Worker, under the new programme,

was to find ways and means to reach the large number of farmers in his charge. He adopted the whole-village approach.

In order to take the whole village into confidence for the purpose of the intensive programme, the informal forum of village meetings was considered advantageous. Incidentally, this forum had never been used before for furthering the cause of agricultural development. The village meetings, called previously, had generally assumed a formal tone with the villagers acting as the audience rather than as active participants in the meetings. To ensure success now of the new whole-village meetings, careful preparation needed to be made. The Village Level Worker had to collect information about the possible objections to the acceptance of the programme, had to discover persons from within the village who were capable of meeting the objections, and had to identify the hard-nuts who required special attention. Since everyone participated freely in the village meeting, he had some commitment to the decisions arrived at in the meeting.

COMMUNITY INFLUENCE AT WORK

The resolution of the majority of the farmers to adopt new practices created confidence in those who were undecided and ultimately made them accept the new practices. The village leaders actively helped to prepare farm plans. They helped the Village Level Worker in approaching the few farmers who were shaky.

Some farm leaders went to the extent of helping small farmers with loans and gave assurance against failure. In one of the villages some land was held in the name of village temple. No loan for inputs like fertilisers could be obtained for the temple lands. The villagers had decided that no land in the village would remain under traditional practices and they did not like to make an exception in the case of temple lands. They raised contributions for purchase of needed inputs; temple lands, too, were brought under improved practices.

What prompted the opinion leaders of the village to participate and lead a village development effort of this type? It is difficult to answer this question with definite evidence. But the association of the author with the early stages of the Raipur programme leads him to think that it was the motivation, provided by the close association of the Village Level Worker and supported by the block and district staff, that activated the village leadership.

The reduced jurisdiction of the Village Level Worker, with his residence in the village itself, provided him with the opportunity to work closely with the village leaders. Studies elsewhere⁵ also show a high degree of correlation between the extension agency contact of the leaders and the village level adoption of agricultural innovations.

A few traditional leaders did initially show apathy towards the new programme but when they found that, through the group and village meetings, a climate was developing in favour of the innovations they found it to their advantage to lend support to the village programme. Above all, the author believes that the inherent urge of the opinion leaders, to be of use to the community, found an active expression through the village action programme.

ROLE OF BLOCK, DISTRICT, AND STATE LEVELS

The Village Level Worker is the key man in the programme and needs enough freedom to evolve and operate local programmes; but he also needs constant guidance, help, encouragement, and support from the block and district staff. He has to be supported when questions like credit, availability of inputs, equipment, technical knowhow, etc, are involved. The State level officers, in turn, need to support fully the local programme with technical inputs and guidance.

The Raipur experience showed that, in the village leader's perception, the competence or otherwise of the Village Level Worker is not as important as the performance of the whole extension agency team backing him. Similar observations were also made by Fliegel and others,⁶ who studied agricultural innovations at the village level. They inferred from their study that team performance is of greater importance than the perceived competence of one of the team members.

Thus, for the success of a village programme, the whole extension agency, from the village level upwards to the State level, has to be oriented and geared to the needs of the new approach. Other area programmes — Small Farm Development Agency, Multiple Cropping Programme, etc, — should learn from this experience.

Of course, farmers' behaviour and attitudes towards agricultural work vary considerably from area to area — and so must the methods to work with them. Needless to say, the experimental programme of Raipur cannot be repeated without modifications in all parts of the

Green Revolution and Agrarian Conflict

T K Oommen

The prevailing explanation of agrarian conflicts and unrest in the countryside may be summarised as follows: The strategy of agricultural development adopted so far has been mainly production-oriented and the problem of distributive justice has remained unattended to; the fruits of the 'green revolution' and the problem of distributive justice has remained unattended to; the fruits of the 'green revolution' are pocketed mainly by the rich and prosperous farmers and the disparity between them and the have-nots, particularly landless labourers, has increased; the increased disparity has led to a sense of deprivation among the weaker and poorer agrarian classes and their frustrations are manifest in agrarian tensions, occasionally leading to eruption and violence.

This causal explanation of agrarian tensions, it is suggested in this paper, is naive and too simple; the problem is much more enormous and complex.

The major factors involved in agrarian conflict, the author suggests, are (i) perception of prevalent disparities in income by the rural poor; (ii) the strength of the agricultural labour force and its consciousness of its political bargaining power; (iii) the existence of an adequate support-structure provided by the political parties; (iv) the rising aspirations of the rural masses; and (v) the increasing lack of fit between the socio-political framework and the economic order.

PEASANT revolts and agrarian conflicts were by no means unknown in India; but unrest in the countryside has been widespread in the past few years. The prevalent explanation for the rural unrest may be summarised as follows. The developmental measures initiated since Independence have caused an upward trend in agricultural productivity. The strategy of development has been mainly production-oriented and the problem of distributive justice has remained unattended. The fruits of Green Revolution are pocketed mainly by the rich and prosperous farmers, and the disparity between them and the have-nots—particularly landless agricultural labourers—has increased. The increased disparity leads to a sense of deprivation among the weaker and poorer agrarian classes and their frustrations are manifest in agrarian tensions, occasionally leading to the eruption of violence.¹

I suggest that this causal explanation of the agrarian tensions in India is naive and too simple, and that the problem is much more enormous and complex. Of the several theoretical deficiencies in the argument, a few may be mentioned here. Firstly, the argument seems to accept deprivation as sufficient cause for unrest. Secondly, it falls back on a single-factor theory of agrarian tension, viz, economic disparity. Thirdly, the argument implicitly recognises a certain sequence of events. Fourthly, it suggests that agrarian tension in India is a recent phenomenon.

That the concept of deprivation is a relative one is widely accepted. One may not feel deprived when all live in poverty and squalor. Yet, class polarisation will not by itself lead to a feeling of deprivation. Further still, even if one feels deprived one may not feel aggrieved or wronged. This was why poverty-stricken masses tolerated the wealthy and the powerful in traditional societies. However, as the values of a system change and promises and hopes are given to the weak and the poor, they start comparing their lot with that of others, and so start searching for the 'why' of their pitiable predicament. Even then, available empirical evidence suggests that, those who are at the lowest level of a society are likely to feel less deprived than those who are in the middle level.² In other words, existential conditions in themselves are not sufficient to produce the sense of deprivation. One has to have the ability to perceive deprivation and this normally is not present in the lowest stratum in a static society.

Even when those at the lowest stratum feel deprived, rationalisations such as the theory of Karma and Reincarnation may be effectively utilised to silence them. Moreover, the traditional structure itself may permit limited social mobility, thereby meeting the aspirations of the deprived, without necessarily destroying the essentials of the system. In the Indian context the process of Sanskritisation provides this.

By contrast, in a changing society wherein the revolution of rising expectations is given a boost, the sense of deprivation may be intense and the quest for distributive justice is likely to be widespread. The sense of deprivation is unlikely to disappear from a modern or modernising society. What is happening in contemporary India is progressive dislocation between wealth, power and privileges.

The rich in rural India may be getting richer following the Green Revolution, but they are also experiencing an

erosion of power from their hands. The introduction of adult suffrage and the principle of one-man-one-vote are revolutionary instruments of change when introduced into a closed society. The significance of numbers in a democratic political set-up is uncalculable. The introduction at the grass-root level of organisations such as the statutory panchayats, the co-operatives, etc., has offered opportunities to the economically poor and socially underprivileged but numerically superior and, therefore, politically significant groups to assert themselves in several contexts. This emerging situation inevitably threw up a number of conflicts. Certain social situations, so to speak, permit or encourage inter-group conflicts more than others do. Agrarian unrest in contemporary India is made possible by certain changes in Indian society and polity which are particularly conducive to conflict generation.

But conflicts have to be pursued purposefully. It is in fact not necessary that economic deprivations be felt first for inter-group confrontations to emerge. The growth and spread of an organisation or political party which champions the ideology of conflict could lead to inter-group conflict even when people are relatively well-fed and clothed. Again, in all inter-group conflicts certain precipitating factors are employed by those who lead the agitations to mobilise participants into action. In most cases the hard core of committed agitators is very small in number, and by themselves could not achieve serious targets. The leaders, therefore, invariably employ certain precipitating factors, which are often irrational, to mobilise a large number of less committed but sympathetic supporters in order to draw

country. It will have to be suitably adapted to the local needs of each area.

Rapid agricultural modernisation requires that a new dimension be added to our present efforts to help the farmer with physically measurable schemes—the new dimension which will concern itself with attitudes and skills of the farmer and with more effective methods of reaching him. We must ask ourselves how are the farmers beginning to express their changed attitudes, how are they using the improved skills, what do they expect of Government as to policy, assistance, price and other incentives, avoidance of disincentives and what they expect of the marketing system, of co-operative and private firms, and of development efforts. From the farmer's viewpoint all these are changing and we must be well acquainted with his viewpoint. We must realise that, with the impact of modernisation, what 'has been' is so inadequate compared to what 'needs to be' in the village setting.

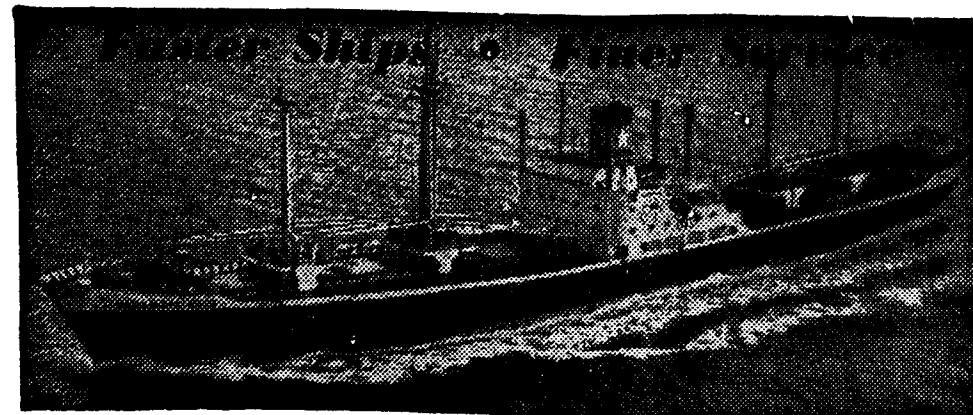
As G A Patel⁷ puts it, "Despite the claim of modern science and technology, man himself still remains the most decisive factor in agricultural production programmes. In overlooking this, the society is likely to miss the most essential element in agricultural development. People are the heart of agricultural extension programmes. They are the central forces in the process of agricultural development. It is man who is the decision-maker in the production processes. It is he who is the operator in the process. It is the behaviour of man which affects the programmes of agricultural development."

If the pace of agricultural development is to be quickened, we must reorient our efforts so as to provide for this most important ingredient of development; we must aim at change in people rather than achievement of targets; we must develop a process for continually helping the farmers rather than develop schemes for each component of development; and, above all,

we must evolve through continuous experimentation, better and more effective ways of working with the farmers.

Notes

- 1 A T Mosher, "Getting Agriculture Moving" — Agricultural Development Council, 1966.
- 2 Report of the Expert Committee on Assessment and Evaluation of IADP, "Modernising Indian Agriculture", Ministry of Food and Agriculture, GOI, 1969.
- 3 *Fertiliser News*, July 1970, 'Frank Notes'.
- 4 A Report on the Intensive Village Development Programme in Raipur District, Madhya Pradesh, "Quickening the Pace in Village Improvement", Ministry of Food and Agriculture, GOI, 1969.
- 5 F C Fliegel, P Roy and others, "Agricultural Innovations in Indian Villages", National Institute of Community Development, 1968.
- 6 *Ibid.*
- 7 G A Patel, 'Extension Services for Farmers', *Commerce*, Annual Number 1970.



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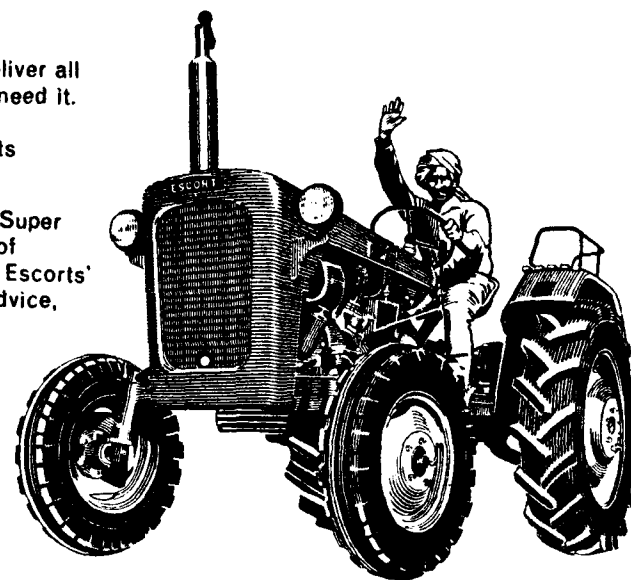
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them in. Finally, the role of social control agencies is very crucial in the context of inter-group conflicts. Insofar as the agitators have open or silent support of the police, the Press, the courts, etc., in all probability the frequency of the crises will increase.

If there were an unmistakable association between the current wave of agrarian unrest and the economic disparity believed to have resulted from the Green Revolution, it should be reasonable to put forward the hypothesis that, the greater the impact of the Green Revolution in an area, the more the disparity between the rich and the poor, and the greater the prevalence of agrarian tensions.³ Exponents of the viewpoint stated at the outset of the article, may hesitate at such an explicit formulation of this hypothesis although the position is implicit in their argument. The fallacy in the hypothesis can be demonstrated only with reference to empirical evidence. Unfortunately, we have hardly any codified data on the problem at hand. What follows is an attempt to examine the available data in order to find out whether it confirms the prevalent argument.

Agrarian agitations may be initiated either by the landed for protecting their interests or by the landless in pursuit of their betterment. In the two years, 1967 and 1968, 62 cases of agrarian tensions were reported; 19 in the first and 43 in the second year.⁴ Of these, 51 (nearly 82 per cent) agitations were directed against the landed by the landless to press their demands. The leading themes of these agitations were: Land for the landless and increase in the wages of agricultural labourers. Forcible occupations of land and seizure of crops were resorted to by the agitators to press their demands. Only 11 agitations were led by the landed (peasants) pressing for demands such as rehabilitation of persons displaced by construction of dams, decrease in levy and land revenue, added irrigational facilities, lower price for evacuee land, increase in price for agricultural products, etc. In the present study we focus only on the agitations led by the rural proletariat or their agents against the landed.

The State-wise break-up of these agitations (during 1967-1968) reveals very interesting facts. While no State is exempt from the phenomenon of agrarian unrest, the two States with the largest number of these agitations (against the landed) are Bihar (8) and Madhya Pradesh (7). If the prevalent argument, viz., that the present wave of agrarian tensions have an unmistakable associa-

tion with the Green Revolution, is true, neither Bihar nor Madhya Pradesh would have topped the list with the largest number of agrarian agitations against the landed; for, these States are not in the vanguard of agrarian prosperity caused by the recent breakthroughs. By the same logic, Punjab, the State in the forefront of the Green Revolution, should have had a large number of agrarian agitations. However, in the years 1967-68, there were only three agitations in the Punjab, and these agitations were not particularly widespread or violent compared with similar agitations elsewhere. This being so, there is a strong case for re-examining the prevalent hypothesis regarding the cause of agrarian unrest in contemporary India.

Agrarian unrest is more intense in certain areas—among them being the Naxalbari area in West Bengal, the Alleppey and Kottayam districts in Kerala, the Lakhimpur district in Assam, the districts of Guntur, Nellore, East Godavari, Khammam, Krishna and Srikakulam in Andhra Pradesh, the Koraput area in Orissa, the Broach district in Gujarat, the Tanjore area in Tamil Nadu.

Yet, between 1964-65 and 1968-69, all the basic indicators of agricultural growth in rice have remained practically unchanged in contradistinction those in wheat;⁵ and yet, agrarian conflicts are much more widespread and intense in the rice-growing areas such as West Bengal, Andhra Pradesh, Kerala etc., as compared to in Punjab—the wheat basket of India. Obviously, the presumed relationship between the Green Revolution and agrarian tension is an imputed and not a real one.

It is instructive to examine here whether the problem of distributive justice is better attended to in the wheat growing areas as compared to in the rice-growing areas, to test whether the feeling of deprivation among the rural have-nots is lessened for this reason in the wheat growing areas leading to the containment or resolution of conflict.

In his attempt to see whether the economic conditions of agricultural workers have improved due to the Green Revolution, Bardan⁶ compared the wages of agricultural workers in Punjab and Kerala. He found that the percentage of wage increase between 1956-57 and 1964-65 for agricultural workers was only 17 in Punjab while it was as high as 92 in Kerala. For the same period, the percentage increase in the consumer price index for agricultural labourers was 34 for Punjab and 37 for Kerala. Although, agricultural produc-

tion went up by 42 per cent in Punjab during this period there has been a fall in the real wage rate.⁷ On the other hand, the condition of agricultural workers seems to have bettered considerably in Kerala, even though the State's record in agricultural productivity is not very impressive. If the prevalent explanation of agrarian unrest were correct, there should have been greater rural unrest in Punjab at least as compared with Kerala, for, the disparities between the rural haves and have-nots did increase in the former. But notwithstanding the substantial improvement in agricultural wages, unrest is widespread in Kerala, at any rate as compared with Punjab.

The question of increased or increasing economic disparity between the rich and the poor in India in the context of the Green Revolution cannot be adequately understood unless the issue is discussed in relation to the number of days worked by agricultural labourers. While the surplus labour days available per worker per year on an all-India basis were 121.26 days, such days were as low as 38.51 in the Punjab in 1956-57.⁸ B Sen, estimates that the average number of days of unemployment per agricultural labourer per month for want of work are the highest in Kerala at 9.17, and in the Punjab they are only 3.64; he concludes that the problem of unemployment of farm labour would still remain acute after technological change in Kerala, Bihar, and Madras—although elsewhere employment opportunities will improve perceptibly.⁹ That is to say, increase in the wage rate of agricultural labourers does not in itself adequately reflect distributive justice and in these very areas the possibility of accentuating agrarian tension is enormous due to unemployment of farm labour being acute.

The proportion of agricultural labour force to total population seems to be another important variable aggravating rural tensions. Punjab had a comparatively small landless labour force—only 10 per cent of the total labour supply—in 1964. Moreover, it is estimated that the landless labour force in Punjab will decline to 5 per cent by 1983, due to a diverse labour-absorption pattern.¹⁰ By contrast, the landless agricultural labour force in Kerala constitutes 17.38 per cent of the State's total population in 1961. The fact that their number is formidable renders them an important political force to reckon with. It is not altogether surprising that political parties of the Left are successful in mobilising them against the landed.¹¹

Broadly speaking, three approaches to tackle agrarian problems seem to suggest themselves by a study of the past. Violent uprising by the aggrieved peasants, legislative measures introduced by the state, and voluntary non-violent action. It appears to me that these approaches have had their full run successively, but unsuccessfully, in India and that the cycle has restarted, with violent uprising, once more. Let me elaborate.

Even if we concentrate on the immediate past, it is the Telengana peasant uprising on the eve of Indian Independence, the Punnappa-Vayalar revolt of 1946, the radical peasant movements in eastern Uttar Pradesh and West Bengal, etc., that rush to our mind. In the pre-Independence era, almost all sections of the Indian population were mobilised against British rule, and the rural population including the rural poor were not behind in this respect. However, between 1947-1957 one notices a period of lull in regard to agrarian unrest—for a variety of reasons, the chief among them being political. With Independence and the subsequent moving away of the radical elements from the Congress party, the Leftist forces remained submerged and suppressed leaving the rural proletariat relatively unorganised. By mid-fifties the Communist Party of India reappeared on the Indian scene with strength in certain States, such as West Bengal, Kerala, Andhra Pradesh. In 1957, when the first Communist ministry came into power in Kerala, the political legitimacy of the party had increased considerably at the all-India level.

Yet this violent armed peasant uprising, as such, in the late forties had not made any profound changes in the agrarian structure. With the ending of one such attempt uprisings became infrequent till the late sixties. One of the early and more 'successful' cases of peasant uprisings was the one in Telengana. Terror and insecurity prevailed in Telengana, particularly in the districts of Nalgonda and Warrangal, for two years, 1948-50. Armed Communists practising guerilla warfare struck at night—the pattern was to murder landlords and to divide the land among the poor. According to Communist account, a total of 3,000 villages had been seized by peasants. It is claimed that the Telengana peasant riot shook for the first time, "the main bastions of feudal order in India to its very foundations and blazed the path of the Indian people's Democratic Revolution."¹³ But the uprising was put down and no basic alterations took place in the social struc-

ture of Telengana. The poor in Telengana had to settle down to the traditionally underprivileged life they had been leading.

At the same time, with Independence, the need for agrarian reform was widely recognised. The enormity of political rhetoric produced in favour of the rural poor is striking. The list of Committees and Commissions appointed to look into the rural problems of various sorts is formidable. The land reform laws enacted since Independence constitute the largest body of agrarian legislations passed in so brief a span of time in any country. And yet, the agrarian problem remains basic, serious, and deeply rooted even today.¹⁴

The non-violent Bhoodan-Gramdan movement initiated by Vinoba Bhave in 1951, also failed. The initial objective of the movement was to secure voluntary donations of land and to distribute it to the landless. The movement subsequently came out with a demand for one-sixth of the land of all land owners. In 1952, the movement had widened into Gramdan (literally, village-in-gift) and started to emphasise collective ownership in land. The idea was that in a Gramdan Village the land would be distributed equitably among the households taking into account the number of persons in each household. As was to be expected, such a measure was not welcomed by the landed in general and the richer landlords in particular. Redistribution of land on equitable basis hardly took place anywhere.¹⁵ To narrow the gap between the ideal and the actual, the concept of Gramdan was redefined in 1965. Instead of an equitable distribution of land it was thought to be satisfactory, if all landowners parted with one-twentieth of their land, for distribution to landless. This new arrangement was designated as *Sulabh Gramdan*. Though the leaders of the movement rationalise the goal transformations of the movement as one step backward in order to march two steps forward, in effect, the notion of *Sulabh Gramdan* was a substantial change in goal orientation and marked an acknowledgement of the very decline of the movement.

Agrarian violence erupted again with added vigour in 1967 in the Naxalbari area of West Bengal, led by a group of extremists from CPI(M) and who are now associated with CPI(ML). Having experienced frustration for 23 years after Independence, despite the multiplicity of agrarian reforms initiated by the State and despite the tall claims of the Bhoodan-Gramdan movement by believers in

'non-violence', the rural poor were restive and ready to respond to a programme of violent action. I am not suggesting that the rural poor in contemporary India are highly politicised and organised, but that the situation is ripe for their political mobilisation. The recent land grab agitation started on a country-wide basis by parties of the Left on August 7, 1970, spread like wild fire. Over 16,000 political workers belonging to CPI, SSP, and PSP were arrested. These parties claimed that 30,000 acres of land had been occupied by their volunteers numbering over 100,000.¹⁶ The land occupied belonged either to the Government or to top political leaders or to top business houses.

CONCLUSION

Having questioned the validity of the prevalent explanation of agrarian conflict in India, we suggest that the major variables involved are (1) perception of prevalent disparities in income by the rural poor, (2) a viable numerical strength of the agricultural labour force and their consciousness of their political bargaining power, (3) the existence of an adequate support structure provided by political parties, (4) the rising aspirations of the rural masses, and (5) the increasing lack of fit between the socio-political framework and the economic order. At no time, and in no part of the country, was rural unrest widespread except when the rural have-nots were mobilised by a political party or movement. Traditionally, the economically poor in rural India were also socially underprivileged and politically helpless, and their aspirations therefore remained frozen. Today, the situation is different.

Notes

- 1 "The Causes and Nature of Current Agrarian Tensions" (unpublished), Ministry of Home Affairs, Delhi, 1969. Frankel wrote in 1969, "...the IADP approach and the HYV Programme have not only contributed to increasing economic disparities in rural areas, but also to atmosphere of social polarisation, leading to social instability and agrarian tension. See, Francine Frankel, 'Agricultural Modernisation and Social Change', *Mainstream*, November 29, 1969, p 9. B B Das, a Member of Parliament (PSP), writes: "The so-called Green Revolution which is limited to a few pockets and also to the affluent sections only, has created a wide economic gap in the rural society and aggravated the tensions." See Banka Behary Das, 'Onward with Agrarian Revolt', *Mainstream*, March 28, 1970, p 12. Also see, Clifford

- R Wharton, Jr, 'The Green Revolution: Cornucopia or Pandora's Box?', *Foreign Affairs*, April 1969.
- 2 W G Runciman, 'Relative Deprivation and Social Justice', London, Routledge and Kegan Paul, 1966.
- 3 Ladejinsky writes: "Precisely because the Green Revolution has found its widest application in Punjab, the probability is that, relatively speaking, the gap is greater there than in any other part of rural India". Naturally, then, we should have had more of agrarian tension in Punjab, if disparity were the cause of it. See, Wolf Ladejinsky, 'The Green Revolution in Punjab: A Field Trip', *Economic and Political Weekly*, Volume IV (26), June 28, 1969, p A-81.
- 4 See, Ministry of Home Affairs, *op cit*.
- 5 Wolf Ladejinsky, 'Ironies of India's Green Revolution', *Foreign Affairs*, Volume 48 (4), July 1970, pp 758-768.
- 6 Pranab Bardhan, 'Green Revolution and Agricultural Labourers', *Economic and Political Weekly*, Volume V (29-31), Special Number, July 1970, pp 1239-46.
- 7 However, James Gough points out in a recent article that "in Punjab the rate of real wages is rising and that this increase is associated with the Green Revolution". See James W Gough, 'Agricultural Wages in Punjab and Haryana: A Note', *Economic and Political Weekly*, Volume VI (13), March 27, 1971, p A-20. What is significant for our purpose is that the rise in agricultural wages in Punjab, even if it has increased, is less as compared with that in Kerala.
- 8 See, The Government of India, The National Sample Survey, Tables with notes on Wages, Employment, Income and Indebtedness of Agricultural Labour Households, Eleventh and Twelfth Rounds, August 1956-August 1957.
- 9 B Sen, 'Technological Change and the Prospects for Farm Labour and Farm Mechanisation', 'Seminar on Farm Mechanisation', Indian Society of Agricultural Economics, Vallabh Vidyanagar, July 24-26, 1970, pp 9-10, (Mimeo).
- 10 See, Martin H Billings and Arjan Singh, 'Conventional Energy as a Constraint to the Green Revolution, 1964-1984: The Punjab Case', US AID, (Mimeo), April 1969, p 23.
- 11 Government of Kerala, State Planning Board, 'Fact Book on Agriculture', Trivandrum, 1969, p 2.
- 12 However, I am not suggesting for a moment that the size of agricultural labour force in itself will lead to an inflammable situation. For instance, the two States with the largest number of agricultural labour households in 1956-57 were Tamil Nadu and Andhra Pradesh, 36.54 and 35.59 percentage of the total rural households, respectively. In contrast, only 22.73 rural households in Kerala fall into this cate-

gory. See H B Shivamaggi, 'The Agricultural Labour Problems: Past Misconceptions and New Guidelines', *Economic and Political Weekly*, Volume IV (3), March 29, 1969, pp A 41-49.

- 13 G Adhikari, 'Resurgent India', Bombay, Peoples' Publishing Home, 1956.
- 14 Daniel and Alice Thorner, 'Land and Labour in India', Bombay, Asia

Grindwell Norton

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Publishing House, 1962, pp 5 and 63.

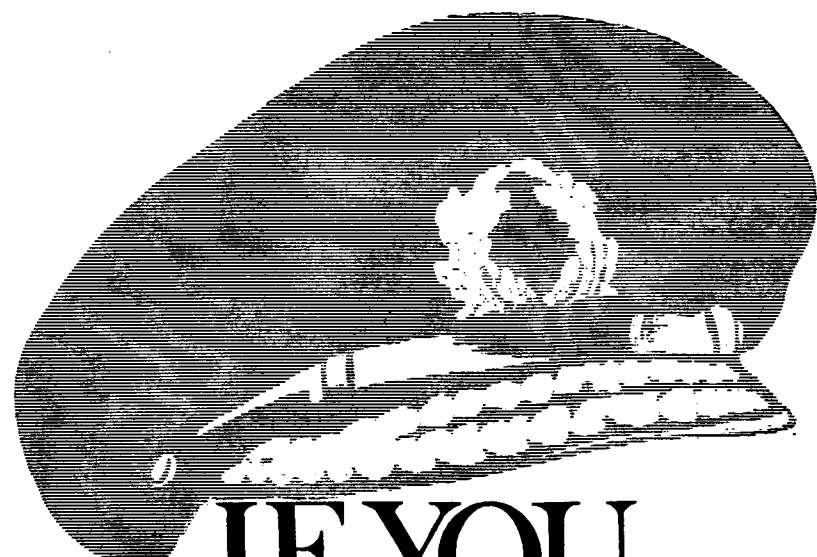
- 15 T K Oommen, 'Non-Violent Approach to Land Reforms: The Case of an Agrarian Movement in India', *Zeitschrift Fur Auslandsche Landwirtschaft*, 9(1), March 1970, pp 44-55.
- 16 This is computed by the author based on newspaper accounts on the land grab agitation.

companies. Grindwell's factory at Mora has since been expanded, and it is now producing more and better products than ever before. Grindwell Norton claim that their factory is as modern as any grinding wheel factory in the world today.

As part of Norton's policy, sites best suited for the manufacture of particular product groups are selected as the world source for those products. Grindwell Norton has been selected as the world source for a particular product segment and production facilities are being increased for this purpose. Currently Grindwell Norton is exporting a substantial portion of its production of these particular items to Europe. The demand is increasing, and the company is now planning further expansion. Once the European market is satisfied, the company will look towards the Asian and Pacific markets where there are considerable export possibilities.

Norton has been the inventor of many new products, and an intensive programme is still maintained. New abrasive types, new manufacturing techniques and new application systems keep flowing from the R and D Department. Grindwell Norton, in Bombay, can not only benefit from, but can also participate in, the programme. Norton has found it beneficial to distribute part of the responsibility for R and D to associate plants. This applies to other skills also. There is to be an exchange of people, both from the Indian plant to other countries, and from other plants to the Indian plant.

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The Radcliffe Report: A Decade

Anand G Chandavarkar

Money in Britain, 1959-1969 (The Papers of the Radcliffe Report — Ten Years After Conference at Hove, Sussex); edited by David R Croome and Harry G Johnson, Oxford University Press, 1970; pp 304; £ 1.00 net.

THIS volume contains the papers and proceedings of a conference of monetary economists working in British universities, merchant and commercial banks, Bank of England and H M's Treasury, which was convened in October 1969 to commemorate the tenth anniversary of the publication of the Report of the Radcliffe Committee into working of the UK monetary system. According to the editors the conference had three major objectives: (1) to review developments in the areas about which the Radcliffe Committee had been especially concerned, particularly changes in the structure of the UK's financial system and in knowledge of how it works in theory and practice; (2) to bring together the relevant economic expertise, scholastic and practical to ensure the pooling of special knowledge of and insights into the monetary system so as to ensure the expression of official, commercial and academic view on every question; and (3) to establish some common ground and the beginnings of a mutually understood frame of reference among economists used to observing the monetary system from a particular institutional vantage point. Except for the unfortunate exclusion of external financial relations owing to limitation of time, the conference explored all the major post-Radcliffe developments.

SIX BROAD TOPICS

The format of the volume reflects admirably the spirit and purpose of the proceedings, which were based for each topic on one basic background paper, followed by two discussion papers and brief summaries of the subsequent informal discussions. The Conference covered six broad topics: (I) The Radcliffe Report in the Tradition of Official British Monetary Documents, presented by E Victor Morgan (University of Manchester) with discussion papers by L S Presnell (London School of Economics) and W T Newlyn (University of Leeds); (II) The Radcliffe Report — Ten Years After — A Survey of Empirical Evidence by A A Walters (LSE) with discussion papers by L Dicks-Mireaux (Bank of

England) and M Parkin (University of Essex); (III) Recent Developments in Monetary Theory — A Commentary by H G Johnson (LSE), with discussion papers by D Laidler (University of Manchester) and R T Armstrong (H M Treasury) who was Secretary to the Radcliffe Committee; (IV) The UK Financial Sector since Radcliffe with basic papers on the Evolution of Monetary and Financial Institutions by R J Clark (National Westminster Bank); Non-Clearing Banks by T Rybczynski (Lazard Bros); Monetary Policy and the Clearing Banks by J E Maycock (Midland Bank), followed by discussion papers by P Davidson (Rutgers — The State University, New Jersey, USA), A B Cramp (Emmanuel College, Cambridge) and G Clayton (University of Sheffield); (V) The Operation of Monetary Policy since Radcliffe (prepared by the Bank of England in consultation with the Treasury) and discussion papers by R F G Alford (LSE) and J R Winton (Lloyds Bank). The last part (VI) comprises a bibliography of articles relating to the UK financial system published between 1958 and 1968/69 prepared by D R Croome and P J Nicholls (Queen Mary College, London). The other discussants in the conference comprised an impressive cross section of the academic, banking and official community in the UK, including Professors Sayers, J S G Wilson, G Maynard, D Rowan, C Kennedy, Sir Donald MacDougall and M V Posner (Treasury), C McMahon (Bank of England), J E Wadsworth (Midland Bank) and others.

HANDSOME BOUQUET

It may sound churlish to begin this review with a note of regret but it does seem unfortunate that the editors could not include the informal speech by Sayers at the inauguration of the Conference on the subject of the work of the Radcliffe Committee. The reader can only speculate on the substance of what must have been a customarily succinct and perspicacious discourse by the doyen of British monetary economists. On the other

hand the editors merit a handsome bouquet for the choice of the title of the volume which surely is intended to convey the message — so often overlooked by critics of the Radcliffe Report — that the Report is to be viewed essentially as a diagnosis and prescription of British monetary institutions, policies, and situations rather than as a stylised model in terms of the theorist or the econometrician. It cannot be stressed too often that more than any other branch of economics, monetary theory is perhaps the most "institutional" and cannot be comprehended except in terms of history and specific environment.

IMPORTANCE OF INSTITUTIONS

A good example in point is the fact that the efficacy of monetary policy depends, among others, on the nature of the transmission mechanism which is unique to each monetary system. Thus Alford rightly points to differences in the UK and US monetary management arising from the fact that the volume of domestic bank deposits is demand determined by the private sector in the UK and given reserve ratios so is the volume of bank reserves; in the US control over bank reserves is the means of influencing bank deposits and so expenditure. Accordingly, "these two different strategies lead to chains of causation passing through the monetary system in opposite directions. This offers impressive scope for misunderstanding between those implicitly thinking in terms of one system and those implicitly thinking in terms of the other. The choice between these (and other) strategies is a matter of political attitudes and the technical efficiency of the different measures in local circumstances" (p 232). But equally contemporary institutions cannot be understood except in terms of their history even as in economic dynamics the end-result is conditioned by the "path". This role is admirably fulfilled by Victor Morgan's valuable background paper which sets the Radcliffe Report in the great British tradition of official monetary documents which goes back to the famous Bullion Report of 1810 through the Macmillan Committee (1931), the Cunliffe Committee (1918-1919) and the Gold and Silver Commission (1888). Morgan's paper shows that the problems and policy objectives studied by the Radcliffe Committee were not different in

kind from those which faced the twenty other committees that have examined the British monetary system since 1797 — the maintenance of the exchange value and domestic purchasing power of the currency, avoidance of unemployment and creation of conditions favourable to growth—even though the language and priorities have changed from time to time.

Walters' impressive survey and critique of empirical evidence bearing on the Radcliffe Report appears to put too much emphasis on the Friedman-Meiselman approach and too little on the need for disaggregated research for stable structural relationships of financial markets through which monetary policy instruments influence economic targets. Many discussants were therefore rightly critical of the use of reduced-form equations which attempt to link the gross aggregates of money and income in relations like demand for money equations or "money multipliers". Among the many conceptual problems raised were the correct definition of the money stock, "liquidity" as an independent variable, building of expectations into models, links between monetary variables and sectoral consumption patterns and between public-sector financing and the money supply, the relation of external financial flows and the domestic financial system, and the behaviour of the gilt-edged market, etc. The most revealing comment on the status of econometric testing was made by Dicks-Mireaux, according to whom, "by most statistical tests, the evidence quoted by Professor Walters... preceding his conclusion that, effectively money matters in the United Kingdom could be... adduced in support of the opposite conclusion" (p 74).

VALUABLE SURVEY

Johnson's commentary is a valuable survey of developments in monetary theory since the Radcliffe Report, such as the rise of "monetarism" and the contributions of the "portfolio-balance" approach of the Yale School under the leadership of James Tobin, the latter "providing belatedly the intellectual foundations of the Radcliffe Committee's position on monetary theory and policy" (p 101). Several discussants doubted the value of theoretical work on the optimality of money stock for economic growth. The discussion also ranged around the shape of the Phillips curve (several speakers claimed that the evidence adduced could be interpreted to suggest a vertical curve), the role of ex-

pectations and the exogeneity of the money supply in the economy. In the latter context it was noted that the currency-deposits ratio in the UK has been quite variable but that the demand for currency has been a very stable proportion of transactions on income. This however, leaves unanswered the question why the UK authorities have chosen to disregard this relationship, namely the currency supply, as a policy instrument despite its potential usefulness? Certainly an interesting thought!

Part IV is a useful descriptive survey of the institutional changes in the UK financial sector since Radcliffe. A major conclusion is that the share of the clearing banks themselves will continue to decline but that this relative decline will be more than made up by the acquisition or establishment of subsidiaries by the banks. But the changes in the position and business of non-clearing banks are attributed largely to secular trends suggesting that the influence of monetary and other policies has been rather limited. Against the academic case for greater interbank competition through repeal or relaxation of cartel arrangements on interest rates, it was suggested that competition could not be effective while the banks remained under a system of tight credit controls. This seems to be more or less the official position as stated by the Chancellor of the Exchequer in the House of Commons on July 25, 1969, namely that "the public interest would not be served, at any rate at the present time, by urging the banks to abandon their agreement upon deposit and lending rates". Another subject of discussion related to the question of the optimum controls on the banking system. Bankers expressed a preference, in place of advances control, policies which operated along lines which they would follow in normal operations, probably a required cash and liquidity ratio.

The discussion on monetary policy since Radcliffe (Part V) was mostly concerned with the attitude of the authorities to the DCE (Domestic Credit Expansion) concept, their views on the bond market and the particular types of policies they favoured. The authorities regard the DCE concept which has developed out of discussions with the IMF staff, as one of several useful indices of economic performance but much work needs to be done on its linkages with economic activity. The concept itself could be refined to accommodate changes in the pro-

portion of high-powered to other money in the overall aggregate.

It is also interesting to note that the discussants were divided about the relative merits of interest rates and money supply as the principal policy variable although there was an emerging consensus that there would be a greater reliance on monetary policy in the next few years. Most discussants, however, agreed on the need for more rigorous and comprehensive analysis and measurement of all the significant behavioural and structural relationships.

All in all, the conference seems to have provided an admirable forum for all points of view on what are essentially debatable themes of great practical import. It highlights, among others, what is by far "one of the great and lasting contributions of Radcliffe", namely, "to call forth much of the data which provided evidence for the refutation of its hypotheses. Monetary economics must at some time or other come to terms with the facts of life... The Radcliffe Committee greatly speeded this process, in part by its provocative report... the fall-out has been impressive" (Walters, p 65). A magisterial summing up of one of the enduring contributions of the Radcliffe Report.

Books Received

- Andley, K K: Foreign Exchange: Principles and Practice; Sultan Chand, 1971; pp viii + 327; Rs 12.
- Burn, Barbara B: Higher Education in Nine Countries — A Comparative Study of Colleges and Universities Abroad; McGraw-Hill Book Company, 1971; \$ 7.95.
- Chanana, Charanjit (ed): Marketing of Farm Products in India; Marketing and Economic Research Bureau, Delhi, 1971; pp 96; Rs 20.
- Indian Oxygen Limited: The Past Year in Retrospect — A Review of Political and Economic Events in 1969-70; Indian Oxygen; pp 72.
- Katti, A P (ed): Seminar on Family Planning in Mysore State; Demographic Research Centre, Institute of Economic Research, 1970; pp xiv + 204.
- Khandewala, S V: Economics of Cultivation and Marketing of Cotton in Vidarbha; Suvichar Prakashan Mandal, Nagpur, 1971; pp xvi + 188; Rs 10.
- National Council of Applied Economic Research: Cotton and Tobacco in Andhra Pradesh — Production and Marketing; NCAER, 1971; pp 158; Rs 20.
- Sandesara, J C and L K Deshpande (ed): Wage Policy and Wage Determination in India; University of Bombay, 1970; pp. xviii + 313; Rs 28.50.

Self-Financing Urban Water Supply

A Model for Asansol-Durgapur

P K Saha

It is generally agreed that urban water supply systems must be self-financing, in that water supplied must be paid for according to the volume used by the consumer. However, under the existing, generally poor, economic conditions in the urban areas, there have to be necessary qualifications to this general principle.

This article examines whether, in the existing socio-economic conditions of the Asansol-Durgapur urban region, it is possible to sustain such a water-on-payment system. It seems evident that, given the present inequality in incomes and housing facilities, there is no immediate escape from having to depend for funds on government grants and loans. In fact, till such time as the minimum as well as the general level of economic well-being of the urban consumers is improved, the water supply systems will have to be subsidised.

THERE is general agreement among people in the business of water supply that the water supplied must be paid for according to the volume used by the consumer. This is a simple proposition and looks highly justified. It costs money to collect, purify, and distribute water to consumers. The plants and equipment needed for the process are quite expensive. It is only fair, therefore, that the money spent on all this must be recovered from the sale of what is produced thereby. This requires fixing a price for water. The purpose of this paper is to examine whether, under the existing socio-economic conditions, it is possible for the urban areas of the Asansol-Durgapur region to sustain such a 'water-on-payment' system.

Municipal water supply systems in West Bengal have been constructed mostly with the help of loans and grants from Government. Water is supplied to the townsfolk as a part of the municipal services. The expenditure on this is borne by the overall revenue receipts and the grants; the water tax, collected as part of the municipal taxes, goes to the general fund. In the complex of the existing accounting systems, which exist in many of the municipalities, it is almost impossible to get a clear idea of the economics of the water supply system. But the default in which the municipalities are in this vital field itself indicates the maladies of the existing water supply system.

As the urban areas cannot run even the existing systems with the money raised by them, extension of these systems to ever growing urban popula-

tions or improvement in the standards of supply, appear out of question. Under the existing systems of financing, to finance all new water supply units and additions to old ones, the Government advances two-thirds of the estimated value as loan to the town and the municipality itself raises the remaining one third. In practice, however, even this one-third is given to the municipality as a soft loan by the Government. The capacity of the Government to do this is limited by its budget. It is becoming more and more clear that this system puts the bigger municipalities with ambitious projects at a disadvantage over the smaller ones. Thus the Government is in no position to come to the aid of a big urban area like Asansol, a very modest water supply scheme of which has been estimated to cost nearly Rs two crores in the very first phase. The consequence may be seen in the long queues before the reluctant street taps at all times of the day and in the prevalence of enteric diseases among people because of their use of unsuitable water sources.

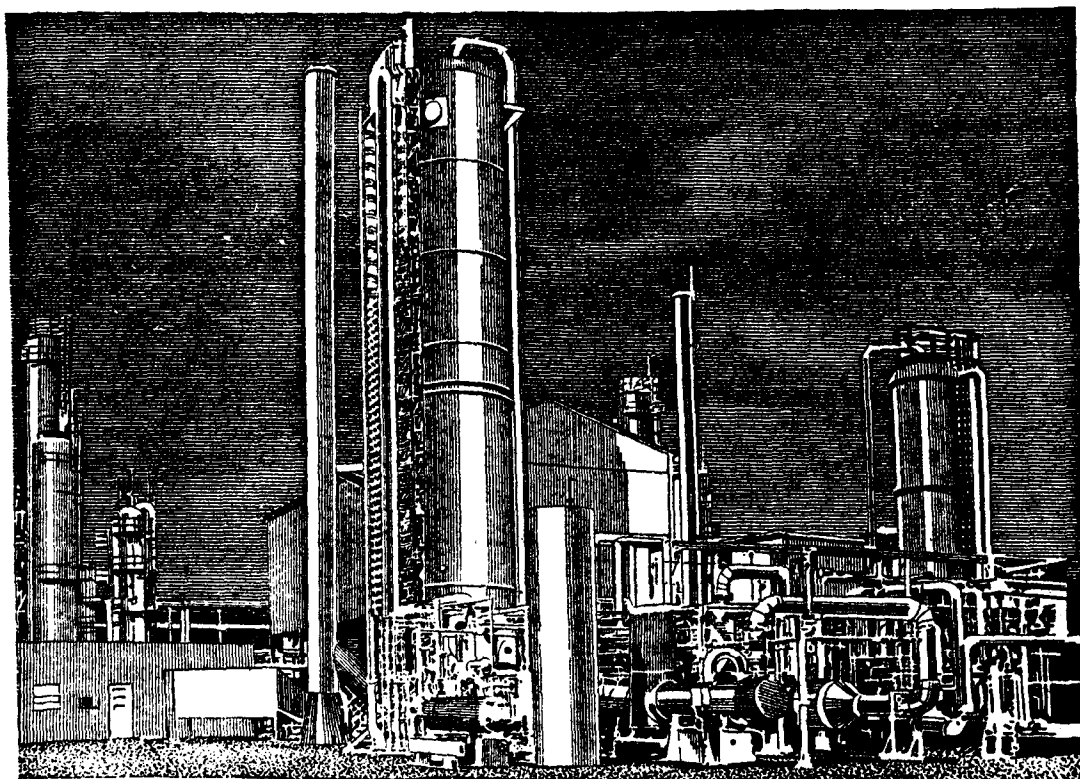
Water supply systems grow in size with the passage of time. Investments are required to be made at intervals of time to up-date the system to cope with growth in demand. In the meantime, the cost of providing the same facilities increase with rise in prices. Besides, plants and equipments which are already in use depreciate in the mean time. Most of the components of a water supply system, however, have a very long useful life. They thus outlive the amortisation period and become a capital asset for the

water supply authority. All these factors make the costing of a water supply system highly complicated. To avoid many of these complications, we propose to make some simplifying assumptions so as to arrive at a broad picture of the situation without a high degree of accuracy as to details.

Water supply systems are quite expensive. The three constituent parts of any such system, viz, the intake works, the purification plant, and the distribution system, need large capital investments. Once installed, the system needs recurring expenditure on operation, maintenance, and day-to-day running of the units. This is generally known as the OMR.

Our aim is to arrive at a rate structure which takes into account all such expenditure. The unit rate in question should express the investment in capital and OMR in terms of the measurable output. Such unit rates of various types have frequently been used in case studies, i.e., cost per unit of supply, cost per unit serviced, and the like. Since we propose to deal with a situation in which the aim is to serve a growing urban area, it is convenient to express the cost in terms of the unit of commodity produced and to assume this cost rate to be constant over the period under consideration. For the same reason, we propose to take the OMR cost as a fixed percentage of the capital cost at every stage. From an analysis of the rates of various water supply systems in different parts of the country, it has been found that Rs 2500 may be reasonably taken as the capital required for the supply of every 1000 gallons per day, which

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TABLE 1 : MONTHLY WATER BILL AT 50 GPCD FOR DIFFERENT WATER RATES

Income Group (Rs/Month)	Average Size of Household	Average Water Requirement at 50 gpcd (Gallons/Day)	Rates in Rs/1000 Gallons					
			0.92	1.05	1.08	1.18	1.20	1.29
0-200	3.9	195	5.45	6.22	6.40	7.00	7.12	7.63
201-300	5.4	270	7.55	8.62	8.86	9.69	9.85	10.59
301-400	6.4	320	8.95	10.21	10.50	11.48	11.66	12.56
401-600	6.8	340	9.51	10.85	11.16	12.20	12.41	13.32
601-800	7.3	365	10.21	11.66	12.00	13.09	13.32	14.31
801 and above	7.5	375	10.50	11.98	12.32	13.45	13.68	14.70

otherwise means that on the average a system would cost Rs 25 lakhs per mgd of its supply capacity. The OMR cost per year has been taken at 7 per cent of invested capital.

Secondly, since our aim is to arrive at a unit rate for the water supplied, it is necessary to bring the total expenditure on the project together with its debt services over a certain period of time into a series of equivalent payments at constant intervals. This may be done through the calculation of annual costs. In practice, however, capital outlays are required to be made at intervals throughout the period and the OMR expenses exhibit a tendency to change markedly with time. All this makes employment of the annual cost method somewhat inconvenient. Thus the assumptions of constant cost over a period is necessary.

The formula for the calculation of the annual cost is given by:

$$\text{Annual cost} = Ki + \frac{Ki}{(1+i)^n - 1} + \text{OMR}$$

Where K = capital outlay

i = annual interest rate

n = period of repayment of loan

In the Western countries, water supply systems are generally financed from the sale of bonds or debentures. Such utility bonds have a very good market in those countries, so the necessary capital is often available at a lower rate of interest with longer repayment periods than are other bonds in the market. No such tradition has grown in this country. Hence the decisions in fixing 'i' and 'n' for calcu-

lating the annual cost may be rather speculative.

Since our interest is to get a broad spectrum of rates for water under different terms of obtaining money, we have adopted, as two extreme cases, the combinations of interest rates and period of payments as follows:

$$i = 5 \quad n = 30$$

$$i = 10 \quad n = 20$$

Water rates for certain other combinations of 'i' and 'n' have also been calculated for comparison. Thus the water rates, expressed as cost per 1000 gallons of water supplied to the consumers, are given below for different combination of 'i' and 'n'.

Cost/1000 gallons (in Rs)	i = 5 n = 30		i = 5 n = 20		i = 7½ n = 30		i = 7½ n = 20		i = 10 n = 30		i = 10 n = 20	
	0.92	1.05	0.92	1.05	1.08	1.18	1.20	1.29	1.08	1.18	1.20	1.29

The Socio-Economic Survey conducted in the Asansol-Durgapur region under the auspices of the Asansol Planning Organisation throws some light on the other side of the problem, viz, the capacity of the urban people of the region to support such a self-financing water-supply system. In the ultimate analysis, it is the people who are to pay for the water they consume. It is, therefore, very important to know about their income structures, living conditions, and patterns of expenditure and savings, so that a reasonable opinion could be given on how far the economic conditions of the people of this region justify our hopes of making the system self-paying.

From data available on incomes and average family sizes, the probable expenditure on water for households in the different income brackets can be arrived at. In the Interim Development Plan for this region, prepared by the Asansol Planning Organisation, the per capita water demand has been fixed at 50 gpcd (gallons per capita per day). The Indian Standards Institution has recommended a standard of at least 30 gpcd for urban areas with sewerage facilities. Tables 1 and 2 show the average monthly water bills for the different income groups at these two rates of per capita water consumption. For reasons to be clari-

fied later, the probable water bill for a consumption of 20 gpcd is given in Table 3.

From the same survey, the monthly savings for the different income groups are computed as in Table 4. Savings, as given in Table 4, are the difference between the monthly income and the expenditure on some specified items, i.e, house rent, utility, education, food, cloth and groceries. Thus they exclude irregular or accidental expenditure, such as on medical care, etc. Considering this, it is reasonable to assume that, the first group would not have any disposable saving worth talking of. The next higher income group may have a disposable saving of about 50 per cent

TABLE 2 : MONTHLY WATER BILL AT A CONSUMPTION OF 30 GPCD FOR DIFFERENT WATER RATES

Income Group (Rs / Month)	Average Size of Households	Average Requirement at 30 gpcd (Gallons/Day)	Rates in Rs /1000 Gallons					
			0.92	1.05	1.08	1.18	1.20	1.29
0-200	3.9	117	3.27	3.73	3.84	4.20	4.27	4.59
201-300	5.4	162	4.53	5.17	5.32	5.81	5.91	6.35
301-400	6.4	192	5.37	6.13	6.30	6.89	7.00	7.53
401-600	6.8	204	5.70	6.51	6.70	7.32	7.44	8.00
601-800	7.3	219	6.12	6.99	7.19	7.85	7.99	8.59
801 and above	7.5	225	6.40	7.38	7.59	8.07	8.21	8.82

TABLE 3: MONTHLY WATER BILL AT A CONSUMPTION OF 20 GPCD FOR DIFFERENT WATER RATES

Income Group (Rs / Month)	Average Size of Household	Average Water Requirement at 20 gpcd (Gallons/Day)	Rates in Rs / 1000 Gallons					
			0.92	1.05	1.08	1.18	1.20	1.29
0-200	3.9	78	2.18	2.49	2.56	2.80	2.84	2.06
201-300	5.4	108	3.02	3.45	3.55	3.87	3.94	4.23
301-400	6.4	128	3.58	4.09	4.20	4.59	4.67	5.02
401-600	6.8	136	3.80	4.34	4.47	4.88	4.96	5.33
601-800	7.3	146	4.08	4.66	4.79	5.23	5.33	5.73
801 and above	7.5	150	4.19	4.78	4.93	5.38	5.47	5.88

of the gross saving, i.e., say Rs 10 per month. This group spends, on the average, Rs 6.50 per month for utility, which represents the cost of electricity. Though it would mean hardship for them against accidental demands, this group could if required possibly pay Rs 5 per month for water, under the pressure of circumstances. Similarly, the income group Rs 301 to 400 can, on the average, afford to pay between Rs 8 and Rs 10 per month for water without appreciable strain on their family budgets. For the higher income groups, with their available savings, the payment of the water bills as calculated in Table 1 would not present much of a problem.

As Table 4 indicates, there are 62,528 households in the income group Rs 0-200, and 34,458 households in the next higher income group of Rs 201-300 per month. They represent 48 per cent and 27 per cent respectively of the total number of urban households in the region. Similarly, the income group Rs 301-401, covers 13,630 households which forms 10 per cent of the total. Considering the average size of these households (see Table 1) they represent 29 per cent, 22 per cent and 10 per cent, respectively, of the total urban consumers.

In the light of the above discussions, it may thus be stated that, under the present economic conditions of the region, 29 per cent of the urban consumers are not in a position to pay for the water they use, while another 39 per cent belonging to the uppermost income groups can pay their water bill for a consumption of 50 gpcd. Comparing the magnitude of their expected water bills — as given in Tables 1 to 3 — with their savings — as given in Table 4 — we may be justified in concluding that, for these two groups, none of the proposed water rates would make much difference. For the income group of Rs 201-300 per month, representing 22 per cent of the consumers, there are two alternatives available. They can pay for their water at a consumption of

30 gpcd, only if the water is available at Rs 0.92 per 1000 gallons. Alternatively, they have to draw water at 20 gpcd, and then too they can pay only upto the water rate of Rs 1.20 per 1000 gallons and not at the highest rate proposed, viz., Rs 1.29 per 1000 gallons. The other monthly income group (i.e., Rs 301-400) can pay for water supplied at 30 gpcd for all the proposed rates, though they are in no position to pay for a consumption of 50 gpcd. Thus it is obvious that, a water supply system designed for a flat rate of consumption of 50 gpcd would not be self-supporting under the prevalent economic conditions and that a graduated scale would have to be adopted. Secondly, for the proposed standards of supply for the various income groups, the rates of interest on the invested capital and the periods of repayment have but only marginal effect on the payability of the groups concerned.

It is obvious then from the above discussions that:

- Nearly 29 per cent of the consumers of water in the urban areas of the Asansol-Durgapur region are in no position to pay for the water they consume.
- The remaining population also can not, under existing conditions, pay the rate that would be required to make the supply system, designed for consistent rate of consumption of 50 gpcd, self-supporting. A graduated scale will have to be adopted for this purpose, ranging from say, 50 gpcd to 20 gpcd.
- For such graduated standards of supply for the various income groups, the rates of interest on the invested capital and the periods of repayments would have but marginal significance for the groups' paying capacities. And this gives a wider choice of sources for borrowing the necessary funds.

One tacit assumption underlying the the proposal to have a self-supporting water supply system is that the water should be received through taps at

TABLE 4: INCOME GROUPS AND THEIR SAVINGS

Income Group (Rs/Month)	Number of Households in that Group	Total Monthly Savings per Household (Rs)
0-200	62528	6.20
201-300	34458	21.40
301-400	13630	49.00
401-500	8090	82.63
501-750	7474	153.15
751-1000	2800	261.78

TABLE 5: ESTIMATED PERCENTAGE OF PUGCA HOUSES AND POSSESSION OF WATER TAPS FOR DIFFERENT INCOME GROUPS

Income Group	Per Cent with Pucca Houses	Percentage of Families with Water Taps
0-200	43.5	21.7
201-300	68.9	40.8
301-400	77.3	41.3
401-600	90.8	53.7
601-800	91.4	59.3
801 and above	96.5	69.5

the consumers' premises, so that the water consumed could be measured through a metering device for the purpose of billing. So far, we have considered the savings of the consumer only, to gauge his capacity to pay for the water he consumes. The question of having a water tap in one's own premises, depends however, on many factors. For one living in his own house this would mean a certain minimum structural standard. Taking a water connection costs money. This additional investment in housing deters many from taking the step. The rent of such houses would also be high, so for people living in rented houses this would mean a change in family budget allocations, resulting in a reduction of savings. In its turn, this could affect their capacity for paying the water charges.

Again as may be seen from Appendix II, *kutch* houses in the urban areas do not possess house taps. Thus, the types of housing available within

the financial means of the different income classes are very important factors in the success of a self-supporting water supply system.

Table 5 gives the estimated percentage of *pucca* houses for the different family income groups as well as percentage of houses having their own water taps for these groups. The last column of Table 5 indicates that, at present, roughly 50 per cent of the family groups that can pay for their water have water taps in their premises. This would severely limit the success of a self-financing water scheme, since there would be no way of correctly assessing the water charges for half of the consumers with the capacity to pay. We would then have to resort to the indirect way of raising the cost of water, which would defeat the basic purpose of such schemes.

However, at present, there are certain restrictions to having one's own water tap. Many of the urban areas do not have any organised water supply system and the question of having one's own tap does not arise at all for these areas. In certain other places, such as the municipal towns of Asansol and Raniganj, the existing supplies are quite inadequate, both in quantity and coverage. Consequently, people who can afford to have their own taps do not get the permission to get them. Once such constraints are removed, the situation is likely to improve. It may be reasonable to expect that the income groups above Rs 401 per month would have their own water taps under such conditions. This leaves us with the income group from Rs 201-400 per month, who

TABLE 6: ESTIMATED REQUIREMENT OF CAPITAL

Years	1971	1976	1981	1986
Population (in lakhs)	8.60	11.00	13.45	15.77
Water demand (million gallons per day)	28.12	35.97	43.56	51.56
Capital required up to the year (in crores of rupees)	7.03	9.00	10.90	12.89

could pay for their water but do not have the facilities themselves. Roughly 30 per cent of the families in this income group have *pucca* houses without water taps. For these cases, it may be worthwhile to try to give them water taps on hire-purchase basis or to arrange loans for them on easy terms for this facility. This would directly yield revenue for the water-works. Indirect benefits from such a step would also be great, since it would generally improve the hygienic conditions of people and stop the wastage of water which their dependence on street taps entails. However, for the other 30 per cent of this group, living in *kutch* houses, the problem is of a much more fundamental nature. It only emphasises that, better housing facility is a prerequisite for the financial success of a water supply system.

We have earlier concluded that 29 per cent of the urban population in this region are in no position to pay for their water. However, for the betterment of the urban environment in general, these people must be supplied with their essential requirement of water. In this context, a supply of 20 gpcd must be about the minimum, as the supply of a smaller quantity of water would make them dependent on unreliable alternatives. This might be to the detriment of the environment. The water demand for the total urban

area has, therefore, been estimated on the following basis:

- 20 gpcd for families in the income groups upto Rs 300 per month,
- 30 gpcd for families in the income group of Rs 301-400 per month,
- 50 gpcd for rest of the families.

Such graduation of water demand, in terms of family incomes, would lead to some tricky problems in the economic design of the water supply systems. However, such problems may not prove insurmountable, in view of the thoughts now being given to proper planning of the urban areas of this region.

Population estimates for a period of 20 years for the urban areas of this region have already been made by the Asansol Planning Organisation. These estimates, together with the above basis of water supply, lead us to the following data on the capital outlays required at different stages of the proposed arrangement.

At present, the industrial townships of Durgapur, Burnpur, Chittaranjan, etc., have their own water supply systems, which are quite sufficient for their current demands. The municipal towns of Asansol and Raniganj do have their own systems also. However,

APPENDIX I: ESTIMATED DISTRIBUTION OF INCOME / EXPENDITURE AND SURPLUS / DEFICIT BY FAMILY INCOME CLASS FOR TOTAL URBAN AREA

Family Income Class (per Month)	Households	Average Income	Wage Income	Average Expenditure on					Expenditure on Rent	Surplus or Deficit (Per Cent)	Percentage of Income Remittance to Total Income
				Utility	Educational	Food	Cloth	Stn Goods and Others			
0-200	62528	147.6	85.40	4.8	2.5	98.8	11.6	10.8	12.9	4.2	6.12
201-300	34458	258.0	84.56	6.5	11.5	160.0	20.0	18.9	19.7	8.3	5.90
301-400	13630	360.3	83.54	8.5	22.5	201.0	27.0	25.7	26.5	13.6	5.77
401-500	8090	464.2	83.50	10.5	31.5	249.0	29.0	31.0	30.7	17.8	5.58
501-750	7474	612.6	85.16	12.0	45.5	276.0	41.0	46.0	38.8	25.0	5.92
751-1000	2800	884.4	86.16	18.0	68.5	352.0	50.0	82.0	52.5	29.6	6.31
1001 and above	1258	2264.1	50.94	21.2	124.0	447.5	93.5	96.3	126.0	59.9	1.66
Total	130238	281.7	82.07	6.8	13.8	154.0	19.8	20.1	20.6	16.5	5.62

Source: Socio-Economic Survey, 1966.

Sociology of Science

Problems and Issues

G S Aurora

What are the substantive areas for research and thinking in the sociology of science?

Three kinds of basic questions are posed by a social scientist in any specific field of study. The first centres around the structure and function of relationships within or between groups or categories; the second is concerned with the relationship between an individual's biography and the group's or category's history; and the third set of questions touches upon the norms, values, ideas and ideologies which underpin relationships between individuals and groups.

An attempt is made here to take up these three substantive areas and locate major questions that may be posed in each one of these.

THE excellent text-book of sociology written by T B Bottomore especially for the Indian student omits any reference to Sociology of Science in India.¹ This is not a lacuna of the book but a reflection on the state of the subject in India. There are in fact only three Indian books on this subject known to me, viz, Surajit Sinha's edited "Science, Technology and Culture" (1970),² IAS's "Man, Science and Society", (1970)³ and A Ahmed and Gupta's "Opinion Surveys of Scientists and Technologists in India" (1967).⁴

There is no dearth of journalistic writing on science policy.⁵ Official reports, such as the science policy resolution of the Indian Parliament (1958)⁶ and the relevant parts of the report of the Administrative Reforms Commission⁷ and the two Education Commissions⁸ provide both the raw data and mature thinking on various aspects of science policy. While talking of science policy the work of the members of the Research Planning and Survey Organisation of the CSIR cannot be ignored.⁹ A Rahman who leads RSPO has written a very large number of thoughtful essays in various journals. The Directors-General of the major agency organisations, such as the CSIR and ICAR, have also many published speeches and articles which could be termed authoritative pronouncements on important policy matters.¹⁰ Parliamentary debates on science related issues and speeches of the major political figures in the country all point out the lively interest and involvement of the Indian polity in science policy and science related matters. As a sociologist goes through all this material he inevitably feels reflected in it the absence of sociological studies. Indian writers on science policy do not have access to the state of thinking, living, values, tensions and conflicts within the scientific community except what is apparent from controversies at the level of top managers of science (such

as the controversies generated during the period of Hussain Zaheer and Atma Ram of the CSIR).¹¹

What is reflected in the sociologists' lack of interest in such areas as sociology of science and scientific professions? This leads to another question: what is it that generates a profession's interest in specific areas of study and what influences shifts in the interest of the profession from one area to other areas? These questions are properly asked by a sociologist of sociology, a meta-sociologist. Not having done a systematic study of these problems I can only throw up some provocative conjectures, with the earnest hope that some enthusiast will take these up more assiduously than I have done. Firstly, I feel that Indian sociologists fear to tread unbeaten paths for the fear that they may be isolated from their professional colleagues. The senior sociologists on the other hand find so much satisfaction and returns in terms of professional attention from following the traditional areas of interest such as family, caste and community, that they rarely digress into newer fields. Thus wherever newer fields or newer methods and points of view come within our discipline, these are invariably opened up by foreign scholars. Secondly, our close dependence on foreign scholarship also has a negative effect on the discipline. Since our traditional institutions stand in contrast to the social institutions of the more "advanced" countries their study acts as a means of understanding the institutions of the advanced societies. This very legitimate interest of the foreign scholars tends, nevertheless, to affect the "intellectual interests" of the Indian colleagues. We seem to be so dependent on appreciation from and communication with our Western colleagues that their interests seem to circumscribe our own interests.

Developments in the area of sociology of science are, however, now being pushed

forward not so much as a chain reaction generated by the intellectual interests of foreign scholars but rather as an urgent demand from that section of the intellectual community which has been alive to the problems of developing sciences in the context of our country's social and economic development. Like other areas in applied social sciences, therefore, sociology of science and scientific professions has, almost, been forced upon the profession of sociologists.

II

What are the substantive areas for research and thinking in the sociology of science? Paraphrasing C Wright Mills¹² we may say that three kinds of basic questions are posed by a social scientist in any specific field of study. The first set centres around the structure and function of relationships within or between groups or categories. The second set is concerned with the relationship between an individual's biography and the group's or category's history. And the third set of questions touches upon the norms, values, ideas and ideologies which underpin relationships between individuals and groups. Let us take up the three substantive areas indicated above and locate major questions that may be posed in each one of these.

PROBLEMS OF SOCIAL STRUCTURE AND FUNCTION

Before one can set out the problems of relationship between various segments of a field, the field has to be systematically charted. Taxonomy of the community of science therefore becomes the first task. Here of course the task is made easier by the fact that functional segmentation of science automatically produces structural segmentation of the scientific community. The questions relevant to this fact are: "To what extent is the social segmentation

APPENDIX II: PER CENT OF HOUSE TYPES IN POSSESSION OF PRIVATE WATER TAPS

Area	Type of Structure		
	Pucca	Kutcha	Others
Asansol municipality area	26.22	—	1.90
Kulti urban area	22.22	—	14.02
Raniganj municipal area	30.87	—	—
Asansol initial planning area	33.40	—	2.94
Durgapur initial planning area	76.30	—	17.98
Durgapur urban area	80.84	5.80	29.67
Total urban area	53.54	—	9.73

these are neither sufficient in quantity in comparison with the townships' respective water demands, nor do they cover the total extent of these urban areas. In the remaining urban areas there are no water supply systems worth talking of. It is estimated that, by 1971, the number of people without any urban water supply would be nearly 3.5 lakhs and that it would cost Rs 2.84 crores for providing this facility. In every subsequent five years, the fresh capital needed would be about Rs 2 crores.

In western countries, where such water authorities are quite common, they have very good standings in the financial market. Thus it is easier for them to go to the open market for loans or for sale of debentures. However, even where such authorities exist in India, the city and the State governments have often got to back these ventures — through bulk purchases of loan bonds or debentures. In the context of the Asansol-Durgapur region, securing of such huge amounts of loan from the open market would be almost impossible and, therefore, any water supply agency can function only with the financial blessings of the Government or in the form of a State undertaking.

CONCLUSIONS

So far, we have analysed the different aspects of a self-supporting water supply system for the urban people of Asansol-Durgapur region. The basic idea was to free the system from its habitual dependence on grants from the Government, upto two-thirds of the cost. Government grants, coming from a limited budget, would necessarily restrict the fulfilment of the water demand of the region whose magnitude or demand is very high. However, discussions lead us to the conclusion of having to secure loans from the Government or from some of its agencies. Taking of such loans could, of course, be justified if the water authority could raise sufficient revenue to pay back the money within the

stipulated time. The capacity to raise this revenue would in turn depend on the capacity of the consumers to pay for their water. This again depends on their income level. Housing conditions also influence the process of measuring the water supplied as normally the kutcha houses could not conveniently have metered water connections. But this is again an outcome of the low incomes of families. There are, of course, various indirect ways of raising the water revenue though none of them is entirely satisfactory. Unless we tag the money to be paid for water with the water actually drawn, the system becomes wasteful and defeats

UN to Co-ordinate Natural Disaster Relief Efforts

A UNITED NATIONS disaster relief centre is proposed to be set up by the Secretary-General in a report released recently. The report was prepared in the light of international experience in recent months after a series of natural disasters in Turkey, Peru, and East Pakistan.

The centre is the key recommendation of a comprehensive plan to speed up and improve international assistance to disaster areas. It would serve as a nerve centre for expediting action and exercising effective co-ordination for international action. It would also act as the central clearing house for information on the disaster plans developed by United Nations member states and on the location, availability, and character of emergency food, clothing, medical, and other relief supplies.

Other major recommendations made by the Secretary-General under the wide-ranging plan, which is to be submitted to the Economic and Social Council and the General Assembly, are as follows:

(i) An intensive effort should be made to apply science and technology more extensively to the prediction, control and mitigation of natural disasters;

(ii) Countries, especially those prone to severe earthquakes, windstorms, or

the basic tenet of a self-supporting system, viz, that water actually consumed should be paid for. Besides, whatever may be the system of raising the revenue, 29 per cent of the consumers can not contribute anything at all. If the system of paid consumption is strictly enforced, they would, of necessity, switch over to unreliable sources for their water needs, and this would defeat the very purpose of having a water supply system for the community. On the other hand, provision of free water could divert many of the consumers with a paying capacity to take advantage of this free supply. In all probability there would not be more than 50 per cent of consumers paying for their water under such a system. And the system would not run self-supported. Thus, we are led to the inevitable conclusion that, the success of a self-supporting water supply system would need a certain standard of economic well being of the consumers — which is yet to be achieved in the Asansol-Durgapur region — and till such time as this happens, the water supply arrangements would have to be subsidised.

tidal waves, should prepare or improve existing pre-disaster plans for coping with future emergencies, and the United Nations should furnish expert advice in helping them to draft preparedness plans;

(iii) Stockpiles of some bulk food reserves and non-perishable emergency supplies should be established on regional and global levels;

(iv) The opportunity should be taken to improve planning and development in the disaster-prone countries, introduce more disaster-resistant housing and to build preventive structures such as dams and dikes designed to forestall disasters;

(v) Communications should be improved with disaster zones by means of portable transmitter-receivers and use of the United Nations own network (there are now permanent United Nations radio stations at Bangkok, Rawalpindi, Jerusalem, Addis Ababa, Geneva and New York), and possibly also including use of satellite communications systems in emergencies.

More specific than any previous United Nations recommendations on this subject, the Secretary-General's report emphasises organisational arrangements at the international level for improving assistance to help cope with disaster effects.

TABLE: GEOGRAPHICAL DISTRIBUTION OF SCIENCE INSTITUTIONS IN INDIA

	N			S			E			W			Total
	M	C	T	M	C	T	M	C	T	M	C	T	
CSIR (Commodity or Function)	1	3	4	1	2	1	2	0	4	0	1	1	20
CSIR (Disciplinary)	2	0	0	0	1	0	0	0	0	0	1	0	4
CSIR (RRLs)	0	0	1	0	1	0	0	1	1	0	0	0	4
CSIR (Co-operative and Sponsored)	1	0	0	0	2	0	2	0	1	5	2	2	15
ICAR	4	3	7	1	1	10	1	0	5	1	0	1	34
ICMR	1	2	0	1	1	2	2	0	0	3	3	0	15
Survey Organisations	9	2	6	1	5	3	7	0	1	5	2	1	42
Old Established Universities	0	6	0	1	5	0	2	1	0	1	1		17
New Universities	1	14	4	0	4	0	1	8	4	3	12	3	54
Agricultural Universities	1	1	1	0	2	0	1	0	0	0	0	1	7
IITs (including Pilani)	1	1	1	1	0	0	0	1	0	1	0	0	6
Public Sector Concerns' R and D													48
Private Sector Concerns' R and D													
Research Organisations of Central Government Departments													?
Department of Atomic Energy	0	0	0	0	0	1	1	0	0	3	1	1	7
Research Organisations of State Government													?
Laboratories of National Importance													?
Defence Research Organisations	7	4	1		7					1	5		25

N = North; S = South; E = East; W = West.

M = Metropolitan Cities; C = Cities (above 2,00,000); T = Towns (below 2,00,000).

represented in the disciplinary segmentation?" and "At what stage in the development of a discipline does disciplinary specialisation result in the creation of a separate social group?". Again, "What are the propitiate conjunction of factors to produce scientific sub-communities?". We may also ask as to the variety of "forms" which specialist groups assume in their efforts to become socially coherent.

By posing the above questions we have tried to direct the attention to the social structural consequences of the ideational history of an intellectual discipline. Social scientists of science such as Kuhn¹³ have given us insights into the patterns of growth of science in general and scientific disciplines in particular. Some others such as Derik J De S Price¹⁴ have dealt with the interface between the discipline and the community of the discipline. Sola Price has, for example, discovered certain kinds of informal associations of "frontier specialisation scientists" which he defines as "invisible colleges". The "invisible college" may again be only one stage in the crystallisation of the formal organisation of the discipline. At one time the atomic physicists were an international "invisible college" within the broader field of physics, but with the growth of nuclear physics as a major discipline during the Second World War an articulate and well organised community of nuclear physi-

cists — with international linkages and strong national organisations — has emerged.

SPECIFIC CHARACTERISTICS

The social structure of the scientific community cannot be based only upon the fact of the science's functional segmentation; other broader environmental factors too enter into the formation of its various categories. Since the community of science is dispersed all over the world, its sub-communities are nationally and regionally delineated. Within the national or sub-national environments the scientific communities evolve specific characteristics of their own. As we follow the history of a national or sub-national scientific community, within it would be represented the antecedents of the history and problems of growth of the nation or the sub-national community. We have in George Basala's¹⁵ excellent paper an illustration of the regional socio-cultural influences on the growth of science in India. Edward Shils¹⁶ work, "Indian Intellectual between Tradition and Modernity, though not directly involved with the sociology of science is yet a path-breaking contribution as far as the problem of interaction between the "universalistic intellectual disciplines" and "specific socio-cultural conditions of India" are concerned.

A large number of problems centre on the relationship between the scientific

workers and political, industrial and educational sub-systems of the broader society. What is the structure of relationship between the political decision makers and the working scientists? to what extent must the scientific community take part in the political life as a specific interest group? what are the structural facets of science-industry relationship? what is the importance of the human factor in the science-technology-industry chain? what are the factors motivating the recruitment and incorporation of individuals into the community of science-students? what are the human factors affecting the quality of science education? These are some of the questions that come to my mind, but there are a very large number of other problems which must be explored.

Among factors for segmentation of the scientific community the crucial one is that of institutional environment. Despite uniqueness of each institutional-environment it is possible to classify these into some broad categories. The Administrative Staff College of India is presently engaged in a study of the social environment of the scientists as it is related to their values and social behaviour. In this connection we made an attempt to classify the universe of scientific institutions in India. The accompanying Table musters the available data on three variables, viz, institutional complexes (CSIR, ICAR, UGC, AEC etc), regional location and urbanisation.

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Urbanisation has been included as one possible factor affecting the scientist; though to what extent the social life of the scientists is in fact affected by his urban milieu is yet to be seen.

A number of questions originate from the fact of interface between the nature of scientific disciplines and the function of scientific institutions. For example, what is the relative emphasis placed within various institutions on applied science, basic science, frontier technology? and which type of institutional environment is best suited to which type of research? In India the universities have, by and large, concentrated on fundamental research and applied research has been done mainly in the government sponsored research institutes. A variety of problems of relations between "fundamentalists" and "applied people" in different institutional and historical situations can arise. Again frontiers between applied and basic sciences are relatively vague. Definition and redefinition of the specific functions and roles of the border areas of research can be a window to the "image" scientists have of their own involvement with "science" on the one hand and functional inter-linkage of their science with society, on the other hand. As an example we may mention the fact that a number of young scientists in the United States seemed to have redefined their specific involvement as "applied science" instead of their earlier definition of the same field as "basic science". This they have done largely because of the realisation that their work can have bearing on the production of things with which they may or may not be in agreement. Awareness of the social consequences is leading to a great deal of reorientation of emphasis in the individual scientist's work.

Another set of questions centres around the internal structure of the institutions of science. For example, what is the administrative set up within the scientific institutions? Since "administration" forms the infrastructure of a functioning institution, the functioning of the scientist *qua* scientist is very intimately related to the social relationships that he evolves with this infrastructure. Tentatively, we may consider probing the following substantive problems in this area.

- Relative position of the "specialists" vis-a-vis the "administrators".
- Interchangeability between the "specialists" and the "administrators".
- Levels of prestige and authority

and their concomitant factors, e.g. position of the scientists within the reward-hierarchy; within the profession; within the broader community.

I have mentioned above some of the problems connected with the relationship between the community of science and its broader political, industrial and educational environment. Here I would like to suggest the following typology of linkages based upon the "nature of linkages":

- Inter-institutional linkages (gesellschaft type);
- Inter-collegial linkages (quasi-gemeinschaft type);
- Inter-personal linkages (gemeinschaft type).

A number of questions arise from a consideration of these types. What institutional forms are these inter-linkages taking? These questions direct our attention to the social structural features of the scientific community, e.g.

- Informal networks,
- Semi-formalised invisible colleges or factions,
- Formalised associations or interest group forums.

Again, what are the communication channels and forms adopted by the scientific community?

- To establish links within the community;
- To establish links with the institutions outside the community;
- To establish international links.

And what is the spread of these networks?

- Regionally,
- Nationally,
- Internationally.

INDIVIDUAL AND HIS ENVIRONMENT

Efforts at sociological analysis in any area would be incomplete if the important aspect of, what Wright Mills pithily describes as "the intersection between the individual's biography and the social history" is missed. Classification must take into account such factors as individual's "spread of contacts within the professional community", sex, "professional-generation"—that is life experiences within the historical framework as they may affect values and attitudes. Life experiences of an individual vary according to his family background as well as the background of his times as he grows through different phases of his life. These affect attitudes and values of an individual. Biography of an individual, again, is woven with that of his family, class, caste and the

less determinable networks of his friendships. Often encounters with outstandingly good or bad teachers, friends and relations mark the biography of individuals. By comparing these biographies one may be able to sort out the relative influence of the socially given structure as against individually possessed characteristics. Then again one may correlate these social and personality factors with the professional involvement, competence and creativity of individual scientists. The work of Pelz and Andrews on organisational scientists presents an excellent analysis of the interrelation between a number of social and personal factors and the work-performance of the scientists. In India we sorely need such studies. From the above discussion a number of problems for investigation emerge. These may be summarily stated thus:

- What is the process of socialisation of an Indian scientist? Ashok Parthasarathy's paper on sociology of science elaborates this problem most outstandingly.¹⁷
- What are the social-structural influences upon the process of socialisation? In other words does belonging to a specific caste, region, class, and family influence the acceptance of the scientific values and professional ethics? What are the areas of conflict between parochial and professional loyalties and how are they resolved?
- Does belonging to a joint or a nuclear family affect professional involvement?
- Is there any correlation between the order of birth and such phenomenon as creativity?

NORMS, VALUES, IDEAS AND IDEOLOGIES

The problem of values can be viewed in three contexts, firstly, the context of the scientific ideology, secondly, the context of the ethics of the profession and thirdly the context of the broader culture of the community and its historical context. We may ask, for example, how the scientific methodology affects the life-style of the scientists, and to what extent? Is it possible for creative scientists to be both sincerely religious and scientific at the same time? Do the scientists view the context of religious rationality apart from scientific rationality? What kind of scientists are affected in what way by a certain amount of conflict between science and religion? Again, what is the relation between secular and democratic values

and scientific values? In this area Aqueil Ahmed and Gupta have done a pioneering study, but much needs to be developed further in this direction.

As far as the professional ethics of the scientists is concerned we could ask a large number of questions ranging from queries about groupal consciousness and organisation among the scientists of various disciplines to the degree to which the scientists link their professional roles with their social roles, both as individuals and as groups. Some of the scientific professions, because of their close interaction with the public (for example the medical professions) have evolved elaborate professional codes. But others (e.g. engineers) are still without these codes. There are others whose codes are still informal (such as teachers). In this connection we may ask such questions as what are the environmental factors conducive to the growth of professionalisation? and what is the infrastructure essential for developing professional consciousness? Again, what varieties of professional codes develop as a consequence of increased inter-professional communication and self-consciousness and what is the role of political institutions in developing the professional consciousness?

The third set of problems are connected with the norms, values and ideologies of the broader society acting as the constraining environment for the scientific value system. Here one may pose questions related to the confrontation of the scientific modes of thinking with traditional belief systems and ideologies. We may for example ask: to what extent can the traditional belief systems co-exist within a person along with the scientific ideology? and is training in a scientific discipline correlated with the value system of a scientist?

III

The detailing of problems above is not exhaustive, there could be a large number of other problems that could be posed and indeed, within this seminar we should try to point out as many kinds of problems in the field of sociology of science as possible so that the students of the subject have a ready pool from which to choose their problem for intensive research.

Notes

- 1 T B Bottomore, "Sociology: A Guide to Problems and Literature", George Allen and Unwin, London, 1962.

- 2 and Ceylon in Relation to Science and Technology", Research Council for Cultural Studies, New Delhi, 1970.
- 3 A Poddar (Ed) "Man, Science and Society: Proceedings of a Seminar", Indian Institute of Advanced Study, Simla, 1970.
- 4 A Ahmed and S P Gupta, "Opinion Surveys of Scientists and Technologists", Research Survey and Planning Organisation, CSIR, New Delhi, 1967.
- 5 Cf A C Joshi, "Science Policy and Coming Election", *Science and Culture*, Volume 32, (10), p 474, 1966.
- 6 K Mendelssohn, "Science in India", *The Listener*, September 24, 1964, (Volume 72), pp 457-459, London.
- 7 P K Naidu, "Crisis in Science Policy" *Mainstream* April 29, May 6, May 27 and June 24, 1969: New Delhi. Also "CSIR Plans Major Shake-up", *The Statesman*, July 14, 1967; "Tension Mounts in CSIR", *Hindustan Times*, August 7, 1967.
- 8 Vishnu Dutt, "Scientific Research: A Story of Extravagance", *Times of India*, August 7, 1967.
- 9 "Government of India: Scientific Policy Resolution", New Delhi, March 4, 1958.
- 10 Report of the Administrative Reforms Commission. See Vol 1-4 and Report of the Study Team on Scientific Departments, Government of India, Delhi, 1970.
- 11 Report of the Education Commission (Radhakrishnan Commission) and Report of the Education Commission (Kothari Commission).

Against Discrimination in Employment

A SURVEY was made by the International Labour Organisation's (ILO's) Committee of Experts on the Application of Conventions and Recommendations. It studied, this time, the problem of eliminating discrimination in employment. The Committee is composed of 19 members appointed in their personal capacity and coming from all parts of the world. The survey was submitted to the International Labour Conference meeting in Geneva in June.

It is based on reports which had been requested from all ILO member States on their national laws and practices in fields covered by the Discrimination (Employment and Occupation) Convention (Number 111) and Recommendation (Number 111), adopted by the Conference in 1958. It examines the position, both in countries which have ratified the Convention (at present 75) and in countries which have not ratified it.

The United Nations General Assembly has proclaimed 1971 as the Interna-

See relevant parts on Science Education.

- 9 Cf, A Rahman, "Scientific Research in India," *African Quarterly*, July-September, 1964.
- 10 A Rahman "Indian Science and Nehru" (unpublished).
- 11 Aqueil Ahmed "Progress in the Science of Science, with Special Reference to India".
- 12 K D Sharma and S Malik, "Need for Science Policy in India" radio talk (7-5-1967, AIR, "Spotlight")
- 13 Cf, "Science and Government", *Indian Journal of Public Administration*, Volume XV (3), July-September 1969.
- 14 See P K Naidu, Vishnu Dutt, cited above in (5).
- 15 C Wright Mills, "Sociological Imagination", Grove Press, New York, 1961, pp 7-12.
- 16 T S Kuhn: "The Structure of Scientific Resolution", Chicago University Press, 1962.
- 17 D J de Solla Price: "Little Science, Big Science", Columbia University Press, 1963.
- 18 G Basala, "The Spread of Western Science", *Science*, Vol 156, May 5, 1967.
- 19 Edward Shils, "The Intellectual Between Tradition and Modernity: The Indian Situation", (Comparative Studies in Societies in History, Supplement No 1), The Hague, Norton, 1961.
- 20 A Parthasarathy: "Sociology of Science in Developing Countries: The Indian Experience", *Economic and Political Weekly*, August 2, 1969.

Increased awareness of the outstanding problems, reflected in the International Year, is in the Committee's opinion largely due to the influence of international standards.

In examining these problems, the survey recalls the worldwide condemnation of the policy of apartheid in South Africa (which is the subject of another special report to the Conference), but points out that the relationship between different racial, ethnic, religious, or social groups continues to present problems in many other countries.

Eliminating discrimination, it maintains, means not only combating obvious negative attitudes but also creating positive conditions designed to promote, in practice, equality of the various population groups in the fields of training, employment, and economic and social advancement.

The Committee describes the measures taken to this end and the difficulties encountered in the many varied situations existing in countries in all parts of the

Technocrats as Head of the Block Team

A Comment

N S Jodha

IN their article (December 19, 1970, pp 2041-47), Iqbal Narain and V P Grover conclude rather boldly that, "the obsession with the generalist vs the specialist controversy carried into the sphere of Panchayati Raj seems to yield adverse results". The authors further assert that "the replacement of a generalist BDO [Block Development Officer] by a technocrat BDO may in the Indian context militate against the multi-dimensional approach to community development and may also worsen administrative problems without necessarily boosting production". However, a closer examination of the methods and material used by the authors indicate that their effort is an exercise in over-simplification and the conclusions drawn by them are unwarranted.

In the generalist vs the technocrat controversy one may come across scores of arguments and counter-arguments. The opinions do differ. However the objective of the present note is not to argue for or against one or the other system. The limited purpose here is to indicate that the authors would, perhaps, have refrained from wording their conclusions in so categorical a manner, had they attempted to correlate the so-called "poor performance" in the later years, with the real factors responsible for it; their present attempt to relate the poor performance with only one variable (and rather an irrelevant variable at that) yields inferences which are unwarranted, if not misleading.

I

The authors have derived the above conclusions on the basis of the comparison of a few indicators of the level of performance of six Panchayat Samitis (two each in Ajmer, Pali and Kota districts) in the years of pre- and post-technocrat rule (1963-64 to 1965-66 and 1966-67 to 1968-69). The authors, however, are not worried about the comparability of their data. For example in the comparative study of physical achievements (the details of physical targets are left unmentioned), out of 15 items in the two periods (Table 1 in the article), information in

of the Panchayat Samitis for any of the years comprising the period when the generalist was at the helm of development affairs. There are significant gaps in information even in respect of a few other items (e.g. for some of the Samitis no information about any of the 15 items is available during 1968-69). The meaningfulness of comparison based on such data is obviously limited.

Besides, on purely methodological grounds one could have a serious objection to the way in which the authors have drawn the conclusions. Before attributing any shortfall in physical achievement to technocrat BDOs, it would be necessary to assess the extent to which the BDO (as a factor) contributes to block level development. Only if his contribution is significant, the rest of the exercise (comparison of the efficiency of technocrat vs-a-vis generalist) would be worthwhile. Several sophisticated techniques are now available to researchers to precisely quantify and measure the contribution of individual variables in given situations; these could be profitably used before hazarding any conclusion about the impact of change in the nature of incumbents to the post of BDO on rural development. One should hasten to add that paucity of usable data may severely restrict the scope for using sophisticated techniques.

Alternatively, the above type of impact may be studied simply by comparing the two situations, provided other factors (excepting change of BDOs post) which may substantially affect the development process remain unchanged provided that these factors change without producing a significant impact. In other words, it would be necessary to assume that the only factor that would make a significant impact on the rural development programmes, would be the replacement of one kind of BDO (generalist in the present case) by another kind (technocrat). The authors appear to have made this assumption implicitly while comparing the data on physical achievements of Panchayat Samitis in the two situations. Consequently, except for a bare mention, they over-

tors, characterising the latter period (i.e. the period of control by technocrat BDOs), which might have affected the physical achievements of the blocks even in the absence of any change in the technical equipment of the incumbents to the post of BDO. These factors may be briefly discussed.

II

Firstly, after the completion of the Third Five-Year Plan (i.e. 1965-66) there was a virtual 'plan holiday' in Rajasthan as well as in other parts of the country. The annual plans were certainly there but the tempo of development slackened. There was an all-round economy drive in the State, which incidentally was the principal factor responsible for converting the agricultural extension officers (AEOs) into BDOs and substituting them for officers of the Rajasthan Administrative Service (RAS) working as (generalist) BDOs, without providing for additional AEOs. All this had its impact on block-level activities too.

Allocation of funds for agricultural programmes (including community development and Panchayats) were substantially reduced. This inevitably affected performance under the different programmes of the blocks. No block-level details of plan expenditure under different heads are readily available. Yet the situation may be illustrated with the help of district level data of plan expenditure on agricultural programmes during the two periods. In Ajmer district the plan expenditure on agricultural programmes during the second period was about Rs 83 lakhs as against Rs 108 lakhs during the first period. The corresponding figures for Kota were Rs 113 and Rs 137 lakhs respectively. For Pali district the amount was Rs 105 and Rs 140 lakhs for the second and the first periods respectively.² Thus the plan expenditure on agricultural programmes during the second period (i.e. regime of the technocrat BDOs) compared to first period (i.e. regime of the generalist BDOs) declined by nearly 22, 18 and 25 per cent in Ajmer, Kota and Pali respectively. The impact of such a decline in plan expenditure for block level development would certainly be greater than the impact (if any) of change in the type of personnel manning the post of BDOs.

of the districts, particularly of Pali and Ajmer, had poor rains or almost famine conditions.³ The water supply from irrigation systems operating in the three districts and irrigation wells was very severely reduced. These factors had an adverse impact on block-level development activities, too.

Further, as is well known, the whole process of development in the State gets a severe setback during the famine years. Provision of relief rather than development becomes the main problem. A part of development funds gets diverted to relief measures. The Revenue and Public Works Departments are usually in control of the situation. The development agencies, in practice, are made subsidiary to the above two agencies. In such circumstances the achievement performance of blocks is bound to suffer.

There is another reason why development funds get diminished in scarcity or famine conditions which is that there is a decline in the level of institutional credit. Poor agricultural production results in downfall in recovery of loans by the credit institutions which, in turn, means fewer funds for further lending. Table 2 presented (not interpreted) by the authors partly supports our contention. The availability of institutional loans (short-term, medium-term and long-term together) during the second stage was less than half of the loans given during the first stage in most of the Panchayat Samitis studied by the authors.

Thirdly, in certain cases, the relatively poor performance of Panchayat Samitis during the second stage was only a manifestation of some long-term tendencies in the Community Development Programme itself. In other words, physical achievements under certain items have been declining year after year. Hence comparison of the two periods without considering the performance in the years preceding them may not prove meaningful. People's participation (deterioration in which has been pinpointed by the authors), is one such item, where of late performance has been deteriorating in successive years. The phenomenon can be observed from Table 1 itself in the case of some of the Panchayat Samitis. In this context it is interesting to see the observations of the Evaluation Organisation study (in 1962-63): "There was a spontaneous and enthusiastic response from the people when the State first initiated the programmes of rural development.

In the first spurt of enthusiasm, contribution was more readily forthcoming.... After the primary felt needs of the people were satisfied... they naturally became somewhat reticent to continue the work with same tempo.... There is also growing feeling that it is the duty and responsibility of the State to develop the villages and local contribution should not be insisted upon". Accentuation of rural factionalism caused by the extension of the process of elections, according to the study, "has a very unwholesome effect on people's participation in development programme".⁴

In the case of a few other items, again, because of the very nature of things, a continuous increase in physical achievements is an impossibility. Ultimately some sort of saturation stage is reached beyond which physical achievements are necessarily insignificant. The additional area under cultivation (again cited by the authors as an indicator of deteriorating performance of the BDO) is one of such items where, normally, achievements in the latter periods would be inevitably less spectacular than those in the earlier periods.

The above argument would also apply to items like distribution of improved seeds, implements and animals of improved breed, compost pits and even agricultural demonstrations, if farm technology and the agricultural development strategy (which affect the priorities within agricultural programmes) remain unaltered. Even if the latter two change, the achievements under some of the above items would still continue to be low. This would be so for the following reasons.

Since the adoption (in 1965-66) of the new strategy of agricultural development, agricultural programmes even at block level have undergone considerable change. The highest priorities are now accorded to the increased acreage under fertiliser-responsive high-yielding varieties of seeds. Other items like distribution of improved implements, traditional improved seeds⁵ and compost pits, etc, have now been relegated to a position of insignificance. This is an important explanation for the lower achievements under such items.

To sum up, the period since the replacement of generalist BDOs by the technocrat BDOs in Rajasthan has been characterised by factors such as reduced allocation of funds for agricultural programmes, indifferent weather conditions and changes in the

priorities within the agricultural programmes. All of these factors, together with some long-term tendencies within the Community Development Programme, explain the relative position of physical achievements in different activities of the Community Development Block during 1966-67 to 1968-69 compared to the preceding three years. In our opinion, the impact of the above forces has been so overwhelming that the impact (if any) of the changes in the type of incumbents to the posts of BDOs on physical achievement of some items could not but be insignificant.

Before we end, a word may also be added about the authors' impression that the new BDOs being technocrats (and therefore poor administrators) readily submit to the political pressures at Panchayat Samiti level and so give rise to various irregularities. Here, to be brief, one can add only this much, that such lapses are nothing new for Panchayati Raj institutions in most parts of the State. In fact, the type of BDO (technocrat or generalist) is of little consequence as far as the above ills are concerned. This is apparent from the observations of the Evaluation Organisation study (during 1962-63 when a generalist used to be the head of the block team) which compare well with the authors' observations about technocrat BDOs. The study observes that, "Instances have been noticed in which the Vikas Adhikari (BDO), has substantially surrendered his judgment or discretion to the Pradhan or the dominant group in the Panchayat Samiti or has even actively associated himself with activities which can not be termed wholly regular".⁶

Notes

- 1 In fact it is difficult to conclude anything about the performance of the programmes unless achievement figures are related to targets.
- 2 Calculated from districtwise plan expenditure in "Statistical Abstracts of Rajasthan" for the years 1964, 1965 and 1966 and "Plan Progress Report", 1966-69, both published by the Directorate of Economics and Statistics, Rajasthan, Jaipur.
- 3 According to the records of the Famine Relief Department, Rajasthan, the number of tehsils partly or fully affected by scarcity conditions during 1966-67 was 5 out of 5 in Ajmer, 5 out of 7 in Pali and 5 out of 12 in Kota. During the subsequent two years the rainfall conditions were still worse and all the tehsils in Pali and Ajmer were partly or fully affected by famine conditions.

- 4 "The Pattern of Rural Development in Rajasthan", Evaluation Organisation, Government of Rajasthan, Jaipur, pp 82-83.
- 5 It is not clear from the article under review, whether the item 'improved seeds', included the new high-yielding varieties of seeds. At least the data of new seeds distributed in two Samitis

in Kota district (a district included in Narain and Grover's article), collected for study by the Agro-Economic Research Centre (for Gujarat and Rajasthan), show that the amount of new seeds distributed (excluding the natural spread in the case of Mexican wheat) was much higher than reported by the authors. Besides achievements of acreage under

HYV in the two Samitis have exceeded the targets year after year since 1965-66. For details see, "Study of High-Yielding Varieties Programme in Kota District, Rajasthan", Agro-Economic Research Centre, Vallabh Vidyanagar, Research Study No 21, 1969 (mimeo).

- 6 "The Pattern of Rural Development in Rajasthan", op cit, p 97.

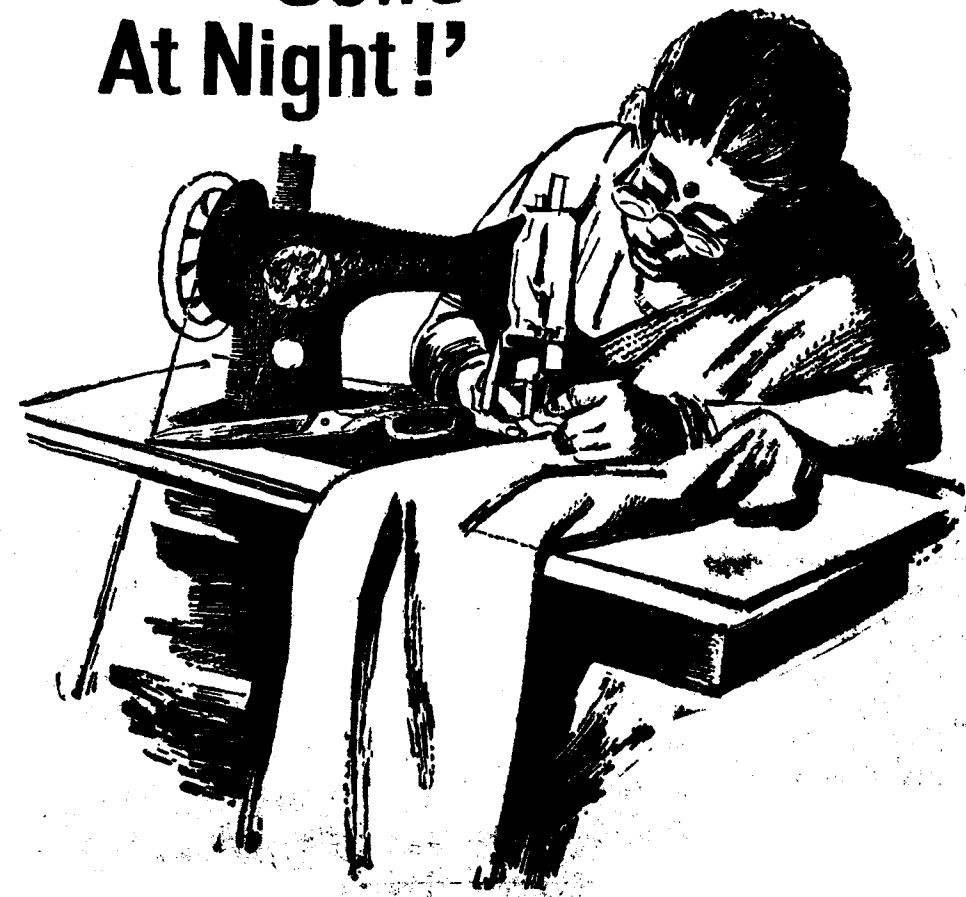
The whole village talks of her. If little Rampur had a newspaper, this would have been a headline!
Muniamma doesn't give up easily. Nearing fifty, she has bought a sewing machine. The village Bank gave her a loan. She stitches clothes for the neighbourhood and adds to her husband's income....
She works at night, when the chores are over. She can... Her hut is electrified. Power flows in the villages, turning the wheels of small workshops, drawing water out of

the depths in the fields....
Even the oil-man uses power; he has sold the tired bullocks that turned the ghan. His son is in the polytechnic. The boy may dig for oil, one day.... Who knows?

It is a better today* which will lead to a still better tomorrow

* For a free copy of a booklet 'INDIA TODAY', please write to D.A.V.P., P.T.I. Bldg., Parliament Street New Delhi-1

'Muniamma Sews At Night!'



Dena Bank

Bombay

Balance Sheet as at 31st December 1970

1969	CAPITAL AND LIABILITIES	1970
Rs.		Rs. P. Rs. P.
	1. Capital :	
1,25,00,000	Paid-up Capital (Wholly owned by the Central Government)	1,25,00,000.00
	2. Reserve Fund and Other Reserves :	
1,77,43,669	(Including Share Premium Account Rs. 11,00,000 and Development Rebate Reserve Rs. 1,15,000)	1,87,63,669.00
	3. Deposits and Other Accounts :	
64,42,99,215	Fixed Deposits	73,31,66,858.01
44,22,60,561	Savings Bank Deposits	50,94,44,314.85
26,95,74,000	Current Accounts, Contingency Accounts, etc.	30,72,42,168.00
135,61,33,776		154,98,53,340.86
	4. Borrowings from Other Banking Companies, Agents, Etc. :	
6,20,35,600	i) In India	12,08,09,600.00
Nil	ii) Outside India	Nil
6,20,35,600		12,08,09,600.00
	Particulars :	
	A. Secured :	
Nil	i) By part of Investments as per contra	Nil
3,80,00,000	ii) By part of Bills Discounted as per contra	10,60,00,000.00
1,35,35,600	iii) Under the Refinance Scheme of Industrial Development Bank of India by part of advances as per contra	1,48,09,600.00
1,05,00,000	B. Unsecured :	Nil
1,11,55,774	5. Bills Payable :	1,99,33,792.20
	6. Bills for Collection being Bills Receivable as per contra :	
10,70,98,663	i) Payable in India	12,71,02,866.44
1,27,31,043	ii) Payable outside India	1,81,50,050.50
11,98,29,706		14,52,52,916.94
157,93,98,525	Carried Forward	186,71,13,319.00

Dena Bank

Bombay

Balance Sheet as at 31st December 1970

1969	PROPERTY AND ASSETS	1970
Rs.		Rs. P. Rs. P.
	1. Cash :	
13,06,97,943	In hand and with Reserve Bank of India, State Bank of India and Notified Banks (Including Foreign Currency Notes)	13,71,37,902.78
	2. Balances with Other Banks :	
12,86,394	i) In India on Current Accounts	9,95,447.04
40,57,101	ii) Outside India on Current Accounts	16,40,024.52
53,43,495		26,35,471.56
20,00,000	3. Money at Call and Short Notice :	15,00,000.00
	4. Investments : (At or Below Market Value)	
46,97,71,098	i) Securities of the Central and State Governments and other Trustee Securities : (Face Value Rs. 49,35,20,200)	48,92,76,232.23
18,39,940	ii) Shares :	18,39,939.75
69,63,533	a) Fully paid Preference Shares	64,72,523.08
Nil	b) Fully paid Ordinary Shares	Nil
21,22,155	c) Partly paid Preference Shares	21,22,154.80
1,03,60,183	d) Partly paid Ordinary Shares	87,84,747.50
Nil	iii) Debentures or Bonds	Nil
Nil	iv) Other Investments	Nil
Nil	v) Gold	Nil
49,10,56,909		90,81,95,997.36
	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. :	
	i) In India (includes an amount of Rs. 1,48,09,600/- relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India as per contra)	78,60,26,900.51
63,58,13,414	ii) Outside India	Nil
Nil		78,60,26,900.51
63,58,13,414		
	II. Bills Discounted and Purchased :	
	(Excluding Treasury Bills of the Central and State Governments)	
	i) Payable in India (of which Bills of the face value of Rs. 12,75,00,000/- are held by the Reserve Bank of India as securities against Borrowing Arrangements)	29,72,47,351.68
21,15,22,188	ii) Payable outside India	2,41,11,036.88
1,44,75,542		32,13,58,388.56
22,56,97,730		110,73,85,289.07
86,15,11,144		
149,05,09,491	Carried Forward	

Balance Sheet as at 31st December 1970

1969		CAPITAL AND LIABILITIES		1970	
Rs.	Brought Forward	Rs.	P.	Rs.	P.
157,93,98,525				186,71,13,319.00	
5,71,04,365	7. Other Liabilities :			6,07,74,135.05	
10,44,36,691	8. Acceptances, Endorsements and Other Obligations as per contra :			13,06,46,220.83	
	9. Profit and Loss :				
1,43,284	Profit as per last Balance Sheet	Nil			
30,63,474	Add : Profit for the year as per Profit and Loss Account	50,99,140.61			
32,06,758		50,99,140.61			
16,28,669	Less : Transferred to Reserve Fund	10,20,000.00			
15,78,089		40,79,140.61			
8,05,000	Less : Bonus to Staff	24,59,000.00			
(Balance bonus for 1969)					
7,73,089	Balance being the amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970			16,20,140.61	
	10. Contingent Liabilities :				
5,62,126	i) Claims against the Banking Company not acknowledged as debts	12,82,384.46			
19,84,180	ii) On partly paid shares of Joint Stock Companies	19,84,180.00			
18,20,59,836	iii) On Letters of Guarantee on behalf of Constituents	20,33,64,779.89			
3,22,90,600	iv) On account of Outstanding Forward Exchange Contracts	2,27,85,668.83			
Nil	v) On Bills of Exchange Rediscounted	Nil			
	Note : Provision to the full extent for future gratuities to Staff has not been made, the liability for which has not been ascertained.				

Balance Sheet as at 31st December 1970

1969		PROPERTY AND ASSETS		1970	
Rs.		Rs.	P.	Rs.	P.
149,06,09,491	Brought Forward			175,68,54,260.77	
	Particulars of Advances :				
72,59,86,176	i) Debts considered good in respect of which the Banking Company is fully secured	92,87,90,433.07			
3,62,88,737	ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	4,93,16,837.22			
9,92,36,231	iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of debtors	12,92,78,018.78			
Nil	iv) Debts considered doubtful or bad, not provided for	Nil			
86,15,11,144		110,73,85,289.07			
4,87,952	v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	6,36,288.12			
NOT APPLICABLE	vi) Debts due by 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	Nil			
4,87,952	vii) Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other persons	7,32,817.51			
NOT APPLICABLE	viii) Maximum total amount of advances including temporary advances granted during the year 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	Nil			
Nil	ix) Due from Banking Companies	7,41,316.00			
10,70,98,663	6. Bills Receivable being Bills for Collection as per contra :	12,71,02,866.44			
1,27,31,043	i) Payable in India	1,81,50,050.50			
11,98,29,706	ii) Payable outside India			14,52,52,916.94	
10,44,36,691	7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as per contra :			13,06,46,220.83	
70,07,473	8. Premises : Less Depreciation	80,67,813.16			
10,60,340	At cost as per last Balance Sheet	3,18,272.66			
80,67,813	Additions during the year	83,86,085.82			
19,75,000	Less : Depreciation to date	22,00,000.00		61,86,085.82	
60,92,813					
1,28,97,742	9. Furniture and Fixtures : Less Depreciation	1,60,26,930.34			
31,89,542	At cost as per last Balance Sheet	32,85,880.35			
1,60,87,284	Additions during the year	1,93,12,810.69			
60,353	Less : Deductions during the year	1,26,591.57			
1,60,26,931	Less : Depreciation to date	1,91,86,219.12			
62,34,008		76,42,727.43		1,15,43,491.60	
97,92,923					
34,05,069	10. Other Assets Including Silver :	14,55,379.00			
60,23,595	a) Advance payment of tax	63,82,965.84			
10,675	b) Interest accrued on Investments	6,291.89			
5,77,935	c) Small Silver Bars	7,58,941.27			
9,33,772	d) Stamps and Stationery	10,67,261.44			
1,09,51,046	e) Sundry Deposits, etc.			96,70,839.44	
Nil	11. Non-Banking Assets Acquired in Satisfaction of Claims			Nil	
174,17,12,670	Total			204,01,53,815.40	

Profit and Loss Account for the Year Ended 31st December 1970

EXPENDITURE		INCOME	
1969	1970	1969	1970
Rs.	Rs. P.	Rs.	Rs. P.
4,68,29,193	1. Interest paid on Deposits, Borrowings, Etc.	(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
3,14,62,355	2. Salaries, Allowances and Provident Fund, Etc.	8,42,20,893	1. Interest and Discount
47,050	3. Directors' and Local Committee Members' Fees and Allowances	90,15,432	2. Commission, Exchange and Brokerage
44,40,822	4. Rent, Taxes, Insurance, Lighting, Etc.	1,92,456	3. Rents
2,41,562	5. Law Charges	Nil	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)
13,78,621	6. Postage, Telegrams and Stamps	Nil	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)
1,30,600	7. Auditors' Fees	Nil	6. Income from Non-Banking Assets and Profit from Sale of or dealing with such Assets
13,20,464	8. Depreciation on and Repairs to Banking Company's Property	23,84,930	7. Other Receipts
36,13,003	9. Stationery, Printing, Advertisements, Etc.	9,58,13,711	Total
Nil	10. Loss from Sale of or dealing with non-banking Assets	11,90,14,487.47	
32,86,346	11. Other Expenditure		
30,63,475	12. Balance of Profit		
9,58,13,711	Total		

Notes :

- The figures for the year 1969 include those for the pre-nationalised period from 1st January 1969 to 18th July 1969.
- The year's profit is subject to bonus of Rs. 24.59 lakhs shown by way of appropriation of profits in the Balance Sheet as against profits of the previous year arrived at after charging Rs. 9.75 lakhs out of the total bonus for 1969 of Rs. 17.80 lakhs.
- Total Expenditure on Public Relations & Publicity for the Year Ended 31st December 1970 is Rs. 8,20,995.80.
- Particulars of remuneration to the Custodian :
 - Salaries.....Rs. 51,666.66 (Rs. 60,000.00);
 - Allowances.....Rs. 1,583.33 (Rs. 3,000.00);
 - Bank's contribution to Provident Fund.....Rs. 2,637.03 (Rs. 5,600.00);
 - Monetary value of other benefits or perquisites.....Rs. 9,518.99 (Rs. 17,169.00)
 Total.....Rs. 65,406.01 (Rs. 85,169.00)
 (Figures in brackets are for the full year 1969)

HARIDAS K. SWALI
General Manager

R. A. GULMOHAMED
Custodian

DINESH M. PARIKH
Assistant General Manager
& Chief Accountant

M. P. CHITALE
KRISHNA RAJ
SOORYAKANT PARIKH
V. V. DIVATIA
S. M. KELKAR
Directors

14th June 1971.

ECONOMIC AND POLITICAL WEEKLY

June 26, 1971

Dena Bank Report of the Auditors

The President of India :

1. We have audited the foregoing Balance Sheet of DENA BANK as of 31st December 1970 and also the foregoing Profit and Loss Account of the Bank for the year ended on that date, in which are incorporated the Returns from 85 Branches audited by us, 58 Branches audited by other auditors, and the unaudited returns in respect of 205 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 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 :

- 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 :
 - 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 1970;
 - the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account.
- 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;
- The transactions of the Bank which have come to our notice have been within the powers of the Bank;
- The Returns received from the offices and branches of the bank have been found adequate for the purposes of our audit.

Dalal & Shah
N. M. Raiji & Co.
Kulkarni & Khanolkar
Chartered Accountants

Bombay, 17th June 1971.

FROM THE CHAIR

Alembic Chemical Works Company Limited, Baroda

Speech of the Chairman, Shri Ramanbhai B Amin

THE following is the Speech of Shri Ramanbhai B Amin, Chairman, Board of Directors, at the Sixty-fourth Annual General Meeting of the Company held on June 17, 1971:

LADIES AND GENTLEMEN:

I have great pleasure in welcoming you to the 64th Annual General Meeting of the Company.

The Accounts for the year ended 31st December, 1970 and Directors' Report have been circulated to you and with your permission, I shall take them as read. You will observe from these that your Company continued to maintain the rate of growth in turnover.

While maintaining its pace of growth, your Company has always

kept in view the need for making available new and better drugs and to make them available where needed through a wide and efficient network for distribution. In this direction, the commencement, during the year, of the manufacture of two antibiotics viz. Streptomycin and Erythromycin are worth mentioning. The next one would be Kanamycin. In the distribution of goods we have reached out to the rural centres to a larger extent than was hitherto possible. In spite of the frequent and persistent uncertainties in obtaining raw materials, the Company, I am glad to say, has been able to satisfy, by and large, the demand for quality goods. In this task, while there arose a necessity to maintain larger stocks of material, the facilities for

credit and finance became more and more difficult to arrange for. The nationalisation of the major commercial banks and the subsequent directives regarding the grant of facilities to larger industrial units like yours are affecting the pattern of corporate financing. The transition in this, as in all others, has been trying. The paucity of finance is accompanied and aggravated by higher cost of borrowings.

The overall economic situation in our country has over the past few years improved and stabilised. Agricultural production has made good progress. In the industrial sphere, a number of linkage products and services have been developed, so that the major industries can expand and

diversify production without suffering setbacks and delays as they used to, earlier. The general perspective, therefore, is such that the economy is poised for rapid, smooth and sustained growth. It, however, has not been able to 'take off' because some pre-requisites in terms of government policy and approach are not satisfied; and the momentum built up so far is likely to be spent and dissipated. If this happens, we would have an induced recession, thanks to the lack of imaginative and positive policies on the part of government rather than to the constraints and limitations of our economy itself.

The proposals of the budget presented by the Finance Minister are not designed to lift us out of stagnation.

Excise as a form of taxation has been a very popular instrument for raising revenue with governments. Because of the easiness with which it can be raised there is a tendency to bring more commodities under it or to enhance the rates on existing articles or to take resort to both. This is done with a view to pull in the revenue without any serious consideration as to its other wider implications. The high level of these rates makes the use of these articles prohibitive. Also in cases like the excise on capital goods, the means of production themselves are subjected to a crippling levy. Whatever may be the objectives of an excise levy, it surely was never meant to be a punitive measure to prohibit consumption of certain categories of articles; nor should it, by its very nature, be an impediment to higher production because excise thrives on higher production. Instances of such ill-considered excise levies are many. The heavy excise of over 50 per cent on refrigeration units used in industry is one instance. The high rate of 66 per cent on air-conditioners in a country of climatic extremes is prohibitive and is a levy on efficiency. The rate of 53 per cent for industrial refrigeration units cuts at the roots of industrial production and employment. Further, what was once regarded as a luxury soon becomes a common man's necessity. Surely betterment of life is what we all strive for. However, when industries try to make this possible and bring some of the good things of life within the reach of the people, the tax gatherer promptly steps in and pulls the things back out of their reach. Such exercises in frustration have become hardy annuals in our budgets.

Any excise levy which increases costs and curtails production leads to an aggravation of the inflationary situation already threatening our economy. I submit, therefore, that there must be a ceiling on the rate of excise duty say, at 20 per cent. Industrial equipment should be completely freed from excise and be relieved from this additional load, particularly when high costs are pricing out so many of our potential exports in international markets.

Much has been said recently about the inconvenience caused to industry by the canalisation of imports. What I would like to point out, however, is the danger of indiscreet imports being made. Any indiscriminate imports would be against the interest of the domestic production and indigenous development of materials, and would dampen the tempo of self-reliance and import substitution which we have sought to build up over the years. We already have a paradoxical spectacle of the imports of penicillin being made while indigenous manufacturers like us are asked to export it. An added curious aspect is that your Company is not even allowed to expand its capacities.

Price control in a specific sector of the national industrial nexus is *prima facie* unfair and is also difficult to manage. It is unmanageable because the official machinery, whose acquaintance with the specific and general situation of an industry is already inadequate is burdened with a mandate which may be characterised by political prejudice, as it was in the case of the Drug Prices Control Order. It is unfair because the scheme of control is arbitrarily worked out and operated in such way that the prices of end products are fixed while the costs of every other input are allowed to rise unchecked. Ironically enough, this was imposed on perhaps the only industry in India wherein the industry kept its own prices in check while the prices of every other industrial product were going up. The present price control order, however, is a fact of life and the industry is somehow adjusting itself to its peculiarities and hardships. One would hope and strongly urge that in the light of this experience, Government does not indulge in any further exercises and experiments in this direction. Experience shows that price control can be only a temporary measure and a palliative to be utilised only in special conditions. In the long run, selling prices will depend on

costs. Costs can be reduced only if production is allowed to grow. There must, therefore, be lesser constraints on production and there should be no procedural delays in sanctioning new or increased capacities. The long delays in sanctioning the expansion programme for increased capacities in our antibiotics and the antitussive are glaring examples in our case. We understand that similar is the experience of most other manufacturers. If there are no hurdles and handicaps to increased production, we have greater competition and a basic drive to greater efficiency and cost-consciousness. And better results will be achieved thus than through any system of rigid and detailed price control. One can only hope that an appreciation of this plain truth will be more widespread and will influence all governmental action hereafter.

Before I conclude, you would like me to express our appreciation of the hard work willingly put in by all the workers and members of the staff both at Baroda and at the various centres for distribution situated all over the country. I thank my colleagues on the Board for their guidance throughout the year.

I now commend the Annual Accounts and Directors' Report for your consideration.

Note: This does not purport to be minutes of the meeting.

Irrigation in Afghanistan

THE existing irrigation system in the Khanabad valley in north-eastern Afghanistan is to be modernised. A credit of \$5.0 million from the International Development Association (IDA) has been offered for the purpose.

The Khanabad valley of the Kunduz province is one of the more fertile areas in Afghanistan. The present irrigation system consists of loose stone structures to divert water from the river into irrigated canals with brushwood drops and checks that control the flow through the canals to farm turnouts. These frequently wash away during floods and do not allow controlled application of water or efficient use of new varieties of seeds and fertiliser. The idea now is to construct permanent structures including a diversion weir on the Khanabad river, a main canal and link canals with water control structures, cross drainage, bridges and culverts. The project will provide improved water control, prevent flooding of the valley during peak flow

The inheritors



...or the betrayed?

A shadow darkens the future of over 60% of India's children—yet not many people even know its name: protein malnutrition.

What it means

Protein is the element in food that builds both body and mind. If children between 6 months and 5 years do not get enough protein they become physically stunted. Worse, their mental development may be affected. And protein later on cannot repair this damage. It lasts a lifetime.

What it forebodes

- *Economic ills—Adults below par, prone to illness, mean low productivity, wasted manhours.
- *Population problems—Malnutrition is the major single cause of infant deaths. High infant mortality encourages larger families.
- *Social injustice—When over two-thirds of the younger

generation could be handicapped by malnutrition, how can we talk of equal opportunity for all?

Help.

Malnutrition is a hidden famine...and so more dangerous. We must fight it on all fronts.

DEVELOPMENT PLANNERS must recognise that nutrition is an important pre-requisite to socio-economic development.

PRIVATE INDUSTRY must fulfil its social responsibility—low-cost nutritious foods are urgently needed.

GOVERNMENT, BOTH CENTRAL AND LOCAL, must

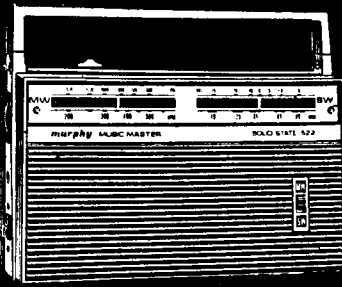
- *initiate developmental research
- *rationalise distribution of scarce protein foods
- *encourage the food industry with rational laws and licensing policies
- *organise mass-scale relief programmes
- *extend fortification of basic foods
- *use mass communication for nutrition education

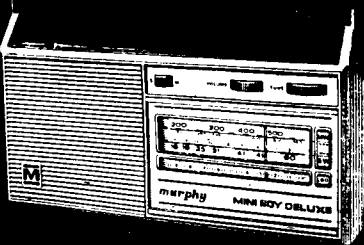
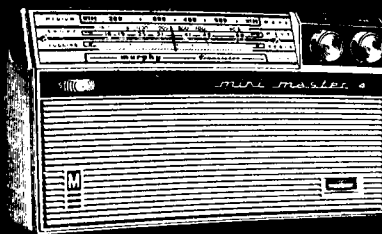


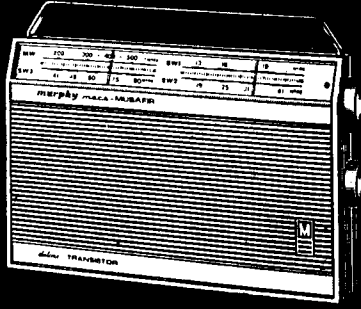
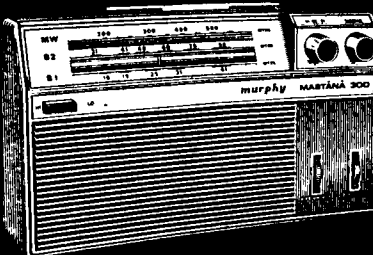
Inserted in the public interest by the Protein Food Association

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